

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



Sixty-second meeting of the Standing Committee
Geneva (Switzerland), 23-27 July 2012

Administrative matters

Financial matters

ACCESS TO FINANCE, INCLUDING GEF FUNDING

1. This document has been prepared by the Chair of the working group on access to finance of the Finance and Budget Subcommittee (FBSC) in collaboration with the Innovative Finance Foundation (IFF) and the CITES Secretariat.¹

Background

2. In Decision 15.20 (*Funding for projects related to species conservation and management*) adopted at its 15th meeting (CoP15, Doha, 2010), the Conference of the Parties directs the Secretariat to:
 - a) *in cooperation with international financial institutions and potential donors, investigate possible ways to establish the means to secure funding to support the provision of technical assistance to CITES Parties in relation to regulating wildlife trade (including population studies as a basis for management programmes); and*
 - b) *report its findings and recommendations at the 16th meeting of the Conference of the Parties.*
3. The Secretariat submitted document SC61 Doc. 16 on *Access to finance, including GEF Funding*² at the 61st meeting of the Standing Committee (SC61, Geneva, August 2011).
4. In that document, the Secretariat provided an overview of the current funding situation of CITES and highlighted the fact that there was no financial mechanism to support Parties in implementing their commitments under the Convention. It briefly described the existing financial mechanisms, such as the Global Environment Facility (GEF), the usefulness of these mechanisms, the modalities under which CITES could participate, and the potential of these mechanisms for supporting the conservation of CITES-listed species. The opportunities and challenges of accessing funding mechanisms and other relevant innovative financing approaches were also presented.
5. At SC61, the Standing Committee requested the Finance and Budget Subcommittee (FBSC) to establish an intersessional working group on 'access to finance', including GEF funding. The members of this group are representatives of Parties and have been asked to report at the present meeting on the outcome of their discussions.
6. The intersessional working group, working through electronic means, came to the conclusion that it should take advantage of the Parties' huge and rich pool of experience and ideas, and it developed a questionnaire to collect their input.

¹ *The geographical designations employed in this document do not imply the expression of any opinion whatsoever on the part of the CITES Secretariat or the United Nations Environment Programme concerning the legal status of any country, territory, or area, or concerning the delimitation of its frontiers or boundaries. The responsibility for the contents of the document rests exclusively with its author.*

² See <http://www.cites.org/eng/com/SC/61/E61-16.pdf>.

7. With Notification to the Parties No. 2012/017 of 2 March 2012, the Secretariat published that questionnaire on *Access to finance, including GEF Funding* for the CITES Parties. The deadline for responding to this questionnaire was 31 March 2012.
8. As the number of completed questionnaires received by 31 March 2012 did not allow to draw valid conclusions, following consultations with the Chair of the Finance and Budget Subcommittee, the Secretariat issued Notification to the Parties No. 2012/037 of 1 May 2012 extending the deadline for completion of the questionnaire until 11 May 2012.
9. Thirty-four Parties have returned the completed questionnaire. Even when the number of filled questionnaires is lower than expected, the analysis of the responses show some trends on the possible action. This analysis is included in Annex I to the present document, including detailed statistics on how the Parties have responded to the different questions.

Innovative financing

10. In addition, the CITES Secretary-General and the President of the Innovative Finance Foundation (IFF), Mr Robert Filipp, announced on 9 February 2012 the start of a collaboration to develop a portfolio of innovative financing activities involving industry partners and the financial sector. The Secretariat has concluded a Small Scale Funding Agreement with IFF, financed through external funds provided by an individual private donor, to outline the rational, approach and potential constituents of an innovative finance portfolio to support CITES goals and objectives. Annex 2 to the present document contains a feasibility study on innovative financing for CITES implementation prepared by FFI for consideration by the Standing Committee.

GEF approved a CITES-related project to strengthen wildlife forensic capabilities in South Africa

11. The Governing Council of the Global Environment Facility (GEF) has approved a project that will strengthen wildlife forensic capabilities in South Africa to combat wildlife crimes. The USD 3 million project was developed in cooperation with the Department of Environmental Affairs of South Africa and the United Nations Environment Programme (UNEP), and with support from the CITES Secretariat. The project aims to reduce poaching of rhinoceroses and the illegal international trade in their horns by strengthening enforcement capacity in South Africa through forensic-based technologies applied to rhinoceroses.
12. GEF funding will be used by the Government of South Africa for a dedicated forensic laboratory facility to provide timely DNA analysis of forensic evidence for the prosecution of wildlife crimes. It will also enhance the existing coordination and information sharing among all actors involved in law enforcement and anti-poaching efforts in the country and the sub-region.
13. The CITES Secretariat hired a consultant to work closely with the Department of Environmental Affairs of South Africa, as the executing agency, and UNEP, as the implementing agency, in the development of the project. This was made possible thanks to the generous financial contribution of the Government of Norway. The CITES Secretariat would like to thank the Chief Executive Officer of the GEF Secretariat and her staff for the strong support provided during the development and approval of the GEF-funded rhino project.

Recommendations by the Chair of the Working Group

14. The working group will reconvene in the margins of the present meeting and, if deemed appropriate, make recommendations to the Standing Committee for further action. In the meantime, the Chair of the working group wishes to invite the Standing Committee to reflect on the following:
 - a) Taking advantage of the feedback provided by the Parties in the Notification to the Parties No. 2012/037, the Standing Committee may wish to instruct the working group to finalize and submit a set of recommendations through the Finance and Budget Subcommittee for consideration and approval at the 16th meeting of the Conference of the Parties (CoP16). This may include the adoption of a resolution by the Conference of the Parties to request the GEF to serve as a financial mechanism of CITES and to enhance its biodiversity focal area by including a specific species-based component.
 - b) On the basis of the background document provided in Annex 2, the Standing Committee may wish to identify some of the most promising financial tools for use in the CITES context, and then determine

the level of involvement it wishes to have in developing further steps to adapt such financial tools to CITES.

Responses to Notifications to the Parties Nos. 2012/017 and 2012/037

Access to finance, including GEF Funding

Questionnaire for the CITES Parties

Results of the survey

1. The Chair would like to thank the 34 Parties that have returned the completed questionnaire. Whilst this number represents just under 20 % of the 175 Parties, responses came from all CITES regions, as follows:
 - Africa: Burundi, the Central African Republic, Côte d'Ivoire, Equatorial Guinea, Kenya, Madagascar, Mauritania, Senegal, South Africa, Swaziland and Togo (11 responses);
 - Asia: Japan, Qatar, the Syrian Arab Republic and Viet Nam (four responses);
 - Central and South America and the Caribbean: Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Honduras and Peru (10 responses);
 - Europe: Armenia, Azerbaijan, Greece, Norway and the United Kingdom of Great Britain and Northern Ireland (five responses);
 - North America: Mexico and the United States of America (two responses); and
 - Oceania: Australia and New Zealand (two responses).

This rather low response rate can be counterbalanced particularly in view of the uniformity in the responses received. Annex 1 reproduces the questionnaire distributed through Notification to the Parties No. 2012/037 and includes statistics of the responses received.

2. Although the response rate is not representative, a random sample of 34 countries show some interesting trends on the four main sections of the questionnaire:
 - a) Strategic Vision

Responding Parties showed a consistent view as to whether they considered the 3 objectives within Goal 2 of the CITES Strategic Vision 2008-2013 had been met. About two-thirds responded "Partly" regarding the three Objectives 2.1, 2.2 and 2.3. While there is recognition of the progress made, mainly at the international level, some Parties considered that much more needs to be done. The next sections of the survey were designed to identify the main gaps and where the fund-raising efforts should be first concentrated.

- b) Where is additional funding needed (for the CITES Trust Fund) for activities and actions by the Secretariat and institutions of the Convention?

As far as implementation and enforcement are concerned (Question 2.1), a majority of Parties identified "enforcement" as the key priority area, followed by "policy and law" and "science". Nineteen Parties replied that there was an "urgent need" for additional funding in the area of "enforcement"; 13 Parties replied that "science" was an "urgent need", and 18 that there was a "need". Finally, whilst 11 replied that there was an "urgent need" in the area of "policy and law", two believed that there was no need in this area.

On the subject of additional funding for Capacity-building (question 2.2), 32 of the respondent Parties believed that there was a "Need" or an "Urgent Need" for support for Non-Detriment Findings and 29 respondents believed there was a "Need" or an "Urgent Need" for more support for CITES and Livelihoods.

However, in other capacity-building areas, trends were less clear. On "issuing permits", 21 respondents saw a "need" or an "urgent need", but 11 saw "no need". Support for capacity-building for "reporting requirements" revealed a split with 10 respondents seeing an "urgent need", 11 seeing a "need", but 11 seeing "no need". Again, when considering additional funding needs for capacity-building in "developing effective national legislation", 14 respondents saw an "urgent need", 12 saw a "need" but seven saw "no need".

c) How can additional funding be generated?

When considering the means of how additional funding could be generated, 13 respondent Parties were in favour of increasing contributions of the Parties to the Trust Fund (question 3.1), among them both developed and developing countries, while 18 Parties were not in favour of this option and three did not respond.

Furthermore, it was very clear that responding Parties believed that additional voluntary contributions should come from private, non-governmental organizations and other sources (question 3.2) with 32 responses in favour, the highest rate of all the responses provided.

Other cost-recovery mechanisms were considered (question 3.3) and 22 responding Parties (65 %) were in favour of using the issuance of permits and certificates by Management Authorities, while 23 favoured using the registration of captive breeding operations and nurseries (68 %). However, 23 responses (68 %) were against charging for the access to CITES databases, online tools and training manuals and for other services (enforcement services, scientific services, etc.).

The respondent Parties were clearly in favour (26 affirmative responses) to considering other traditional, emerging and innovative financing mechanisms but were split (24 % Yes, 41 % No) as to whether they would consider supporting the Secretariat with gratis personnel and other contributions, with 35 % choosing not to reply to the question. Given the rate of no answers, it is possible that the formulation of the question was unclear as several Parties have commented.

d) Designation of a financial mechanism

The lack of a financial mechanism which would provide financial support to Parties for the implementation of the Convention was clearly recognized and 85 % of the respondents were of the view that there should be one or more designated financial mechanisms for CITES (Question 4.1).

When responding to Question 4.2, Parties were unclear whether such financial mechanisms should be stand-alone or not (32% Yes, 29% No, 38% No answer). Some Parties suggested that an instrument similar to the Multilateral Fund for the Implementation of the Montreal Protocol should be explored, while others requested further clarification on the implications of establishing a stand-alone mechanism.

Regarding the use of existing financial mechanisms, such as the Global Environment Facility (GEF), 26 Parties (76 %) were in favour of using the GEF for the implementation of CITES activities (Question 4.3). The options, making the GEF the financial mechanism of CITES by asking the GEF Council and the GEF Assembly to amend the instrument and enhancing the GEF biodiversity focal area by including an species-based component received both a broad support (76 % Yes, 12 % No, 12 % No Answer, respectively 74 % Yes, 3 % No, 24 % No Answer). However, the great difference between the supports for the two options does not justify making a determination whether any further work should concentrate on one option only. It was recommended that the Standing Committee mandate the Secretariat to develop a document for consideration at CoP16, including a proposal to make the GEF the financial mechanism of CITES.

e) General comments, observations, suggestions

Parties welcomed the efforts to undertake a survey on access to finance and requested training and guidelines to mobilize resources at the national level for species-based projects. The efforts to investigate other emerging and innovative financing approaches were particularly welcomed. It was also suggested to instruct the Secretariat to send a Notification making a general call for supporting secondments of staff to the CITES Secretariat.

Access to finance, including GEF Funding

Questionnaire for the CITES Parties (34 responses)

1. Strategic Vision

Goal 2 of the *CITES Strategic Vision 2008-2013* contained in Resolution Conf. 14.2 is to "Secure the necessary financial resources and means for the operation and implementation of the Convention". The Strategic Vision identifies three objectives to be achieved within this Goal:

Objective 2.1: *Financial resources are sufficient to ensure operation of the Convention.*

Objective 2.2: *Sufficient resources are secured at the national/international levels to ensure compliance with and implementation and enforcement of the Convention.*

Objective 2.3: *Sufficient resources are secured at the national/international levels to implement capacity-building programmes.*

In your opinion, had Goal 2 of the Strategic Vision been met by the end of 2011:

<i>Objective 2.1</i>	<i>1 entirely</i>	<i>23 partly</i>	<i>8 not at all</i>	<i>2 no answer</i>
<i>Objective 2.2</i>	<i>1 entirely</i>	<i>24 partly</i>	<i>7 not at all</i>	<i>2 no answer</i>
<i>Objective 2.3</i>	<i>0 entirely</i>	<i>22 partly</i>	<i>11 not at all</i>	<i>1 no answer</i>

2. Where is additional funding needed (for the CITES Trust Fund) for activities and actions by the Secretariat and institutions of the Convention

2.1 Implementation and enforcement of the Convention by providing support to the Parties on:

a) Science	<i>13 urgent need</i>	<i>20 need</i>	<i>0 no need</i>	<i>1 no answer</i>
b) Policy and law	<i>11 urgent need</i>	<i>20 need</i>	<i>2 no need</i>	<i>1 no answer</i>
c) Enforcement	<i>19 urgent need</i>	<i>14 need</i>	<i>0 no need</i>	<i>1 no answer</i>

2.2 Capacity-building for:

d) Non-detriment findings	<i>19 urgent need</i>	<i>13 need</i>	<i>1 no need</i>	<i>1 no answer</i>
e) Issuing permits	<i>7 urgent need</i>	<i>14 need</i>	<i>11 no need</i>	<i>2 no answer</i>
f) Reporting requirements	<i>10 urgent need</i>	<i>11 need</i>	<i>11 no need</i>	<i>2 no answer</i>
g) CITES and livelihoods	<i>6 urgent need</i>	<i>23 need</i>	<i>3 no need</i>	<i>2 no answer</i>
h) Developing effective national legislation	<i>14 urgent need</i>	<i>12 need</i>	<i>7 no need</i>	<i>1 no answer</i>

3. How can additional funding be generated?

3.1 Through increased contributions by the Parties to the CITES Trust Fund?

<i>13 yes</i>	<i>18 no</i>	<i>3 no answer</i>
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3.2 Through additional voluntary contributions to the CITES Trust Fund by non-governmental organizations and other donors?

32 yes 0 no 2 no answer

3.3 Through cost-recovery mechanisms for the services provided by CITES Management Authorities, Scientific Authorities and/or the CITES Secretariat?

A. Issuance of permits and certificates?

22 yes 8 no 4 no answer

B. Registration of captive breeding operations and nurseries

23 yes 4 no 7 no answer

C. Access to CITES databases, online tools, training material

7 yes 23 no 4 no answer

D. Other services (e.g. scientific or enforcement services)

10 yes 19 no 5 no answer

3.4 Should the Conference of the Parties consider other traditional, emerging, and innovative financing mechanisms, such as those discussed in document SC61 Doc. 16?

26 yes 1 no 7 no answer

3.5 Could you envisage supporting the Secretariat with gratis personnel or other forms of contributions in kind?

8 yes 14 no 12 no answer

4. Designation of a financial mechanism

4.1 Should there be one or more designated financial mechanisms for CITES?

29 yes 2 no 3 no answer

4.2 Should a stand-alone mechanism be established?

11 yes 10 no 13 no answer

4.3 Should existing international mechanisms, such as the Global Environment Facility (GEF), be used?

26 yes 3 no 5 no answer

a) Should the Conference of the Parties consider making the GEF the financial mechanism of CITES by asking the GEF Council and the GEF Assembly to amend the instrument?

26 yes 4 no 4 no answer

b) Should the Conference of the Parties ask the GEF Council and the GEF Assembly to enhance the GEF biodiversity focal area by including an species-based component (http://www.thegef.org/gef/sites/thegef.org/files/documents/document/GEF-5_Bio_strategy.pdf)?

25 yes 1 no 8 no answer

5. Do you have any other observations or suggestions?

Innovative Financing for CITES Implementation³ (Feasibility study)

³ **Acknowledgement and disclaimer**

* *This draft paper was prepared for the CITES Secretariat by Innovative Finance Foundation and includes contributions from the CITES Secretariat. Any opinions expressed in this draft are those of the author and do not necessarily reflect the views of the CITES Secretariat.*

1. Background

In the face of diminishing supply (and growing demand) for Official Development Assistance (ODA), innovative financing⁴ has become the “flavor of the day”. While there are, according to some accounts, over 90 innovative financing activities underway worldwide, very few directly address the inevitable changes in governmental priorities, the changing stakeholders, the growing complexity of environmental challenges and long-term funding requirements. Many multilateral organizations including the OECD, the World Bank and UNESCO have become increasingly active in innovative finance. But innovative finance is no panacea – it is nascent and complex and there are few examples of successfully implemented initiatives, most of these being in health.

Regarding innovative finance opportunities for CITES, the Standing Committee considered document SC61 Doc. 16 entitled “Access to Finance” during its meeting from 15-19 August 2011. The paper contained references to innovative financing and a first general presentation explaining what innovative financing is and how it has been used to-date in other sectors was made on 17 August 2011 to interested Parties. Subsequently, the Standing Committee requested the Secretariat to further explore concrete innovative financing options. In February 2012, the Secretariat announced collaboration with the Innovative Finance Foundation to that end, which as a first step included a feasibility study on the potential components of an innovative finance portfolio for CITES implementation.

By “CITES implementation”, we understand some key themes that have been identified as potential areas where innovative finance could have the potential to:

- Improve country-level capacity needed for making “Non-Detriment Findings” (NDFs)
- Improve traceability of species and products from source to end user to make international trade more compliant and enforceable
- Apply sustainable financing solutions to some of the key problem areas of international trade in wild fauna and flora
- Involve the private sector, both in financing and in implementation

Based on initial research and stakeholder consultations, we present an analysis and reflection focused on concrete innovative finance initiatives and vehicles that are ready for implementation as part of a CITES-linked innovative finance portfolio.

The general steps involved in creating a CITES-linked innovative finance portfolio are as follows:

√ Stage I (Feasibility)

- Initial analysis, stakeholder discussions and investment research in order to finalize a portfolio of innovative finance initiatives.

Completed with this paper and the high-level consultation organized by CITES and Innovative Finance Foundation on the occasion of the margins of the present meeting.

Stage II (Building the Innovative Finance Portfolio)

- Following a decision to go ahead with an initiative, the following activities would need to be undertaken (some steps may be added/removed for certain initiatives):
 - Design and structuring
 - Development of transaction flow
 - Meetings with potential public and private finance partners
 - Meetings with potential industrial partners
 - Discussions with seed investors, government sponsored and Sovereign Wealth Funds
 - Legal and financial work
 - Documentation

⁴ The 2002 Monterrey International Conference on Financing for Development heralded a series of initiatives aimed at providing additional, complementary, sustainable and effective funding for health and development. These innovative financing activities, outside the traditional ambit of governmental and multilateral funding, are garnering interest and enthusiastic support, especially in the light of the success of IFFIm (The International Finance Facility for Immunization), UNITAID, the GAVI Alliance, Advanced Market Commitments and Debt2Health and the establishment of The Leading Group on Innovative Financing for Development.

- Pitch book and related presentations

Stage III (Implementation through Marketing and Investment)

- Each vehicle will have go-no go decisions, following which the fundraising and full promotional campaign would be undertaken. This will be followed by launch, implementation and evaluation of the conditions of each vehicle.

2. Some observations regarding the role of CITES in innovative financing

Innovative financing involves a range of partners from industry, the investment community, governments and the financial sector. The role of CITES would be limited to providing technical information, mobilizing existing networks and the use of its brand (logo) under specific terms and conditions that ensure best possible risk-mitigation for CITES.

Given that innovative financing collaborations/products are targeted at CITES supporters in the private sector including industry, investors (which can include government-sponsored funds) and the financial sector, it is not strictly required that the CITES Secretariat, the Parties through the CITES management authorities be formally engaged in any of the products that may be structured.

The minimum requirements for CITES are:

- Continue to work in a collaborative manner on the structuring of the portfolio;
- Continue to provide insights, expertise and share information;
- Provide CITES brand (logo) where appropriate and necessary and with the appropriate protections;
- Participate in the board that decides how the money is allocated.

Above and beyond the minimum requirements, Parties and the CITES Secretariat are at liberty to decide their degree of engagement based on their own criteria where appropriate. For example, the CITES Secretariat or a Party could take a role as a general partner in a fund or nominate an observer to represent CITES on a fund board. During the early-stage stakeholder discussions, a few Parties both from developed and developing countries expressed interest to become involved in pilot projects related to the innovative finance portfolio. From our standpoint, this is highly desirable and would be greatly welcomed.

3. Recommended innovative finance portfolio components

Based on our initial research and stakeholder discussions, we believe that innovative financing presents opportunities, not only to garner additional funding but also to enhance the relationship with existing and new donors and the private sector, develop effective public-private partnerships and to support new solutions that can be tested at country level. For example, we found a great deal of interest and support for conservation and sustainable use of wild fauna and flora among technology entrepreneurs in the United States. We also found interest among philanthropy investors and government-linked funds in Europe.

Having reflected on the achievements and constraints of CITES, we consider that any optimal innovative finance solution in the protection of wild fauna and flora would ideally combine both financial innovation and innovation in “doing the CITES business”. We believe that the success of innovative financing will be greater the closer the alignment between investor goals and environmental outcomes.

Based on the best match possible between financial innovation, potential capital sources and the key themes/challenges for CITES, we outline the elements we consider suitable for an innovative finance portfolio for CITES implementation:

- a) *Alternative Assets*: This involves the launch of a **private equity fund** based on the innovative financing paradigm of “finding the investible attributes of a good cause and doing good at no penalty to the investor”. The fund would leverage the considerable goodwill of potential investors and new business opportunities created through cutting-edge technology applications and devices for industry, consumers and the CITES authorities.
- b) *Financial Markets*: This involves a CITES-linked index and a partnership with a financial institution to issue an exchange traded fund (ETF) based on the index and traded on the public markets. This proposal is based on the proven concept (Dow Jones Global Fund Index and the Deutsche Bank Global Fund

Supporters ETF) that makes it possible to leverage corporate support and the power of the public markets to generate new, long-term revenues for CITES implementation.

- c) *Corporate Social Responsibility*: This involves a program that leverages the direct relevance of CITES to enterprises that operate in domains linked to CITES-listed species such as the luxury goods industry. The principle driving these partnerships is a “win-win”, where the private sector gains in areas such as enhanced reputation/market access/brand building and where the besides generating a revenue stream for CITES, the collaboration advances the CITES mission. Funding from product marketing partnerships could be earmarked for capacity building in the area of NDFs and for the virtual college (see www.joinred.com for best-in-class example of a marketing campaign partnership).

Below, we describe in more detail the different options; we explain the rationale for including them in the innovative finance portfolio and set out some of the next steps that would be necessary to implement them.

A. Alternative Assets: The CITES Technology and Innovation Fund

Private equity is an umbrella term for an alternative asset class where investors (limited partners) pool their money in a partnership that invests in companies, buy-outs and similar ventures. Capital for private equity is raised mainly from retail and institutional investors (governments and multi-laterals can also sponsor developmental funds), and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet. Private equity investments often demand long holding periods to allow for company growth or a liquidity event such as an IPO or sale to a public company. The attraction of a private equity fund is the potential for substantial long-term gains.

A private equity fund is generally set up as a limited partnership, with a private equity firm as the general partner and the investors as limited partners. Private equity firms typically charge substantial fees for participating in the partnership and tend to specialize in a particular type of investment. Such a specialization can be in private equity impact investing - a strategy to generate both social value and financial returns. Impact investing generates measurable financial as well as social or environmental returns beyond comparable industry standard investments. Generally, impact investors are prepared to accept below market return or underperformance to support a social cause.

It is against this backdrop that CITES could explore the role of a private equity fund. Innovative Finance Foundation initial research shows that there is indeed a reservoir of strong support in the broader technology investment community for environmental issues and species protection in particular. Technology entrepreneurs are already heavily implicated in specific causes (such as the protection of turtles, rainforest protection, tiger and other wildlife project in Africa) and could definitely constitute a solid base upon which an enforcement investment fund could be structured.

Such a fund could also bring together Parties, “clients” and partners (e.g. luxury goods companies), governments, IGOs and NGOs in conservation and species protection for projects where a combination of equipment and software can advance the CITES objectives related to the control of international trade in listed species including improving enforcement through training and education. The fund could also engage in impact investing (the globally fast growing new asset class). Impact investing is a lucrative sector, in which operating margins are generally high. For example, Rockefeller Foundation and JP Morgan estimate that investing in social infrastructure (health, education, water and housing) and the environment in regions such as Africa will match or exceed traditional private equity returns.

A CITES-linked private equity fund would be based on a range of promising technological options; where the opportunities exist to either improve existing approaches (such as forensic technologies, e.g. DNA identification) in terms of efficiency, usability, portability and data integration or where proven technologies can be deployed for enforcement and consumer education mainly at a country-level (identification and matching technologies) or educational and informational approaches developed for the general public or enforcement professionals (“apps” and database technologies). It is vital that for each technology option, a clear business case be developed in terms of return on investment and real impact in terms of advancing the mission and objectives of CITES. The table below provides a general overview of potential avenues worthy of exploration:

Table 1: Technologies and their applications within the CITES context

Technology	Business opportunity for the Fund
DNA technologies – there is a growing amount of activity in the applications of DNA (including molecular genetics) for CITES species. DNA technologies can be applied for species identification and also for matching species (forensic databases).	Miniaturization and portability – ensuring rapid identification through “laboratory on a chip” technologies – the medical analogy is in the advances in “point of care” diagnostics and in the case of species protection, this could be called “point of control?” technologies.
Professional mobile information applications – wildlife trade management and related law enforcement requires access to considerable information (large number of species, complex regulatory environment, identification challenges etc.)	Applications that are available on mobile devices to support implementation and enforcement – that have educational and informational components. The aim is to make currently available information accessible to enforcement personnel in an accessible, usable and rapid manner.
Applications for the general public – remedying the current paucity of information on species protection that is easily accessible to the public.	An example could be an “app” that permits an individual to rapidly identify if a particular food emanates from a CITES-listed species through a combination of geo-localization, image recognition and expert database systems.
Optical recognition and database matching technologies for legal use of specimens of CITES-listed species such as reptile skins.	Technologies that scan and digitize legally harvested skins and a database that permits the verification that derivative products (such as watch straps) do indeed emanate from a particular legal skin.
Sound recognition technologies and associated databases – analogous to popular applications that permit matching a short clip of music to the full piece of music.	Point of control technologies permitting identification of for example, birds or other animals based on their particular calls (this technology is already under development at the University of Wisconsin, Madison, USA)
Individual living specimens matching technologies for legal trade enforcement – analogous to a range of technologies for identification of humans related to security and border control	Iris scanning technologies – well advanced in terms of portability, sensitivity and specificity could possibly be applied to identifying live animals at various points of international export chain.
Optical recognition of species based on unique features	For example, every coral has a particular shape and possibly unique micro-structure and this could be used to establish a database related to identification for legal export.
Laser technologies – including optical coherence tomography. Portable devices that can provide ultra-high definition imagery.	Applications in terms of matching, but also for aging biological materials (for example rhino horns and ivory)
Satellite imagery – already in widespread use, but new applications exist, including recognition technologies, “crowd-sourcing” and database integration.	Information technologies that could involve scientists, managers, enforcement authorities and the general public for monitoring, surveillance and data processing.
Analytical chemistry – applications of nanotechnology for biomedical science	Application of “laboratory on a chip” technologies to identify use of CITES-listed species in traditional medicines at the “point of control”.

Key steps related to setting up a private equity fund supporting CITES implementation

- a) **Enhanced technology review:** Research and consultation to ensure that a particular technological approach is indeed feasible from a scientific and an enforcement perspective. This requires a preliminary consultation process between technology specialists and CITES Authorities;

- b) **Initial business case for each chosen technology:** This included describing the process to develop an implementable technology (prototype, testing etc), market analysis, financial model, rollout, marketing and SWOT analysis;
- c) **Fund feasibility:** Initial proposal concerning structuring, management, strategy, governance, financial return, impact on CITES activities, draft term sheet etc. required for a go/no go decision to move to fund setup;
- d) **Fund initial setup:** Identification of investment focus, first set of investments, negotiations with partners, discussions with potential management team, finalizing economics and return model, production of materials, including pitch book, overview, web materials, draft PPM, etc.;
- e) **Fund pre-implementation:** Finalizing fund structure, partners, management, strategy, geography, investment opportunities etc and discussions with potential cornerstone investors, etc.; and
- f) **Fundraising, first closing, fund launch and operations:** Operational Private Equity fund operating over fund term (possibly 6+ years).

B. Financial Markets: The CITES Supporters exchange traded fund (ETF)

While dozens of new innovative finance projects have been undertaken in recent years, few of these activities have engaged directly with the financial services and asset management sector. And yet, it is the USD 100 trillion managed by financial institutions, pension funds, asset managers and Sovereign Wealth Funds (SWFs) that have potential to contribute sustainable long-term financing both at the global level as well as at the domestic level in grant implementing countries.

The exchange traded fund (ETF) is a passive investment fund (component are determined by an index and not by the active picking of stocks by a fund manager) listed by a financial institution for trading on stock exchanges. It is estimated that through 2012, the ETF market will see a compound annual growth rate (CAGR) of approximately 35% making them among the fastest growing types of securities and reflecting significant demand from both institutional and retail investors.

An ETF is built on an underlying index. The index for the ETF would contain a universe of companies that support the mission of the CITES. Examples of successful proof of concept of the attractiveness of such instruments exists in form of the Deutsche Bank “db-x trackers Global Fund Supporters ETF”, which is now trading on the Frankfurt and London stock exchanges. The uptake from top-tier financial sector partners such as Deutsche Bank and the National Bank of Abu Dhabi indicates that there is excellent potential to create products that not only meet investor needs for diversified asset allocation and performance but also, at no disadvantage to investors, raise additional financing for public goods such as protection of endangered fauna and flora. Given the size of the financial markets and the appeal of ETF products, revenue raised from index and ETF fees has the potential to scale up significantly over time. Moreover, unlike government pledges and philanthropic donations, this type of financing is additional, sustainable, predictable and complementary – thereby paradigmatic of innovative financing.

The funding generated by a CITES ETF will, without trade-offs, be additional to all current government and philanthropic contributions to the CITES. Given the size of the financial markets and the appeal of ETF products, revenue raised has the potential to scale up significantly over time.

Key steps related to setting up a CITES-Supporters ETF

- a) **Creation of the “CITES Universe”:** List of eligible companies and use the universe to narrow down constituents for index calculation; involves initial discussion with a top-tier index provider, for compiling and performance testing of the index;
- b) **Engaging an ETF provider:** discussions with a selected financial institution, which may be interested in structuring the ETF on behalf of CITES;
- c) **Securing seed investor:** Securing seed investment for the ETF; and
- d) **Structuring:** Discussions with Legal and ETF provider to draft and issue the ETF prospectus, launch and marketing on roadshows, etc.

C. Corporate Social Responsibility: The CITES Affinity Program

CITES has a compelling story (including 40th anniversary celebrations/campaign) and potentially a strong brand, which may permit initiatives similar to Product (RED) to be considered. The luxury goods sector is growing and there may be opportunities to develop innovative financing collaborations with key industry players and trade associations.

One of the best-in-class examples of a large, long-term marketing campaign linked to a good causes is Product (RED), an initiative established in partnership with international brands such as American Express, Apple, Gap, Microsoft, Armani, Converse, Starbucks and many others. Since 2006, (RED) has donated funds derived from a percentage of the profits from these companies' (RED)-branded products. Product (RED) is one of the few innovative financing for health instruments that leverages new funding sources exclusively dedicated to HIV/AIDS and channels them through the Global Fund to Fight AIDS, Tuberculosis and Malaria. Since its launch in 2006, RED has donated approximately US\$180 million to the Global Fund, but the sharp drop in contributions from its 2008 peak indicates that its reliance on consumer sentiment is precarious.

As a global umbrella with enforcement teeth to regulate international trade in wild fauna and flora, CITES is uniquely positioned to engage the modern, aware consumer most likely in the age group between 16-45 years in its cause. Specially branded consumer products could not only expand partner brand's social appeal but raise the awareness about CITES and its mission aside from funding for CITES endorsed projects such as capacity building for NDFs, the virtual college or other conservation/sustainable use projects at country levels. Long-term partnerships and short-term, one-off campaigns for example on the occasion of the 40th anniversary of the Convention could be considered.

There are a number of factors in consumer marketing and co-branding initiatives that need to be investigated further in discussion with potential industry partners, ideally based on opportunities potential transactions. These include the details of the revenue sharing agreements, especially the sales forecasts and time horizons of the mutual engagement, suitability of a single product or a product range from the CITES perspective and any potential conflict of interest related to any certification and regulation.

4. Concluding Comments

Our initial analysis and stakeholder consultations indicate that there is indeed substantial potential for developing an innovative financing portfolio in support of CITES objectives. The reasons for this include:

- CITES is a compelling “cause” and there is enthusiasm and substantial interest in species protection with groups such as technology entrepreneurs, the investment community, the Parties and their government-linked funds and multi-lateral institutions;
- CITES has many positive and “investible” attributes in terms of technologies, applications and devices and communications/information tools that constitute potential new markets and at the same time contribute in a positive manner to CITES implementation;
- There are real opportunities for private equity investment related to technology investments and education/awareness investments;
- CITES has a stakeholder “universe” that makes public financial market instruments worth investigating (for example, for an ETF);
- CITES is a robust corporate social responsibility “story” making it possible to develop CITES-linked consumer offerings to generate awareness and revenues to advance CITES objectives; and
- CITES unique position as a multi-country treaty makes it possible to develop innovative finance Public-Private-Partnerships (PPPs).