

BTFP II Proposal

For discussion with donors and potential partners



Executive Summary

The BioTrade Facilitation Programme (BTFP) seeks to facilitate sustainable trade in biodiversity products and services. It will do this through innovative collaborative arrangements that will:

- enhance sustainable bio-resources management;
- support BT product development, value-added processing and market entry;
- promote product differentiation and improve access to trade and pre-export finance;
- provide a voice for BioTrade in the policy environment that affects such trade.

The goal of BTFP II is:

- to facilitate sustainable trade in biodiversity products and services, through innovative collaborative arrangements that will enhance sustainable bio-resources management, product development, value-added processing and market entry, product differentiation and improve access to trade and pre-export finance¹, provide a voice for BioTrade in the policy environment that affects such trade; and
- to scale-up BioTrade activities based on experience during the first phase of the BTFP, complementing and strengthening the UNCTAD BioTrade Initiative.

The objectives of BTFP II are:

1. To contribute to a policy environment that promotes trade and investment as an incentive measure for the sustainable use of biodiversity in those sectors prioritised by the BTFP II;
2. To support BTFP partners to strengthen market information systems for BioTrade;
3. To promote product differentiation and market development for BioTrade products and services in order to change business conduct and the increase market up-take of the BioTrade concept;
4. To provide concrete product and business development support to developing country SMEs² in order to foster product development and increase sales of BioTrade products;
5. To provide company training and advice to support export promotion efforts of developing country SMEs;
6. To improve access to finance (credits, pre-export and trade finance) for BioTrade SMEs.

To achieve these objectives it adopts an integrated view of sustainable trade, looking simultaneously at support to policy makers, product development, promotion of market access and product differentiation with a view to remunerate sustainability efforts. It is a collaborative initiative of various partner organisations that cover the above-mentioned areas and complement each other. Interventions are oriented toward challenges and opportunities identified by the private sector and build upon the experiences gained by the UNCTAD BioTrade Initiative and partners since 1996. Collaboration will take place with various international organisations, national governments, and private sector.

Even more so than the BTFP I, the second phase of the BTFP will put increased emphasis on the involvement of the private sector in the implementation of BioTrade, and for the first time on promoting access to finance for BioTrade companies.

The following organisations will receive funding through BTFP II to contribute to the implementation of one or more of the objectives of BTFP II: UNCTAD; the International Trade Centre (ITC); the Union for Ethical BioTrade (UEBT); PhytoTrade Africa; BioNativa (Andean Trade Association).

¹ The BTFP evaluation mentioned this as an important area of work. IFC has expressed interest in working on this issue. It is interested in working with the UEBT, Andean Association and PhytoTrade Africa. It may be possible to do this in the context of the BTFP. If IFC isn't interested in developing this in the context of the BTFP this issue will be dropped as it is not the core competence of any of the BTFP partners.

² Small- and Medium-sized Enterprise.

The following organisations will contribute to the implementation of the BTFP objectives with their own funding: the Centre for the Promotion of Developing Countries (CBI); the Swiss Import Promotion Programme (SIPPO); the International Finance Corporation (IFC).

BTFP II will have a five-year project span. It will be administered by an entity – the Administrator – with a track record in international financial and programme management in the area of sustainable development. The Administrator will be selected by the BTFP Executive Board. The Board will oversee the implementation of the BTFP. It will approve the annual work-plans prepared by the implementing agencies and submitted by the Administrator. It will also monitor progress made in the implementation of the BTFP II. The Administrator will be asked to create within its organisation a BTFP Unit, which will be asked to undertake and promote effective coordination between BTFP implementing agencies and be in charge of the overall financial management of the BTFP programme. It will also be responsible for putting into place an outreach strategy, and help raise additional funding for BTFP II.

I. Introduction

This BTFP II project document gives a general overview of the BTFP objectives, components and governance structure. This document will be used as a basis for discussions with the potential BTFP donors, potential administrators and implementing agencies. This document will be further elaborated together with implementing agencies of the BTFP and other partners in the 1st semester of 2007.

In comparison with the 1st phase of the BTFP, this second phase puts more emphasis on involvement of the private sector in the implementation of BioTrade. Two new components have been introduced for this: the Andean Association BioNativa and the Union for Ethical BioTrade. This second phase also starts to pay attention to financing of BioTrade companies, through a partnership with IFC. Finally, the governance and project administration has been significantly changed to allow for up-scaling of the BTFP and improve project administration and management.

II. Background

2.1. The UNCTAD BioTrade Initiative

The BioTrade Initiative was launched in 1996 by the United Nations Conference on Trade and Development (UNCTAD), with the aim of supporting sustainable development through trade and investment in biological resources. It frames the implementation of its activities within the global conservation and development objectives established by the Convention on Biological Diversity (CBD), the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Millennium Development Goals (MDG) and the Commission on Sustainable Development (CSD).

BTFP is an official WSSD partnership and is one of the leading programmes in the world on biodiversity and business. UNCTAD, in cooperation with various partners in developing countries, has defined BioTrade as those activities of collection, production, transformation, and commercialisation of goods and services derived from native biodiversity under the criteria of environmental, social and economic sustainability.

In order to provide practical assistance to the implementation of this concept, the UNCTAD BioTrade Initiative, together with BioTrade National Programmes in the Andean region, developed a set of Principles and Criteria that offer guidance to the various public and private actors involved in BioTrade activities. These Principles form the core of the conceptual framework that supports all BioTrade's activities.

The UNCTAD BioTrade Initiative and the BioTrade Facilitation Programme have adopted a set of BioTrade Principles regarding products and services:

- Principle 1: Conservation of biodiversity
- Principle 2: Sustainable use of biodiversity
- Principle 3: Equitable sharing of benefits derived from the use of biodiversity
- Principle 4: Socio-economic Development (productive, financial and market management)
- Principle 5: Compliance with national and international regulations
- Principle 6: Respect for the rights of actors involved in BioTrade activities
- Principle 7: Clarity about land tenure, use and access to natural resources and knowledge

For a full list of the criteria and indicators supporting the seven principles of BioTrade please visit:
http://www.biotrade.org/BTFP/BTFP-docs/Working_docs/UNCTAD_BT_PC_en.pdf

Since its inception, BioTrade National Programmes have been created in Bolivia, Colombia, Costa Rica, Ecuador, Paraguay, Peru and Uganda, with BioTrade activities on-going in Botswana, Brazil, Malawi, Mozambique, Namibia, South Africa, Swaziland, Venezuela, Vietnam, Zambia and Zimbabwe.

Based on the concept of BioTrade, the BioTrade Initiative has established a number of partnerships with national and regional organisations to enhance the capability of developing countries to produce value-added products and services.

2.2. Mandate and relevance of BioTrade

The BioTrade Initiative derives its mandate from UNCTAD's Plan of Action (Bangkok, 2002, and São Paulo, 2004). The CBD and CITES, among others, have recognised BioTrade as a positive contribution to the implementation of these conventions. On several occasions they have called upon UNCTAD to work on biodiversity and trade through its BioTrade Initiative. The BioTrade Initiative responds to the MDGs and the CSD. See annex 2 for a more detailed description on these issues.

The BioTrade concept is recognised in national (biodiversity) strategies of a number of countries. In Colombia, for example, BioTrade is a key priority to achieve the 2019 country vision that the Department for National Planning has developed with regards to environmental management³. In Peru and Ecuador, BioTrade is part of the National Biodiversity Strategy⁴, in Uganda it is part of the National Export Strategy, while in the Andean region it is part of the Andean biodiversity strategy. An increasing number of donors and organisations are now directly supporting BioTrade National Programmes and other BioTrade partners⁵. This is allowing UNCTAD to put additional emphasis on other issues that are considered in the BioTrade implementation strategy, such as improving market access and forging market creation of 'biodiversity sensitive' products and services, and collaboration with Multilateral Environmental Agreements (MEAs).

The BTFP is also listed as an official type-two partnership of the 2002 World Summit on Sustainable Development held in Johannesburg, South Africa.

An interim evaluation that was conducted on the BTFP concluded that the issues that the BTFP addresses continue to be of great relevance and that it is one of very few international programmes to promote responsible trade in native species, which faces high demand for its services and focuses on products and for which consumer interest is on the rise⁶. The CBD decision VII/17 on private sector engagement (March 2006) underlines this when it recognised the work of the UNCTAD BioTrade Initiative and called all parties to work on issues the BTFP squarely addresses.

³ 2019 : Visión Colombia II Centerario, Consolidar la gestión ambiental que promueve el desarrollo sostenible. Departamento Nacional de Plantación, November 2006.

⁴ See for example Perú: Estrategia Nacional sobre Diversidad Biológica, October 2001 (<http://www.conam.gob.pe/endb/enb.htm>).

⁵ For example : CAF and UNEP/GEF are supporting Colombia, Ecuador and Peru in the development of a regional project to support BioTrade; The Netherlands, SECO and GTZ are supporting BioTrade programmes in Bolivia, Peru, Uganda and the Amazon region; IFAD is the main donor to PhytoTrade Africa.

⁶ UNCTAD BioTrade Facilitation Programme, Interim Evaluation, PRAXIMONDO, practitioners for development, environment and trade. Leni Berliner & Matthias Meyer, July 27, 2006

III. The 1st phase of the BioTrade Facilitation Programme (BTFP)

During the 2002 World Summit on Sustainable Development (WSSD) the first phase of the BTFP was launched as a type-2 partnership of the WSSD. It responded to the need of partners in Latin America and Africa for support in trade promotion and market access. BTFP activities focused on 3 areas: supply chain development, market access and development of methodologies.

3.1. Supply chain development

In the area of supply chain development, the BTFP has supported National Programmes and other partners in their selection of BioTrade products and services and strengthening these supply chains. This has given concrete support to national export strategies and focused efforts of conservation and sustainable use on the promising differentiated products a country has to offer. Strengthening supply chains enables the implementation of the BioTrade Principles along the whole chain and helps to identify areas for further technical assistance.

The BTFP is involved in the strengthening of the supply chains in a number of product groups (see below). Currently, over 75 companies in developing countries are involved with the BTFP in these value chains having a direct positive impact on income generation in over 370 local communities (and 62,000 households), which are sustainable in the areas they are living in. A larger number of companies is involved in the BioTrade National Programmes and other partners involved in BioTrade.

Product groups	Countries
1. Ecotourism	Uganda
2. Tropical flowers and foliages	Colombia
3. Natural ingredients for cosmetic, pharmaceutical and food industries	Bolivia, Colombia, Ecuador, Peru, Vietnam, Uganda and Southern Africa
4. Products derived from (wild) fauna:	
Ornamental fish	Peru, Vietnam
Arapaima gigas	Brazil, Colombia, Peru (and other Amazon countries)
Crocodile (<i>Caiman yacare</i>): leather and meat	Bolivia
Other wild-life products	Uganda

Supply chain development has enabled the effective management of native species and identified new markets. National capacity of support organisations has been strengthened as a result, and alliances between the private sector and environmental authorities have been strengthened.

3.2. Market access

In the area of market access, the BTFP has provided guidance and market-entry services to small- and medium-sized companies wanting to gain access to, maintain and expand their market share in local, regional and international markets. These services have included facilitating participation at selected international trade fairs, training sessions and workshops, Business-to-Business (B2B) programmes providing opportunities for direct matchmaking between sellers and buyers, and market studies. The BTFP has also provided policy studies and engaged in international discussions on technical barriers to BioTrade, labelling and certification, and product differentiation through the development of distinctive signs or geographical indications schemes.

3.3. Methodologies

In the area of methodologies, the BTFP has developed guidelines for product selection, value chain analysis and sustainable product management. These methodologies are used for BTFP action plans for specific product groups, providing functional and dynamic guidance to stakeholders in collecting, cultivating and processing native biodiversity in a sustainable manner. It is the concrete application of these guidelines to specific product groups that has determined the operational work of the BTFP and National Programmes. The BTFP has been working on the development of guidelines for the equitable sharing of benefits derived from the sustainable use of biological resources. These will facilitate the compliance of actors along the value chain with the benefit-sharing aspects of the BioTrade Principles and Criteria.

The Swiss and Dutch Governments contributed to the 1st phase of the BTFP with a total amount of US\$ 5 million. UNCTAD administered the 1st phase. Matching funds were provided and complementary activities developed by National BioTrade programmes and organisations such as the Dutch Centre for the Promotion of Imports from developing countries (CBI) and the Swiss Import Promotion Programme (SIPPO). Synergies were developed with other programmes under the BioTrade Initiative, including, for example, the BioTrade Regional Programmes of the Andean Community and Amazon Cooperation Treaty Organization, and the Ad-Hoc Working Group of Biodiversity-Related MEAs.

3.4. Interim evaluation

In early 2006, an independent interim evaluation was conducted on the BTFP and concluded that the work of the BTFP is increasingly recognised as a model for BioTrade development. Immediate results of the programme demonstrated BTFP's continued relevance as one of the very few international programmes to promote responsible trade in native species. There is therefore a high demand for BTFP's services for which consumer interest is on the rise. The evaluation recommended that BTFP moves from a first-phase experimental programme to a second-phase capacity-building effort, providing biodiversity-rich countries with a sustainable support system for BioTrade. At the same time, the evaluation made a number of recommendations to widen the scope of the programme, to modify the governance and to streamline fund administration. These recommendations have been taken into account in the design of the 2nd phase of the BTFP (see annex 1 for an overview of the main issues that the BTFP II addresses).

IV. The second phase the BioTrade Facilitation Programme (BTFP II)

After consultations with the BTFP, beneficiaries, Advisory Board and donors, it was decided to design a second phase for the BTFP. This second phase would build on the results obtained in the 1st phase, taking into account the lessons learned, as well as the current reality *vis-à-vis* trade and biodiversity.

4.1. Programme justification

The BTFP II responds to needs that have been detected during the years that the UNCTAD BioTrade Initiative, BTFP I, BioTrade National Programmes, and its partners have been operational. They have been identified in country assessments⁷, sector assessments⁸, project formulation processes⁹, and day-to-day operational activities¹⁰, and are based on views expressed by both the private and public sector. The following provides a brief overview of these needs (see annex 3 for a full description).

Need for an enabling policy environment at international and national level

In order to make business work for biodiversity and contribute to the sustainable development of countries' economies, countries need to have an enabling regulatory and policy framework in place. However, lack of understanding of the issues at stake, fear about unfair business practices and/or the unfair sharing of benefits (often referred to as biopiracy), as well as pressure from more conservation-oriented stakeholders, may result in defensive and restrictive attitudes of policy makers¹¹.

At the same time, those involved with biodiversity and business at field-level have requested for more information, that is easy to understand, on the often very technical discussions/negotiations that take place in the context of organisations such as the WTO, WIPO, CBD, CITES, etc.

Finally, need exists for a better understanding of the regulatory frameworks that are in place or that are being developed in target markets. Capacity-building is required on understanding the regulations, improved capacity to discuss existing ones and to participate in consultations of new regulations.

Need for improved market access, product development, and increased market demand

Experience from BTFP I has shown that the increasingly stringent market requirements are posing problems to BioTrade companies and importers alike. Issues for which support is required include development of product-specific testing methods, safety assessments, preparation of product dossiers or monographs, and support for the development of new processing techniques.

General market interest exists in issues related to social and ecological sustainability in those product groups that have been prioritised by BioTrade National Programmes and partners (e.g. tropical flowers and foliages, natural ingredients for cosmetics, pharmaceutical and food industries, (products derived from) fauna such as *Caiman yacare*, *Arapaima gigas*,

⁷ The formulation of BioTrade National Programme are based on needs assessments that are undertaken by the governments, in cooperation with UNCTAD.

⁸ For selected product groups, BioTrade National Programmes undertake sector assessments and develop sector strategies (sometimes in combination with the above-mentioned country assessments).

⁹ For example, The Natural Features project of IUCN/PhytoTrade Africa in Southern Africa, Andean BioTrade & GEF, project led by the Andean Development Bank, Amazon BioTrade Programme, developed by UNCTAD & ACTO, Peru BioTrade project developed by the Ministry Environment Peru (CONAM) and the Peruvian Export Promotion Agency (Prompex).

¹⁰ Examples are given in the text.

¹¹ Decision 391 of the Andean Community on Access to Genetic Resources is an example of a very restrictive regulation that was adopted during a period when heated debate took place on Access and Benefit-Sharing (ABS). Since the regulation is in force, little formal applications have been made to access the genetic resources of the region. As a result, few benefits are generated by the private sector as a result of use; few benefits can therefore be shared.

ornamental fish, tourism)¹². However, the understanding of the BioTrade concept, both at the business and final consumer levels, is still limited in these target markets. A systematic effort needs to be made to increase awareness.

Finally, developing country SMEs involved BioTrade are looking for buyers of products that are market-ready, or private sector partners that can support further product development. A wide range of instruments like trade fairs, B2B match-making and more generally the bringing together of like-minded companies.

Need for improved access to (trade) finance

As BioTrade products are relatively unknown, it is often difficult for enterprises to have access to finance and trade and pre-export financing programmes implemented by local banks and leasing companies.

Need to guide and reward responsible business conduct

There is a need for effective involvement of the private sector in the sustainable use of biodiversity. However, to date, few mechanisms exist that involve the private sector and provide incentive to make their supply chains more biodiversity-friendly.

At the same time, need has been expressed by those private sector players involved in BioTrade for the recognition of their efforts, as well as the need for independent verification of responsible business practices that are in line with the BioTrade Principles and Criteria (CBD and other MEAs). Current certification schemes that could help provide SMEs with such recognition do not (yet) deal with the issues addressed by the BioTrade Principles and Criteria, such as benefit sharing¹³.

Finally, SMEs and/or large companies that would like to include biodiversity friendly practices often face mayor challenges in doing so. These are related to costs, but also often stem from the lack of good practices and guidelines in this area of work. Access to good practices and support for their implementation needs to be increased, spread to other countries/regions and over time instruments and experiences need to be evaluated jointly by different stakeholders.

Market information

One of the key elements to become effective producers and competitors on these markets is market and marketing information for these products. However, market information is difficult to obtain. The BTFP interim evaluation recommended building up market intelligence in national institutions to increase access and improving the quality of information.

Impact measurement

The BioTrade Initiative and its partners need to demonstrate the impact on the ground and its contribution, through its activities, to its social, environmental and economic dimensions.

Up-scaling the BioTrade Initiative

For various reasons, the UNCTAD BioTrade Initiative has been very much focused on Latin America. Through BTFP I, the BioTrade Initiative managed to become active in Southern

¹² Several market studies/prospecting have been conducted by UNCTAD BTFP and partners: see, for example, market studies on: <http://www.biotrade.org/BTFP/Publications.htm>.

¹³ Upon request of the BTFP Advisory Board, UNCTAD BTFP conducted a study on this issue, summarising the issue, comparing the different verification schemes that exist and providing recommendations. See: http://www.biotrade.org/BTFP/BTFP-docs/Working_docs/BT_verification.pdf

Africa, Uganda and Vietnam. Need exists to further up-scale the activities of UNCTAD BioTrade and involve more partners that can promote the BioTrade concept¹⁴.

4.2. Purpose, Goals and Objectives of BTFP II

The 2nd phase of the BTFP has the following purpose, goals and objectives:

The purpose of BTFP II is to:

- stimulate investment and trade in biological resources as a means of furthering sustainable development in line with the three objectives of the CBD, i.e. to promote: (1) the conservation of biodiversity; (2) the sustainable use of its components; and (3) a fair and equitable sharing of benefits arising out of the utilisation of genetic resources;
- provide a sustainable support system for BioTrade, including enhanced capacity-building for the public and private sectors in biodiversity-rich countries.

The goal of BTFP II is:

- to facilitate sustainable trade in biodiversity products and services, through innovative collaborative arrangements that will enhance sustainable bio-resources management, product development, value-added processing and market entry, product differentiation and improve access to trade and pre-export finance¹⁵, provide a voice for BioTrade in the policy environment that affects such trade; and
- to scale-up BioTrade activities based on experience during the first phase of the BTFP, complementing and strengthening the UNCTAD BioTrade Initiative.

Overall objectives of BTFP II are:

1. To contribute to a policy environment that promotes trade and investment as an incentive measure for the sustainable use of biodiversity in those sectors prioritised by BTFP II.
2. To support BTFP partners to strengthen market information systems for BioTrade.
3. To promote product differentiation and market development for BioTrade products and services in order to change business conduct and increase market up-take of the BioTrade concept.
4. To provide concrete product and business development support to developing country SMEs in order to foster product development and increase sales of BioTrade products.
5. To provide company training and advice to support export promotion efforts of developing country SMEs;
6. To improve access to finance (credits, pre-export and trade finance) for BioTrade SMEs.

4.2. Beneficiaries

The main beneficiaries of the BTFP II will be:

- Local communities (e.g. community-based companies, cooperatives, or providers of raw or semi-processed raw materials) working with products derived from native biodiversity;
- Private sector companies, particularly developing country SMEs involved in the BTFP II priority product groups, that follow the BioTrade Principles and Criteria, working with products derived from native biodiversity. Through backward linkages,

¹⁴ On many occasions, UNCTAD has been requested by Member States to initiate BioTrade activities in other areas of the world.

¹⁵ The BTFP evaluation mentioned this as an important area of work. IFC has expressed interest in working on this issue. It is interested in working with the UEBT, Andean Association and PhytoTrade Africa. It may be possible to do this in the context of the BTFP. If IFC isn't interested in developing this in the context of the BTFP this issue will be dropped as it is not the core competence of any of the BTFP partners.

they will work together with local and indigenous communities and smallholder producers living in areas rich in biodiversity.

- National and regional private sector associations (in developing countries) interested in value addition, product/process development and the marketing of BioTrade products;
- Policy makers and other government institutions of developing countries that are seeking to implement biodiversity-related MEAs, and in which the private sector is actively involved in BioTrade.
- Organisations that coordinate activities of the BioTrade country programmes, and organisations with which partnerships and regional programmes have been developed.

BTFP II will be open to all countries¹⁶. However, in order to assure that different components linked to business development and technical assistance to policy makers are linked, the BTFP will give priority to: 1) countries in which BioTrade operates, notably through BioTrade National Programmes; 2) countries that are involved in the activities of PhytoTrade Africa and the Andean Association; or, 3) countries in which a considerable number of UEBT members operate. The table below shows the countries currently involved with BioTrade and PhytoTrade. Additional emphasis will be paid to Least Developed Countries (LDCs) that are interested in getting involved in BioTrade. This will hold true particularly for objective 1 (to contribute to a policy environment that promotes trade and investment as an incentive measure for the sustainable use) and objective 4 (to provide product and business development support to developing country SMEs)¹⁷.

<i>Countries in which BioTrade operates</i>	<i>Andean Association partner countries</i>	<i>PhytoTrade Africa partner countries</i>	<i>Other LDCs in which BTFP II may operate</i>
Bolivia Brazil Colombia Costa Rica Ecuador Paraguay	Bolivia Colombia Ecuador Peru	Botswana Malawi* Mozambique* Namibia South Africa Swaziland Zambia* Zimbabwe	Ethiopia* Tanzania* Madagascar* (this list is not exhaustive, other LDCs that are interested may also be included)

4.3. Priority product groups

BTFP II will initially focus on the priority product groups listed in the table below. These product groups are based on the support programmes that BioTrade partners have in place. They were selected by these partners during BTFP I with help of the BTFP product selection methodology that takes into account ecological, social, technological and market criteria.

Product Groups	Countries that have prioritised these groups
Natural ingredients and products for cosmetics, foods, and pharmaceutical industries	Selected by all BTFP-beneficiary countries
Tropical (wild) flowers	Costa Rica, Colombia, with particular potential in South Africa
Tourism	Ecuador, Peru, Uganda
Fauna (<i>Arapaima gigas</i> , <i>caiman yacare</i> , other wildlife products)	Brazil, Bolivia, Costa Rica, Uganda, Vietnam

¹⁶ For example, companies from all countries can participate in the Union for Ethical BioTrade.

¹⁷ LDCs from which interest exists in components of the BTFP include for example Ethiopia, Tanzania, and Madagascar. Implementing organisations will be asked to give special consideration for LDCs in the projects they are required to elaborate for the BTFP II.

4.4. BTFP implementation strategy:

To achieve the BTFP II objectives, BTFP II will be implemented by various organisations.

The following organisations will receive funding through BTFP II to contribute to the implementation of one or more of its objectives:

1. UNCTAD
2. the International Trade Centre (ITC)
3. the Union for Ethical BioTrade (UEBT)
4. PhytoTrade Africa
5. BioNativa (Andean Trade Association)

The following organisations will contribute to the implementation of the BTFP objectives with their own funding:

1. The Centre for the Promotion of Developing Countries (CBI),
2. The Swiss Import Promotion Programme (SIPPO),
3. The International Finance Corporation (IFC).

In countries where BioTrade National Programmes are in place, the above-mentioned organisations will coordinate their efforts with National Programmes and cooperate to the extent possible in the implementation of BTFP activities.

BTFP II and BioTrade National Programmes

BTFP II will complement and strengthen the BioTrade National Programmes. It will offer their clientele the much needed possibility to differentiate their products in the market, enhanced market demand for their products, provide business development services complementary to those offered by the country programmes, and provide increased visibility of BioTrade at international and national levels. BTFP II will provide various capacity building opportunities for BioTrade National Programmes and, in some cases, call upon country programmes to provide services. The BTFP II will not finance national activities such as development strategies, institutional strengthening, development of supply capacity and creation of policies and regulatory frameworks. It is expected that these are financed through national budgets or other donor supported programmes.

The BTFP II implementing organisations will, in turn, cooperate with several organisations to implement their part of the BTFP II. For example, to achieve the objectives of the policy component, UNCTAD will collaborate with organisations such as the Andean Community of Nations (CAN), Amazon Cooperation Treaty Organization (OTCA), GTZ, the Southern African Development Community (SADC), IUCN-South Africa and MEAs (e.g. CBD, CITES and UNCCD). The Union for Ethical BioTrade will cooperate with entities like CBI, GTZ, the Forest Stewardship Council (FSC), IFC, the Marine Aquarium Council (MAC), the Rainforest Alliance, SIPPO, the Soil Association, and the United Nations Foundation (UNF). Similar cooperation arrangements will be forged by other organisations.

Every organisation will be responsible for the execution of a specific project component. For each component, a more detailed description will be prepared by the responsible organisation(s) and submitted to the entity that administers the BTFP. This will include an overview of the objectives, issues to be addressed, partners, detailed budget justification, planning and log-frame. For each component, an overall budget has been allocated in the BTFP II project document. Each year an overall BTFP work-plan will be developed, which clearly shows how the different components complement each other and work together towards the realisation of the overall BTFP goals. Every implementing agency will need to

clarify the above-mentioned cooperation arrangements in the work-plans that they need to submit to the administrator (see also section V).

4.5. Components of the BTFP II

The 6 BTFP objectives will be achieved through activities developed by the following organisations:

1. UNCTAD: Will concentrate its efforts under the BTFP II on policy analysis, dialogue, and capacity-building on BioTrade for policy makers, as well as the BioTrade impact assessment.
2. ITC: Will concentrate efforts under BTFP II on assisting BTFP partners to strengthen their market information systems.
3. UEBT: Will focus on forging company engagement in BioTrade through the promotion of the BioTrade concept in the market, forging company partnerships, administering a system of product differentiation and supporting business transformation efforts.
4. Regional Trade Associations (PhytoTrade Africa and BioNativa): Will promote product development for selected species native to Southern Africa and the Andean/Amazon region respectively and establish business relationships to commercialise these species.
5. CBI and SIPPO: Will support business development organisations and SMEs in their export development goals for BioTrade products through training, technical advice and trade fair participation and/or company matchmaking.
6. IFC: Will support access to finance (e.g. credit, export and trade finance) for BioTrade enterprises.

The following describes each component in more detail.

Implementing partners with BTFP II funding:

1. UNCTAD component

Policy analysis, dialogue, capacity-building on BioTrade for policy makers, and BioTrade impact assessment

BioTrade activities take place in a complex and evolving legal and policy environment. As a result, an important contribution from the BTFP in its initial phase has been to complement its practical trade promotion services with work towards ensuring international, regional, and national policies that facilitate and enhance BioTrade activities. In particular, phase I of the BTFP focused on providing demand-driven legal and policy information; methodological approaches, best-practices and guidelines; and a forum for exchanging experiences among interested parties. Such activities have received positive feedback from a range of actors - including companies, BioTrade National Programmes, governments, and the Secretariats and Conference of the Parties of Multilateral Environmental Agreements (MEAs) - which recognise the work of BTFP towards a more coherent framework for trade, biodiversity and sustainable development.

During BTFP II, therefore, the programme's contribution towards rules and policies that promote trade and investment as an incentive measure for the conservation and sustainable

use of biodiversity will be built upon and improved. Based on issues and priorities brought forward by the BTFP partners, a BTFP policy unit will:

- 1) *Promote dialogue* – creating platforms in which trade and biodiversity strategies and experiences can be discussed, developed, communicated, and incorporated into national, regional and international processes;
- 2) *Develop relevant knowledge and information* – consolidating expertise on issues such as the growing regulation on novel products or ingredients related to natural products, the use of intellectual property rights as a tool to promote BioTrade, the significance of international and national norms on protected species, and access and benefit-sharing; and
- 3) *Awareness-raising and technical assistance* – building awareness and capacity among government officials and other BioTrade actors at national level to advance discussions and policies that are conducive to BioTrade and that can be integrated into national strategies and policy frameworks.

More specifically, the BTFP II will support the UNCTAD BTFP policy unit to perform the following tasks:

- Monitoring issues that can affect market access for BioTrade products, informing relevant actors and interested parties, and promoting and coordinating measures geared towards addressing such issues (e.g. through preparing briefing notes, commissioning studies, organising policy dialogue and workshops, etc.). Other BTFP implementing organisations and partners are expected to inform UNCTAD on a regular basis about issues that are of concern to them¹⁸;
- Participating in relevant discussions of the CBD, CITES and other international sustainable development processes to share experiences with regard to trade and the sustainable use of biological resources. Experiences of the BTFP implementing organisations and partners will be used to incorporate the practical concerns and knowledge of the private sector and other partners into these policy discussions;
- Organising ‘expert meetings’ with participants from both the public and private sectors on issues brought forward by the BTFP partners, and developing high-level conferences, business round tables, and other side events/fairs in relevant CBD/CITES/WSSD meetings, in conjunction with various partners, including IFC for example;
- Organising training for government officials on issues related to BioTrade, including the BioTrade standard, sustainable use methodologies, benefit-sharing and CITES regulations. The focus of technical assistance will be BTFP priority countries and, possibly, countries in which a number of BioTrade Union members are active¹⁹;
- Providing technical inputs to the working group of biodiversity-related MEAs that UNCTAD hosts with UNEP. This working group addresses challenges and opportunities faced with respect to issues such as private sector engagement, incentive measures and international trade; and
- Coordinating the work to analyse the global impact of BioTrade and communicating findings and experiences to international, regional and national discussions. UNCTAD will prepare two reports on the impact of BioTrade that will be, for example, presented to the CSD, and CBD and CITES COPs.

Implementation

Taking into account the mandate, experience and expertise of UNCTAD, this component will be implemented by a BTFP policy unit within UNCTAD. As part of the BioTrade Initiative, it will undertake these activities in cooperation with a range of experts and stakeholders,

¹⁸ During BTFP I, concern was raised about the Novel Food Regulation and REACH, to which BTFP became very involved through its country partners. An issue that could arise in BTFP II could include a regulation regarding Traditional Herbal Medicinal Products, which is one area of EU regulations that BioTrade suppliers are faced with, particularly when they are targeting the nutraceuticals bandwagon with claims that these products are therapeutic.

¹⁹ For example, the Andean region will negotiate a free trade agreement with the EU. CAN has requested UNCTAD/BTFP to support these negotiations in areas related to biodiversity.

including related programmes within UNCTAD, the BioTrade Initiative, intergovernmental organisations, governmental entities, civil society groups and private sector associations.

In Southern Africa, the unit is expected to cooperate closely with the SADC Secretariat and IUCN South Africa and will receive (technical) inputs from PhytoTrade Africa and BioTrade National Programmes (i.e. Uganda). In Latin America, this unit will closely cooperate with the Andean Community and the Amazon Cooperation Treaty Agreement Organization (ACTO), and receive (technical) inputs from the Andean Trade Association and BioTrade National Programmes.

Key partners

- National BioTrade Programmes, both the policy focal points (mostly Ministries of Environment) and technical focal points (mostly export promotion agencies).
- Regional organisations: SADC, CAN, OTCA
- MEAs (CBD, CITES, UNCCD (GM) and Ramsar)
- IFC, IUCN South Africa
- PhytoTrade, Andean Association, Union for Ethical BioTrade

2. ITC component

Strengthening of market information systems of BTFP partners

In BTFP I, a limited number of market studies were conducted by UNCTAD, ITC, CBI and SIPPO, and made available to the BTFP partners and beneficiaries. The BTFP interim evaluation recommended building up market intelligence in national institutions that can be shared with other BTFP countries that are interested in similar products. An inventory conducted by UNCTAD among BTFP partners in early 2007 underlines their interest in this issue.

This component of the BTFP II will therefore allow ITC to support the design of new and/or strengthen existing information systems of BTFP partners (at national, regional and international levels). This should increase the quantity and quality of information available to the final beneficiaries of the BTFP. It will include:

- Technical assistance to design of market information systems.
- Assistance in information management (identification and use of international sources, specialised access to databases, sharing of resources with users, sustainability of information systems, monitoring and measuring of performance, etc.)
- Training actual and potential users of information sources.
- Promote market information exchange between BTFP partners (trade promotion organisations, trade associations, etc.).

Implementation

ITC will implement this component in view of the expertise of ITC (e.g. the Market Trade Information Section) in this area. Partners of ITC will be trade promotion organisations involved in BioTrade, BioTrade National Programmes, and national and regional trade associations already involved in BioTrade. ITC may work together with regional entities, like CAN²⁰.

²⁰ For example, CAN is promoting the creation of a regional information system through a project of the Government of Finland. BTFPs efforts should complement this initiative with trade-related information.

3. UEBT component

BioTrade company engagement and market development

The UEBT was created in response to the need for differentiation of BioTrade products in the market, as articulated by companies in developing countries that have been participating in export promotion programmes. The UEBT was designed with the support of UNCTAD BTFP, in close consultation with the BioTrade National Programmes and other relevant BioTrade partners, the majority of which are located in developing countries. The UEBT seeks to engage the private sector in the sustainable use of biodiversity and other natural resources and promote market awareness and recognition for BioTrade. BTFP II will support the establishment of the UEBT member verification system, the development of business partnerships and market development, and the support to business development.

Union for Ethical BioTrade (UEBT)

The rationale behind the creation of the Union for Ethical BioTrade was to respond to private sector demand for an organisation that could:

- Support product differentiation and substantiate the message of a company's responsible use of biodiversity and the positive impact it has on communities working with this resource;
- Offer guidance to private sector enterprises that wish to make a positive contribution to developmental objectives and respond to possible changes in the law that result from the Convention on Biological Diversity; and
- Generate business opportunities by creating a network of like-minded organisations.

The UEBT will administer the BioTrade verification system, bring together companies interested in the sustainable use of biodiversity, and leverage technical assistance for those companies that seek to comply with the BioTrade standard.

The Union will provide three services:

1. *Outreach and market development* – Outreach and market development seeks to establish the Union as a credible and ethically sound organisation and expand into those markets that are most relevant to BioTrade.
2. *Verification* – The purpose of the verification system is to establish a robust and credible mechanism to verify the contribution of a specific product to sustainable development objectives.
3. *Business development support* – The Union will make available support for business development to private sector members that are working towards BioTrade verification. This includes accessing (trade) finance, technical assistance to adopt good social and biodiversity practices, and product development.

The UEBT will be presented to the public in May 2007. The 1st Interim Board Meeting of Founding Members is also envisaged for May 2007.

a. UEBT member Verification System

In order to guide its members towards compliance with the BioTrade Principles and Criteria and ensure that members act in the spirit of BioTrade, the UEBT has developed a verification framework and system. This system has been tested for natural ingredients based on the results derived from experiences in the implementation of BT P&C with beneficiary companies and on the development of methodologies for sustainable

management and the equitable sharing of benefits²¹. From June 2007 onwards, the verification system should be operational. This verification system will collaborate with existing certification systems, which will facilitate access to the latter systems and avoid duplication with these systems as well as consumer confusion.

To implement the verification system, facilitate its establishment in the BioTrade countries, and expand to more product groups, BTFP II will particularly support the following:

- Training of service providers (training of BioTrade National Programmes and their networks, other BTFP partners, consultants, auditors, and interested NGOs in key elements of the verification system);
- Design an information system to administer UEBT membership, including, for example, members' compliance with their critical path to attain the BioTrade standard;
- Development of standards and best-practices for new product groups (e.g. ornamental fish, *Arapaima gigas*, cacao, wildlife and tourism); and
- Institutional strengthening of the UEBT to establish the verification unit and operate the standards committee.

b. Business partnerships and market development:

Market up-take is crucial for spreading the BioTrade concept and generation of a significant positive impact on the sustainable use of biodiversity and local income generation. The UEBT will therefore promote partnerships with leading companies in different sectors, to enhance the profile of the UEBT, establish a critical mass of companies that promote demand for BioTrade products and generate income (membership fees) for the UEBT. It will also undertake special promotion efforts to profile the UEBT and enhance market recognition for the BioTrade Principles and Criteria in sectors for which BioTrade standards are being developed. Initially, priority will be given to natural ingredients/products for cosmetics, pharmaceuticals and food industries, tropical (wild) flowers, tourism and fauna (*Arapaima gigas*, ornamental fish, *Caiman yacare*, and other wild-life products).

Of these efforts, BTFP II will particularly support the UEBT in the following:

- Develop and implement strategies for spreading the BioTrade concept in Latin America, USA and the EU. This will be achieved through partnerships with Exposustentat/Nurnberg Messe for Latin America and later on the USA and EU and the United Nations Foundation for the USA.
- Institutional support to the UEBT to establish the outreach and market development unit and forge business partnerships.

c. Business Transformation Assistance: support sustainable use and benefit sharing

An important goal of the UEBT is to guide actors involved in this trade to apply more ecologically and socially sustainable practices. Some small- and medium-sized members, however, may not have the means to implement the work plan they developed as part of their critical path to transform their operations towards compliance with the BioTrade Principles and Criteria. To facilitate this transformation, the UEBT may provide assistance to those that seeking to implement the BioTrade standards and meet the required practices related to the principles of conservation, sustainable use and benefit-sharing. Assistance will be targeted at the lower end of the supply chain and focus on putting into place practices that support conservation and the sustainable use of biodiversity, as well as equitable benefit-sharing. With this support, the UEBT aims to catalyse the implementation of ethical business practices rather than providing long-term subsidies to them. Once these changes are implemented, ecological and social costs are thus expected to be internalised in the

²¹ See UEBT DIS 1:2006-11-22: BioTrade Verification Framework for Natural Ingredients, UEBT Guide 1: 2006-09-30: Guidance on the use of the Framework for the verification of BioTrade organizations trading natural ingredients, UEBT Guide 2: 2006-11-22: The Union for Ethical BioTrade (UEBT) Critical Paths for producing organisations.

price of the product or service and transferred throughout the chain of supply to the end consumer.

BTFP II will support the UEBT in making available funding to its members to work on above-mentioned issues.

d. Product and business development support

Experience from BTFP I has shown that increasingly stringent market requirements are posing problems to BioTrade companies and importers alike. Preparation of required documentation (e.g. MSDS), and the registration of products in target markets are often preconditions to successfully promote these products. Furthermore, in the past, these companies have gone to the market with incomplete documentation that has put limits on their success. Such documentation is also required to enter in business partnerships with well-established companies. Costs may be prohibitive for many SMEs, particularly in the case of native species that often have no history of use in target markets. Experience from BTFP I has taught that the active coaching of private sector companies and the brokering of collaboration between businesses in developed and developing countries can result in significant partnerships and sales. BTFP I has also proven that the concerted action of the private sector in developing countries is required to justify investments in new species and assure sufficient supply for the future.

The UEBT may therefore provide members with business development support directly aimed at increasing sales of BioTrade products and ingredients by primarily providing technical assistance. It could, for example, help small- and medium-sized members meet the technical requirements for exporting natural ingredients. This may include contributing to the costs of (a) developing product-specific testing methods (b) safety assessments (c) preparing product dossiers or monographs and (d) supporting the development of new processing techniques etc. This is not an exhaustive list and other proposals can be considered. When awarding business development funding to a developing country SME, preference will be given to collaborative efforts between different businesses that have already carried out a significant level of product development and that can provide a good business case. The business development package is designed to be complementary to other types of market access support that may be available to a particular member.

BTFP II will support the UEBT in making available funding to its members to work on the above-mentioned issues.

Support of the BTFP II

BTFP II will support the UEBT's institutional development (e.g. help cover initial costs related to the establishment of the Union, such as staff salaries, office space, office equipment, the creation and management of an information management system). This support will be provided on a sliding scale and towards the end of the BTFP II, the UEBT should be self-financing for its core costs through membership fees. BTFP II will also support the financing of market strategies and financing of business transformation and business development.

Implementation

The UEBT will create a grant financing facility to support social and biodiversity practices and one for business and product development support. Over time these facilities will be increasingly endowed with private sector contributions and other donors. Formal applications for both types of business development funding will be requested from small- and medium-sized members of the Union. The application will include background information, a feasibility assessment, proposals for the use of funding, proposals for service providers to help fulfil technical requirements, the contribution of the applicant, the existing or planned support of other members of the Union, and existing or planned support from other business development organisations. Guidance will be available from the Union, if necessary, on how

to complete the application. Each application will be assessed by a committee and the applicants will be notified accordingly as to whether funding will be approved or not. The Union reserves the right to reject or accept an application and, in dialogue with the applicant, will suggest modifications to the application or alternative sources of funding. Grants are expected to cover a maximum of US\$ 50,000.

Support granted through the UEBT will be implemented through partner organisations in developing countries as much as possible to keep down costs.

Key partners:

- Private sector members
- PhytoTrade Africa, BioNativa (Andean Trade Association)
- BioTrade National Programmes
- Nurnberg Messe, CBI and SIPPO.
- United Nations Foundation
- Rain Forest Alliance, Forest Stewardship Council, Marine Aquarium Council, Organic certifiers (Soil Association), ISEAL.

4. Component PhytoTrade Africa & BioNativa

Product development and the establishment of commercial relationships in Southern African and Andean regions for selected native species.

As mentioned before, experience from BTFP I has shown that increasingly stringent market requirements are posing problems to BioTrade companies and importers alike. Preparation of required documentation (e.g. MSDS) and registration of products in target markets are often preconditions to successfully promote these products. The UEBT will address this issue for those products and companies that require relatively minor investments.

BTFP I support given to PhytoTrade Africa has shown that the joint action of SMEs through regional private sector organisations can be very effective. BTFP II will therefore continue supporting regional associations in Southern Africa through PhytoTrade Africa, and the Andean region through the newly established Andean Trade Association (BioNativa).

Through these two regional Trade Associations, BTFP II will promote product development for selected species native to Southern Africa and the Andean/Amazon region and establish business relationships to commercialise these species. These associations work among others on the development of products based on native plants accessible to poor rural people; their work is underpinned with solid science and technical research, and they facilitate the development of new markets collectively on behalf of its membership, through the operation of marketing offices in target markets, representation at trade shows around the world and a systematic strategy of commercial partnerships.

BTFP II will support associations so that they can:

- undertake market-driven research of their priority species that are native to the region to build a good business case and respond to what the market/authorities require (active research on existing product information, toxicity and quality testing, IPR issues);
- provide BioTrade companies access to laboratory facilities;
- register species in target markets, preferably in partnership with buyers, following requirements of regulatory authorities; and
- access external expert support to associations to guide activities and ensure the quality of work.

PhytoTrade Africa

PhytoTrade Africa is the Southern African Natural Products Trade Association. Established in 2001 by a group of NGOs active in the sustainable development field, PhytoTrade Africa was launched with the specific mandate of the developing a pro-poor natural products industry in Southern Africa. Since then it has grown to become one of the leading African institutions in the natural products sector. Its membership is drawn predominantly from private sector operators in the market chain for natural products, but also includes service-providing NGOs and research institutions. It currently has over 50 members from eight different countries.

Core activities of PhytoTrade Africa include new product research and development, market development and support for the emergence of sustainable rural supply chains. It is a certified Fair Trade Organisation, as well as a Type II Partnership of the World Summit on Sustainable Development. In recognition of its innovative work around equitable Access and Benefit Sharing, it has also recently been appointed by the SADC Secretariat as a SADC Centre of Excellence for ABS.

BioNativa

Is a newly established Regional Trade Association in the Andean region, following the example of PhytoTrade Africa. It is created by enterprises from four Andean countries: Bolivia, Colombia, Ecuador and Peru, but will not be restricted to these countries. Its main objective is the development of the natural ingredients sector in the Andean and Amazon region, taking into account the implementation of BioTrade principles and criteria.

Its main focus will be on market and business development, as well as effective product development and product substantiation/validation for a limited range of selected native species. Additional efforts will be undertaken on legal aspects and standard development as well as establishing a guiding role to value chain development in the respective countries.

Many of the companies involved in Bionativa already have a positive impact on incomes of low-income producers, with whom they are working together. The challenge is to increase and extend this impact through a collaborative effort, surpassing the main and common obstacles that exist for BioTrade products.

Partners without BTFP II funding

In addition to the above-mentioned organisations, others will contribute to the implementation of the BTFP objectives with their own funding: the Centre for the Promotion of Developing Countries (CBI), the Swiss Import Promotion Programme (SIPPO), and the International Finance Corporation (IFC).

5. CBI and SIPPO component:

Export development through training, technical advice, trade participation and company match-making.

The main focus of BTFP I has been the EU market where it has worked in close coordination with SIPPO and CBI. BTFP II will continue to provide market access support for the EU through SIPPO and CBI, seeking to make available a portfolio of market access tools and services to enterprises interested in the EU market.

Under BTFP II, it is envisaged that CBI and SIPPO will develop export development programmes tailored to BioTrade and make available training to enterprises involved in BioTrade (e.g. in the BioTrade National Programmes, regional trade associations or UEBT).

CBI:

CBI has indicated that it is interested in continuing its cooperation with BTFP II. Different forms of cooperation are currently being considered. They range from simple inclusion of SMEs in CBI training and export development programmes, to the development of special training programmes tailored towards BioTrade companies and partners, as well as special export development programmes for sectors prioritised in BTFP II. In addition, the market access section of CBI is interested in continuing its cooperation with the UNCTAD BTFP unit to address market access issues (including, for example, training to exporters and partners on the Novel Food Regulation).

SIPPO:

SIPPO is interested in collaboration with the BTFP II. It will support export development efforts of national BioTrade programmes and other partners in countries that correspond with the SIPPO country list. The focus of the collaboration will be on export development programmes for selected SMEs in order to access European markets. SIPPO services include for example market information, training and match-making. These services could be extended to a wider number of companies if it fits within the objectives and programmes of SIPPO, and BTFP II partners.

In the context of the BTFP II, SIPPO and the UEBT could also work together on the issue of verification and certification (e.g. developing bridging modules that allows UEBT members to link up to the FairWild standard that SIPPO is promoting).

For markets different to the EU, particularly the USA, the UEBT will develop market access strategies (see UEBT).

CBI

CBI is an agency of the Netherlands Ministry of Foreign Affairs that was established in 1971 and operates within the policy framework set by the Minister for Development Cooperation. Its main objective is to contribute to the economic independence of selected developing countries by helping enterprises and trade promotion organisations (TPOs) to develop their export capabilities, and promote their exports of non-traditional goods and services to the European Union (EU). The main areas of work of the CBI are: EU Market Surveys and Strategic Marketing Guides, Training Workshops/Seminars, Export Development Programmes (EDPs). CBI has been involved in BTFP I, providing training, supporting trade fair participation and working on market access issues like the Novel Food Regulation.

SIPPO

SIPPO was launched in 1982 and stands under the patronage of the Swiss State Secretariat for Economic Affairs (SECO). It helps small- and medium-sized companies in emerging markets and markets in transition to gain access to Swiss and EU markets by: briefing and advising on market access procedures for products (product adaptation, quality control, packaging, logistics, pricing, environment and safety standards); and introducing products to the Swiss and/or EU markets through direct contacts, organising trade fair participation and buying/selling missions. SIPPO has been involved in BTFP I, providing training and supporting trade fair participation.

Implementation

After the BTFP evaluation, it was decided that the market access efforts undertaken by CBI and SIPPO would be coordinated more directly with national or regional partners, BioTrade National Programmes and the UEBT.

6. IFC component

Promoting accessing to finance

SMEs involved in BioTrade often have difficulty in accessing finance for various reasons. Some BioTrade National Programmes have promoted the creation of BioTrade funds, like Colombia and Bolivia. However, much additional support is required. Many SMEs also have difficulty exporting their relatively small orders, yet without the ability to ship these small amounts, they cannot develop the track record needed to grow their business. A common solution to this problem is to work with trading companies, which can group sellers and can take financial risks. Another is to make sure that BioTrade enterprises have access to existing SME trade and pre-export financing programmes implemented by local banks and leasing companies.

It is expected that through the verification system of the UEBT, the UEBT, and regional and national BioTrade associations will have an important tool for connecting their members with existing sources of trade and pre-export finance.

IFC is interested in facilitating 'access to finance' for BioTrade companies. The IFC operates a global trade finance programme through 41 issuing banks (more than 80 confirming banks) in 21 countries; most demand to date has come from Africa. The facility is designed for SMEs, supporting deals as small as US\$ 10,000; eighty percent of the business under this facility consists of deals smaller than US\$1 million. IFC considers its niche to be import markets with values of under US\$ 100,000, ideal for individual BioTrade enterprises. The IFC facility funds between 80% and 100% of deal value. Other multilaterals operate similarly structured facilities: the African Development Bank covers 80%, the Inter-American Development Bank covers 90% of trade risk and pre-export and import finance may also qualify for support. The IFC needs to increase the numbers of deals backed by this programme, and is supportive of any activity, such as that of the UEBT, that will result in such an increase. In Latin America, there are also a number of local currency leasing lines available for SMEs in need of specialised equipment, and "green credit" lines supporting clean production methods. BioTrade enterprises that are otherwise credit-worthy should be able to access this money with help from their associations.

V. BTFP II Coordination & Fund Management

A graphical representation of the BTFP can be found in the attached document.

Administrator

BTFP II will have a five-year project span. It will be administered by an entity – the Administrator – with a track record in international financial and programme management in the area of sustainable development. The Administrator will be selected by the Executive Board and hired by the BTFP donors. The Administrator will be asked to create within its organisation a BTFP Unit, which will be asked to undertake and promote effective coordination between the BTFP implementing agencies and be in charge of the overall financial management of the BTFP programme. It will also be responsible for putting into place an outreach strategy, and help raise additional funding for BTFP II. Strong preference exists for locating the BTFP Unit in Geneva. It is envisaged that the Unit is comprised of a (part-time) coordinator and calls in additional support for specialised tasks.

Executive Board

The BTFP Executive Board will oversee the implementation of the BTFP. The Executive Board will approve the annual work-plans prepared by the implementing agencies and submitted by the Administrator. It will also monitor progress made in the implementation of the BTFP II. To this end, it will receive progress and financial reports before each Board meeting and may commission external evaluations.

The Executive Board will be comprised of: one (1) or two (2) representatives of donors to the BTFP II; four (4) representatives of the target groups (two (2) National BioTrade Programmes, and two (2) private sector representatives); and between three (3) and four (4) organisations with special expertise in BioTrade matters. The Board's Constitution will be communicated to the Administrator. The Executive Board will be comprised of no fewer than five and no more than eleven representatives. The BTFP Unit that the Administrator establishes will service the Executive Board²². Board members will be paid travel costs related to Board meeting attendance. Any oversight and decision-making authority not expressly granted to the head of the BTFP Unit will be in the hands of the Executive Board. The Executive Board will meet at least three times a year in closed sessions.

Implementing Agencies

The five agencies charged with implementing BTFP II – UNCTAD, UEBT, PhytoTrade, Andean Association and ITC – will submit projects, annual plans and budgets to the Administrator. The Administrator must analyse these documents and suggest modifications if need be. The Administrator will present these plans in a consolidated way to the BTFP Executive Board, which must approve those plans and budgets in order for the implementing agencies to act. The five implementing agencies will meet at least twice a year to coordinate their activities; the BTFP Unit of the Administrator will facilitate these meetings to promote a coherent, joint work plan for BTFP II. The Administrator will cover the costs related to these meetings.

Funds Management, Auditing and Reporting

The Administrator will have responsibility for the funds entrusted to it and assure that funds are allocated and disbursed in line with the work-plans and budgets approved by the Board. Any monies allocated but not disbursed in a given period must be managed and accounted for. The Administrator will establish a system to allow for regular, consistent and comparable

²² In case the Administrator becomes a financial partner to the BTFP II a board position may be considered. This can be discussed with the Executive Board during the selection process of the Administrator. Any arrangement will be made in such a way that conflicts of interest are avoided.

reporting by the various implementing agencies. The Administrator will therefore suggest a reporting format and procedures, and provide training to the implementing agencies to allow for fluent financial management and reporting to the BTFP II Executive Board²³. The BTFP Unit will provide periodic reports of the programme's financial condition to the Executive Board of the Board. The Administrator will select an external auditor to conduct an annual audit, which will be performed in time for results to be presented to the Executive Board. Implementation agencies should annually present audited accounts to the Administrator.

Programme Evaluation

In their annual programme plans, the five implementing agencies will be required to stipulate measurable objectives and the means by which they propose to monitor their progress toward meeting those objectives. Based on these plans, the Executive Board will measure progress. Upon the Executive Board's request, the Administrator will conduct an interim assessment after 2.5 years of implementation, and a final evaluation at the end of the project. Independent evaluators will be hired by the Administrator for all evaluations of BTFP II. Reports will be submitted directly to the Executive Board, which will be responsible for disseminating results and acting on any recommendations.

²³ If need be, BTFP implementing organisations may be asked to maintain parallel book-keeping systems in addition to their formal systems. The exact modalities will be discussed between the Administrator and the implementing agency.

VI. Budget

The budget of BTFP will be around US\$ 10 million, including administration costs. Each implementing organisation will receive grants to implement the tasks foreseen by each of them. Budget allocations for each organisation have been established in the BTFP project document already (see below). Disbursement of funds will depend on satisfactory progress of work and the liquidity needs of each implementing partner (within the established budget allocations). Funds will be disbursed after the BTFP Executive Board approves the work-plans.

Additional funds may be raised for the implementation of BTFP II. Those funds administered through the BTFP Administrator and Executive Board will be allocated to the components following the ratio below, unless otherwise decided by the BTFP II Executive Board.

Budget allocation under BTFP II:	US\$
UNCTAD	2,750,000
ITC	1,000,000
UEBT	3,250,000
PhytoTrade Africa	1,000,000
Andean association	1,000,000
<i>Estimated overhead (project coordination and administration)</i>	<i>1,000,000</i>
TOTAL	10,000,0000

Partners that will contribute with own budgets:	
CBI	<i>to be determined</i>
SIPPO	<i>to be determined</i>
IFC	<i>to be determined</i>
TOTAL	

BTFP II budget breakdown*	US\$	Description
UNCTAD		
Policy analysis and capacity building staff	1'500'000	2 project staff for 5 years + consultants
Technical assistance	750'000	training seminars, workshops, e-learning
Impact assessment	500'000	methodology, data collection, analysis, 2 publications
	2'750'000	
ITC		
Strengthen market information systems	1'000'000	capacity building, consultants, travel
UEBT		
Verification system	750'000	Verification staff (2.5 years staff, training of auditors, development of 1 additional standard)
Outreach & market development	1'000'000	Outreach and market development staff (2.5 years) forging company partnerships, publicity and promotion materials, initiate market strategies
Business support	400'000	Fund-raising, partnership development, administration of support grants
General coordination (Director + support staff)	1'100'000	Director, Financial administrator, support staff (2.5 years) travel, office infrastructure
	3'250'000	
PhytoTrade Africa		
Product R&D	400'000	subcontracts, staff
Market development	200'000	publicity and promotion materials, trade shows, commercial partnership development, staff
Supply chain development	400'000	Technical support and training, subcontracts, travel and staff
	1'000'000	
BioNativa		
Product R&D	400'000	product development and scientific validation of selected species, subcontracts & staff
Market Development	350'000	publicity and promotion materials, trade shows, commercial partnership development, staff
General coordination	250'000	Director & support staff, travel expenses, institutional strengthening
	1'000'000	
Administrator	1'000'000	Governance (Board & coordination meeting), BTFP Unit (coordination and financial management), outreach, fund-raising
TOTAL	10'000'000	

* First estimates. Breakdowns not discussed with all implementing agencies

** Estimate. Final figure depends on proposal administrator

Matching funds BTFP II*	US\$	Description
UNCTAD		to be decided
ITC		to be decided
UEBT	8'000'000	An additional 8 million US\$ is required to carry out all activities foreseen by UEBT. It is expected that US\$ 3 million will be raised through private sector contribution (membership fees), and US\$ 5 million through additional donors /partners.
PhytoTrade Africa	2'000'000	An additional US\$2 million will be raised from donors and partners.
BioNativa	2'000'000	It is expected that US\$ 2 million can be raised from donors like IDB/FOMIN using BTFP funding as matching funds

* First estimates. To be discussed with implementing agencies.

Annex 1: Summary of implementing agencies of BTFP II, their role and funding

Organisation	Role	Funding
Administrator (to be selected)	Programme and Fund Administration <ul style="list-style-type: none"> • <i>Donor relations</i> • <i>Reporting (substantive and financial)</i> • <i>Quarterly programme reviews</i> • <i>Convenes Advisory Board and BTFP Executive committee</i> 	Receives and administers US\$ 11 million from BTFP donors.
UNCTAD (BioTrade Initiative / BTFP unit)	Policy analysis, dialogue and capacity-building <ul style="list-style-type: none"> • <i>Support market access by identification of trade barriers</i> • <i>Provide inputs to negotiation processes of MEAs</i> • <i>Promote public/private dialogue: expert meetings, round tables, etc</i> • <i>Training of policy makers</i> • <i>Reporting on impact of BioTrade</i> 	BTFP: US\$ 2,750,000 – through annual budget request from BTFP Administrator
Union for Ethical BioTrade	Market development and product differentiation <ul style="list-style-type: none"> • <i>Implement BioTrade verification system (training of service providers, development of standards, allow for verification of companies by 3rd-party auditors)</i> • <i>Market development (business partnerships, market recognition and promotion)</i> Product and business development support <ul style="list-style-type: none"> • <i>Business transformation assistance (sustainable use and benefit-sharing)</i> • <i>Product and business development</i> • <i>Facilitate access to trade Finance</i> 	BTFP: US\$ 5 million - through annual budget request from BTFP Administrator Matching funds: US\$ 6 million (though private sector members, donors, and in-kind support of partners)
Regional Trade Associations	Product and business development <ul style="list-style-type: none"> • <i>Market-driven research of priority species (quality and toxicity testing, IPRs, etc.)</i> • <i>Access to laboratory facilities</i> • <i>Registration of priority species in target markets (through partnerships)</i> 	BTFP: US\$ 2 million (PhytoTrade US\$ 1 million and Andean Trade Association US\$ 1 million) - through annual budget request from BTFP Administrator Matching funds: US\$ 4 million (though private sector members, donors)
International Trade Centre	Strengthening of market information systems of BTFP partners. <ul style="list-style-type: none"> • <i>Technical assistance to design information systems.</i> • <i>Assistance in information management</i> • <i>Training actual and potential users of information sources.</i> • <i>Promote market information exchange between BTFP partners</i> 	BTFP: US\$ 1 million - through annual budget request from BTFP Administrator

Annex 2: Rationale, mandate & relevance of BioTrade

General rationale behind the BioTrade Initiative

Biodiversity²⁴ is the source of many products and services utilised by society. Millions of rural people depend on biodiversity for food, medicines, income, ecosystem services and cultural and spiritual needs. Currently, biodiversity provides essential inputs to diverse industries like agriculture, cosmetics, pharmaceuticals, pulp and paper, and waste treatment.

Biodiversity is being lost at accelerating rates²⁵, caused by widespread overexploitation of biological resources, introduction of alien species and transformation of habitats. Biodiversity loss often destabilises and reduces the productivity of ecosystems, weakening their ability to generate products and services, as well as their capacity to deal with natural disasters and human-caused stress, such as environmental pollution and degradation and climate change.

The sustainable use of biodiversity is thus fundamental for long-term sustainable development. Developing countries, which are often endowed with rich biodiversity, face the great challenge of combining poverty alleviation and economic growth with sustainable use and conservation of biodiversity. They need to find ways for the long-term financing of biodiversity conservation, which is currently financed mostly through external funding. Trade of products and services derived from biodiversity could be partly the solution to this problem. Research²⁶ shows that market interest and demand for biodiversity products and services is growing, giving countries rich in biodiversity a comparative advantage. However, developing countries often lack the capacity to turn this into a competitive advantage, meaning traded volumes of sustainably obtained biodiversity goods and services remain relatively low.

The importance of trade as a positive incentive measure for biodiversity conservation is increasingly recognised at national and international levels and efforts are underway to promote trade that takes into account ecological and social issues²⁷. Efforts are, among others, directed towards:

1. Creating an enabling policy environment at the national, regional and international levels that promotes sustainable trade in biodiversity products and services;
2. Increasing the supply capacity of developing countries of goods and services derived from biodiversity, requiring: increasing the levels of productivity, strengthening technical skills, improving technology, augmenting access to finance, and promoting alliances among actors; and
3. Improving market access and forging market creation for biodiversity goods and services, including: enhancing the understanding of these markets; facilitating commercial contacts between exporters and importers; improving market access; and raising awareness among consumers.

²⁴ Biological diversity, or biodiversity, refers to the variety of life on Earth, including the variety of plant and animal species, the genetic variability within each species, and the variety of different ecosystems. [www.biodiv.org]

²⁵ Based on current trends, an estimated 34,000 plant and 5,200 animal species face extinction. [www.biodiv.org]

²⁶ For example, medicinal plants, exotic fruits and seeds are used as ingredients in an increasing number of consumer goods such as phyto-pharmaceuticals, cosmetics, and dietary products, with an estimated market of \$18.5 billion worldwide for the year 2000. The market for intermediate products, including essential oils, natural dyes, latex, fibres, resins, gums and medicinal plants; amounts to \$3 billion in US imports and exports.

²⁷ For example by the Commission on Sustainable Development (CSD), the World Summit on Sustainable Development (WSSD), Convention on Biological Diversity (CBD), Convention on International Trade in Endangered Species (CITES), the Ramsar Convention on Wetlands (Ramsar).

Mandate and relevance of BioTrade

UNCTAD

The BioTrade Initiative derives its mandate from UNCTAD's Plan of Action (Bangkok, 2002, and São Paulo, 2004). At the eleventh session of the United Nations Conference on Trade and Development (UNCTAD XI) held in São Paulo in June 2004, UNCTAD was mandated to "continue to provide support to developing countries on issues at the interface between trade and environment, such as market access, agriculture, traditional knowledge, transfer of environmentally sound technology, environmental goods and services, environmentally preferable products, and issues concerning eco-labelling and certification costs, and follow up on trade-related issues contained in the Johannesburg Plan of Implementation. It should strengthen work on the BIOTRADE Initiative".

CBD

The CBD has called upon UNCTAD numerous times to contribute to its programme of work. During the last Conference of the Parties, the following CBD decisions called upon UNCTAD BioTrade: VIII/17 (private sector engagement), VIII/23 (Agricultural biodiversity), VIII/26 (Incentive measures). See box below for extracts of these decisions.

Extracts from decisions VIII/17, VIII/23, VIII/26, 8th COP (March 2006), CBD

Decision VIII/17: Private sector engagement

- [There is a] need to enhance voluntary commitments of the private sector to, and strengthen regulation in support of, the objectives of the Convention.
- The Private sector encompasses a broad range of actors and there are multiple reasons for promoting the engagement of business and industry in the implementation of the convention.
- Tools and mechanisms may be of use in facilitating contributions from business and industry towards the implementation of the Convention and its 2010 target.
- Work on ways and means of supporting small- and medium-sized enterprises with environmentally sound products, such as that developed by the UNCTAD BioTrade Initiative, would help to promote good biodiversity practice among business and industry.

Decision VIII/23 Agricultural biodiversity

- To counter the loss of diversity in human diets, and in ecosystems, by conserving and promoting the wider use of biodiversity for food and nutrition. Through
- *identification and promotion of species currently underutilized or of potential value to human food and nutrition, and their conservation and sustainable use;*
- *protection and promotion of biodiversity friendly markets by addressing regulatory issues;*
- *and support to the study and development of production and commercialization of non-conventional biodiversity-based products, including processing of non conventional biodiversity-based food.*
- there are opportunities for cooperation with the BioTrade Initiative of the United Nations Conference on Trade and Development (UNCTAD) to, inter alia, provide technical assistance and create an enabling policy environment.

Decision VIII/26 Incentive measures

- Encourages relevant national, regional and international institutions and organizations to strengthen research activities, including research cooperation and exchange at national, regional and international levels, on, as appropriate:
- *Further assessment of positive incentive measures and their application at the national, regional and global levels, taking into account the context in which they were implemented, the conditions necessary for their success, as well as the ecosystem approach;*
- *The development of innovative positive incentive measures;*
- Invites the United Nations Conference on Trade and Development, through its initiatives, including, BioTrade Initiative, to continue supporting the programme of work on incentive measures of the Convention.

The full Text of the decision by the governing body of the Convention on Biological Diversity can be seen at: <http://www.biodiv.org/decisions/default.asp?m=cop-08>

CITES

UNCTAD BioTrade Initiative also works closely together with the CITES Secretariat, which attaches increasing importance to the need to identify and implement economic incentives to encourage the conservation or sustainable use of wild fauna and flora, as well as to complement the systems that regulate the use of CITES-listed species. The decisions 13.76 and 13.77 of CITES COP 13 call the parties to enrich the discussion on economic incentives and motivate the exchange of experiences in the design and use of economic incentives for the sustainable management of wild fauna and flora. In this context the BioTrade Initiative of UNCTAD is recognised as a strategic partner to address the issue of the role of economic incentives for sustainable resource management, including the exploitation for trade of CITES-listed species at sustainable levels and generating benefits for local communities.

CBD & MDGs

UNCTAD BioTrade responds to the Commission on Sustainable Development (CSD), which stresses the urgent need “to provide incentive measures at national, regional and international levels to stimulate the conservation and sustainable use of biological diversity and improve the functioning of their markets by enhancing developing countries’ capabilities to compete in emerging markets for biological resources”.

The United Nations Millennium Development Goals (MDG) and the World Summit on Sustainable Development (WSSD) stress the need to reconcile the goals of environmental sustainability, including biodiversity loss, with developmental needs and the necessities of millions of poor people for natural resources. Specifically, it contributes to goals 1 and 7 (Goal 1 - Eradicate extreme poverty and hunger; Goal 7 - Ensure environmental sustainability).

The BTFP is also listed as an official type-two partnership of the World Summit on Sustainable Development.

Intervention strategy

The BioTrade Initiative seeks to promote trade and investment in biological resources in support of sustainable development, in line with the three objectives of the CBD. Through the establishment of partnerships with national, regional and international programmes it seeks to strengthen the capacity of developing countries to enhance the production of value-added products and services derived from biodiversity for both domestic and international markets. In order to turn trade into a positive incentive measure for biodiversity conservation, the UNCTAD BioTrade Initiative together with partners and beneficiary countries, is addressing the policy environment, supply capacity and market access through an intervention strategy that targets different problems at different levels of intervention.

This section outlines the strategic areas of work as identified by the BioTrade Initiative, as well as its specific objectives and activities.

Strategic areas of work:

Four strategic areas of work have been identified:

1. BioTrade National Programmes

At the national level, UNCTAD assists developing countries in the development and establishment of BioTrade National Programmes in order to strengthen their institutional capacity to develop policy frameworks in support of BioTrade and provide technical assistance to BioTrade initiatives. Programmes are being formulated in Brazil, Costa Rica, Paraguay, Uganda, and Venezuela. National programmes are being executed in Bolivia, Colombia, Ecuador, and Peru.

2. BioTrade Regional Programmes

Complementary to the BioTrade National Programmes, UNCTAD assists organisations in the formulation and implementation of regional programmes that promote BioTrade. These regional programmes typically develop regional strategies and policies in favour of BioTrade and provide concrete support to their implementation. Programmes are being developed or supported in the Andean and Amazonian regions of Latin America and in Southern Africa.

3. International policy environment

UNCTAD provides inputs to international processes of policy formulation related to trade and biodiversity, particularly in trade-related sections of Multilateral Environmental Agreements (MEAs), in order to support the establishment of an enabling environment for BioTrade.

4. Cross-cutting issues

UNCTAD provides assistance on specific issues related to trade, particularly export, sustainable use and investment in order to complement the work developed in the above-mentioned strategic areas. Such issues, which include among others export promotion, match-making between importers and exporters, improvement of market access, and trade-related legal issues, are addressed in a cross-cutting manner (i.e. at national, regional and international levels). UNCTAD's efforts depend on the needs and priorities of national and regional programmes.

Specific objectives:

In view of the above, the specific objectives of the BioTrade Initiative are:

1. To assist developing countries in the formulation and implementation of BioTrade National Programmes;
2. To assist Inter-Governmental Organisations in the formulation and implementation of BioTrade Regional Programmes;
3. To provide inputs to international policy-making processes related to trade and biodiversity;
4. To carry out technical assistance on issues related to trade, particularly exports, and investment related to BioTrade.

Activities:

To realise the above objectives, UNCTAD undertakes the following activities:

Facilitating international discussions and decision-making

UNCTAD participates in relevant intergovernmental processes and creates platforms for discussion in the context of such processes. This includes organising workshops and roundtable events. For example, during meetings of the Conference of the Parties of

Multilateral Environmental Agreements (MEAs), UNCTAD provides parties with additional information on specific issues related to trade and biodiversity or shares its experiences at major United Nations and other international conferences.

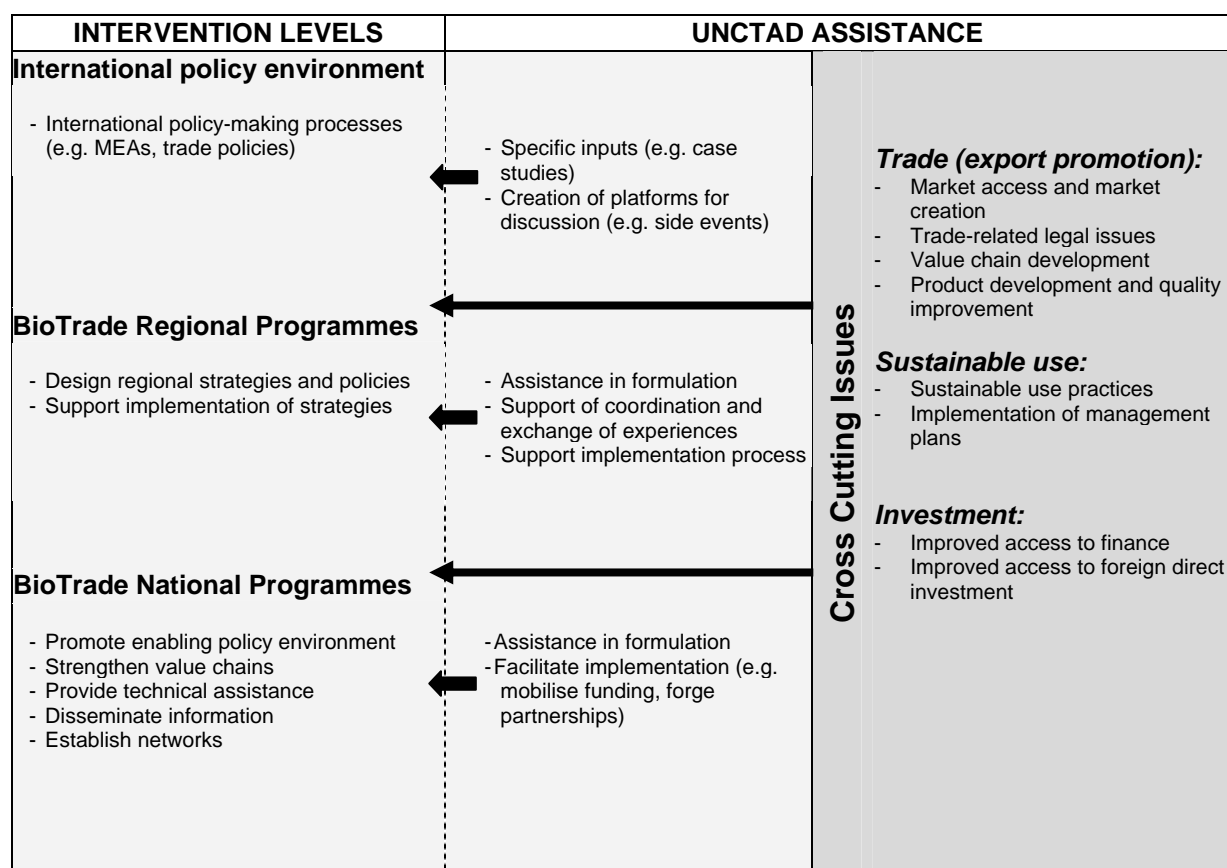
Research and analysis

UNCTAD, together with partners, conducts and collects case studies and develops tools for trade and investment in products and services derived from biodiversity. These tools are designed for governments, the private sector, NGOs, academia, local and indigenous communities, as well as other international organisations. This covers, among other things, the design of methodological proposals, the elaboration of market studies, the gathering of existing experiences and identification of best practices. This information is disseminated to governments and civil society and is also made available through technical assistance activities.

Technical assistance

Technical assistance is often provided in cooperation with specialised partners, and may take different forms, including the provision of training workshops, the provision of technical inputs to the work of partners, and financial support to partners to implement activities that allow them to apply and test new methodologies.

Technical assistance provided by UNCTAD is normally targeted at governments and national service providers (e.g. institutional strengthening of export promotion organisations, focal points of BioTrade programmes, private sector associations, NGOs). Initiatives of the private sector and local and indigenous communities are important but often indirect beneficiaries of UNCTAD, as they are serviced either through national service providers or through specialised international agencies (such as ITC, CBI and SIPPO).



Annex 3 Needs

The need for an enabling-policy environment at international and national levels

1. In order to make business work for biodiversity and contribute to sustainable development of countries' economies, countries need to have an enabling-regulatory and policy framework in place. Lack of understanding of the issues at stake, fear about unfair business practices and/or unfair sharing of benefits (often referred to as biopiracy), as well as pressure from more conservation-oriented stakeholders, may result in defensive and restrictive attitudes of policy makers²⁸. Many responsible business initiatives, by both SMEs and large companies, are confronted with incoherent and restrictive policies, regulations, and attitudes that inhibit them to reach their (full) growth potential. There is therefore a need for better understanding of issues related to sustainable use and benefit-sharing. Platforms need to be created for constructive discussions of practical solutions. These discussions need to involve private sector actors that are committed to the sustainable use of biodiversity and need to be based on practical and realistic examples. To date, few cases exist of the successful integration of business and biodiversity.
2. Increased understanding is required of often very technical discussions/negotiations that take place in the context of organisations such as the WTO, WIPO, CBD, CITES, etc. Those involved with biodiversity and business at the field-level have requested for more information of the issues, that is easy to understand, and how they impact their work. At the same time, negotiators in developing countries (or in Geneva) need to better understand and integrate themselves into the discussions of the issues that are important to those public and private sector organisations involved BioTrade²⁹.
3. There is a need for better understanding of the regulatory frameworks that are in place or being developed in target markets. Capacity-building is required on understanding the regulations, improved capacity to discuss existing ones, and the participation in consultations of new regulations.

The need for improved market access, product development, and increased market demand

4. In addition to discussing regulatory frameworks that are currently in place, compliance with regulations is important. Experience from BTFP I has shown that increasingly stringent market requirements are posing problems to BioTrade companies and importers alike. Issues for which support is required include development of product-specific testing methods, safety assessments, preparing product dossiers or monographs, and supporting the development of new processing techniques. Preparation of required documentation (e.g. MSDS), and registration of products in target markets are often preconditions to successfully promote these products. Furthermore, in the past, these companies have gone to the market with incomplete documentation that has led to very limited success. Such documentation is also required to enter into business partnerships with well-established companies. Costs may be prohibitive for many SMEs, particularly in the case of native species that often have no history of use in target markets. Experience of BTFP I has taught that the active coaching of private-sector companies and brokering of collaboration between businesses

²⁸ Decision 391 of the Andean Community on Access to Genetic Resources is an example of a very restrictive regulation that was adopted during a period when heated debate took place on ABS. Since the regulation is in force, little formal applications have been made to access the genetic resources of the region. As a result, few benefits are generated by the private sector as a result of use; few benefits can therefore be shared.

²⁹ Organisations such as ICTSD are playing an important role in this regard. However, for those working on these issues at the country level or in the field, the level of discussion is often perceived as rather abstract and/or technical and very much WTO-oriented. The needs are therefore at a different level than those that ICTSD and others address.

in developed and developing countries can result in significant partnerships and sales. BTFP I has also proven that the concerted action of the private sector in developing countries is required to justify investments in new species and assure sufficient supply for the future.

5. General market interest exists in issues related to social and ecological sustainability in those product groups that have been prioritised by BioTrade National Programmes and partners (e.g. tropical flowers and foliage, natural ingredients for cosmetics, pharmaceutical and food industries, (products derived from) fauna such as *Caiman yacare*, *Arapaima gigas*, ornamental fish, tourism)³⁰. However, understanding of the BioTrade concept in these target markets is still limited, both at businesses and final consumer levels. Something that also holds for biodiversity at large³¹. Under BTFP I, progress was made to raise awareness and interest in the BioTrade concept in the EU market for natural ingredients in cooperation with the Dutch Centre for the Promotion of Imports from developing countries (CBI), and Swiss Import Promotion Programme (SIPPO). However, similar efforts need to be made for other product groups and extended to other markets such as the USA and Japan³².
6. SMEs involved in BioTrade are looking for buyers of products that are market-ready, or private sector partners that can support further product development. BTFP I actively promoted participation in trade fairs of developing country SMEs. This has proven to be a useful strategy, but also showed its limitations. Many native species are not known to the market and need to be brought to the attention of product formulators or the marketing department, and not necessarily the procurement department that normally attends these trade fairs. Experiments have been undertaken with B2B programmes that actively supported match-making between companies by specialised consultants. Experience has been very encouraging, but it was decided that such strategies should be undertaken by (regional) trade associations and/or national programmes. At international level, efforts should be made to bring like-minded companies together to facilitate their interaction.

Need for improved access to trade finance

7. SMEs often have difficulty exporting their relatively small orders, yet without the ability to ship these small amounts, they cannot develop the track record needed to grow their business. A common solution to this problem is to work with trading companies, which can group sellers and can take financial risk. Another is to make sure that BioTrade enterprises have access to existing SME trade and pre-export financing programmes implemented by local banks and leasing companies.

Need to guide and reward responsible business conduct

8. There is a need for effective involvement of the private sector in the sustainable use of biodiversity. MEAs are actively seeking their serious engagement and positive contribution to their implementation. This is underlined by the CBD decision on the private sector, and by discussions that UNCTAD is having in the context of the Ad-Hoc Working Group of Biodiversity-Related MEAs³³. However, to date, few mechanisms exist

³⁰ Several market studies/prospecting have been conducted by UNCTAD BTFP and partners: see for example market studies on <http://www.biotrade.org/BTFP/Publications.htm>.

³¹ See for example Heads of Agency Task Force on the 2010 Biodiversity Targets <http://www.biodiv.org/doc/meetings/biodiv/hoatf-01/official/hoatf-01-03-en.doc>, or report on a BioTrade business Round-table: http://www.biotrade.org/docs/Reports/BRT_Report-web.PDF

³² This issue was also broad forward by the interim evaluation of the BTFP.

³³ See § VIII/7 (<http://www.biodiv.org/doc/decisions/COP-08-dec-en.pdf>) and http://www.biotrade.org/BTFP/BTFP-docs/Concept_Notes/UNCTAD_MEA_Workshop_Concept_Note.PDF

that involve the private sector and provide incentive to make their supply chains more biodiversity-friendly.

9. At the same time, need has been expressed by those private sector players involved in BioTrade for the recognition of their efforts, as well as the need for independent verification of responsible business practices that are in line with the BioTrade Principles and Criteria (CBD and other MEAs). Current certification schemes that could help provide SMEs with such recognition do not (yet) deal with the issues addressed by the BioTrade Principles and Criteria such as benefit-sharing³⁴.
10. SMEs and/or large companies that would like to include biodiversity-friendly practices often face mayor challenges in doing so. These are related to costs, but also often stem from the lack of good practices and guidelines in this area of work. This holds true for larger companies when it comes to developing policies for their suppliers related to the sustainable use of biodiversity and benefit-sharing. It applies to SMEs when they need to develop long-term relationships with community-based suppliers, for the development of management plans, for the adoption of benefit-sharing practices, and/or for the use of intellectual property instruments. The BTFP, BioTrade National Programmes and other partners are supporting the development approaches towards all these issues, but experiences are still new and limited. Recently, the BTFP developed a verification system that is focused on guiding interested SMEs (both producers and buyers) towards compliance with BioTrade Principles and Criteria. Access to good practices and support for their implementation needs to be increased, spread to other countries/regions and, over time, instruments and experiences need to be evaluated jointly by different stakeholders.

Market information

11. There is a rapidly expanding global market for biodiversity products, but there are still not that many examples of SMEs or (community-based) enterprises in Africa, Asia and Latin America that have successfully managed to benefit from this global market. One of the key elements to becoming effective producers and competitors in these markets is the market and marketing information for these products. However, market information is difficult to obtain. BioTrade National programmes and BioTrade partners have started to develop market information systems. The BTFP also commissioned various market studies. The BTFP interim evaluation recommended building up market intelligence in national institutions to increase access and improving the quality of information.

Impact measurement

12. The BioTrade Initiative faces the same challenges as most initiatives aimed at contributing to sustainable development. It needs to demonstrate the impact on the ground and its contribution, through its activities, to its social, environmental and economic dimensions. After all, insufficient attention to ecological and social sustainability and increased commercialisation of products derived from biodiversity could potentially lead to over-exploitation or inequitable benefit-sharing. This is particularly true for initiatives based on social, economic and environmental standards and market mechanisms, which often lack systematic instruments for measuring their own impacts. Under BTFP I, an impact assessment system is being developed. This now needs to be implemented by the different BioTrade partners.

³⁴ Upon request of the BTFP Advisory Board, UNCTAD BTFP conducted a study on this question, summarising the issue, comparing the different verification schemes that exist and providing recommendations. See: http://www.biotrade.org/BTFP/BTFP-docs/Working_docs/BT_verification.pdf

Up-scaling the BioTrade Initiative

13. For various reasons, the UNCTAD BioTrade Initiative has been very much focused on Latin America. Through BTFP I, the BioTrade Initiative managed to become active in Southern Africa, Uganda and Vietnam. Need exists to further up-scale the activities of UNCTAD BioTrade and involve more partners that can promote the BioTrade concept³⁵.

³⁵ On many occasions, UNCTAD has been requested by Member States to initiate BioTrade activities in other areas of the world.

Annex 4. How recommendations of BTFP Interim Evaluation³⁶ have been incorporated in the 2nd phase of the BioTrade Facilitation Programme (BTFP II)

	Recommendations of BTFP Interim Evaluation	BTFP II
<i>Regarding longer term vision</i>		
1	Develop longer-term vision	✓ This vision exists but not on paper.
2	Deepening of value chain work (more enterprises, more destination markets, more value chains)	<ul style="list-style-type: none"> ✓ Set-up for BTFP II allows for inclusion of additional companies from all BioTrade value chains. ✓ BTFP II will still put emphasis selected value chains. ✓ BTFP II will focus on EU, USA and Asia market
3	Creation of a sustainable BioTrade support system, available to the entire sector, through capacity-building and training of trainers	<ul style="list-style-type: none"> ✓ BTFP II puts into place a BioTrade verification and support system (UEBT). ✓ BTFP II has 3 training and capacity building components
4	More systematic concern to expand existing (presently unsustainable) biotrade by improving environmental quality	✓ Through UEBT, BTFP II will reach out to existing companies involved BioTrade sector and make work more sustainable.
5	BTFP should address issues related to complex question of labelling and certification (§28) & BTFP should integrate promotion tools (bio-labelling biocertification) (page 5)	✓ Core component of BTFP II is verification system that addresses this issue squarely.
6	Institutional strengthening (anchoring BioTrade export promotion in national agencies, building national reference centres for BioTrade certification, intellectual property issues, market information, trade credit and investment funding). Establishing national internet portals for BioTrade	<ul style="list-style-type: none"> ✓ This issue will be partly covered by BTFP II. Most of this should however be picked up by the national programmes that are financed through sources other than BTFP II. ✓ UNCTAD BioTrade will play an important role in this area as well.
7	Creating business associations for BioTrade	✓ Fully addressed in the business development component of BTFP II.
<i>Regarding management practices</i>		
8	ITC has to become a partners in project management particularly to strengthen institution-building for trade promotion	<ul style="list-style-type: none"> ✓ ITC will be responsible for one component of the BTFP II ✓ Role of ITC in governance?
9	The network of cooperating agencies for trade development has to expand	✓ BTFP II engages a number of new cooperating agencies in the different components.
10	New bilateral and multilateral allies should join BTFP to fund market expertise and management and coordination costs of BTFP	✓ Underway

³⁶ UNCTAD Biotrade Facilitation Programme Interim Evaluation, PRAXIMONDO, practitioners for development, environment and trade. Leni Berliner & Matthias Meyer, July 27, 2006

11	The outreach to international technical agencies and NGOs should be strengthened to allow for capacity-building of national technical reference centres	✓ BTFP II foresees this. The adoption of the BioTrade standard will facilitate this process
12	BTFP should have a clear mandate to help in setting up new national programmes and to coordinate with regional cooperation competitors	✓ This is the role of UNCTAD BioTrade and not of BTFP II
13	BTFP has to better interact with national programmes by planning jointly the programmes and being an official partner in the boards of national programmes	✓ In all BTFP II components planning with BioTrade will be stepped-up, when relevant.
14	BTFP should continue its fundraising role for national programmes	✓ This is the of UNCTAD BioTrade not BTFP II.
15	UNCTAD will have to add expertise and management capacity by adding members to the project unit and giving them much better logistical support than what is available now	✓ Management of BTFP II has been changed to significantly to address this issue.
16	The project unit will have to decentralise its payments and procurement using established UN procedures to avoid bureaucratic gridlock	✓ Fund administration of BTFP II will be done by an independent organisation outside UN system.
17	It will have to mainstream the practice of hiring BTFP national coordinators working in the partner countries	✓ Because of changes in set-up of the BTFP this recommendation is not applicable anymore.
<i>Regarding governance</i>		
18	UNCTAD management should give high priority and strong political support to this programme	✓ UNCTAD continues to provide high-level support.
19	To strengthen the international network of BTFP by enlarging the Advisory Board and include competent international technical organisations active in BioTrade-like umbrella organisations for bio-certification and biodiversity projects, as well as industry organisations representing buyers of biodiversity products	✓ The BTFP II advisory will have been expanded accordingly.
20	The donor meeting could be transformed into a small steering committee for the programme	✓ BTFP II design includes steering committee.
21	Ensure quality of management and partnerships in national programmes: national networks should include business associations and competent technical support agencies, secure and flexible funding should be available, support agencies should be paid for their services, and competing national and externally-funded programmes be integrated as much as possible with the BioTrade National Programme.	✓ This is responsibility of national programmes and UNCTAD BioTrade. ✓ BTFP II supports this view when relevant