

## BIOFIN-CUBA.

### EXECUTIVE SUMMARY. Biodiversity Finance Policy and Institutional Review (PIR)

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Cuba joined the BIOFIN Initiative in 2016 at a special juncture, coinciding with the implementation of the 2030 National Plan for Economic and Social Development, with Natural Resources and Environment among its strategic axes. Likewise, the initiative contributes to the National Program for Biological Diversity (NBSAP) for 2016-2020, particularly with its Goal 20 referred to the mobilization of financial resources from different sources.

This initiative provides methodological tools for mobilizing financial resources to implement the State Plan to address climate change, known as “Task Life” and contributes to the fulfillment of the Sustainable Development Goals (SDGs.)

IN Cuba, BIOFIN is conceived as a UNDP technical assistance, led by the Ministry of Science, Technology and Environment (CITMA), with the Ministry of Finance and Prices (MFP), the Ministry of Economy and Planning (MEP), the National Office of Statistics and Information (ONEI) and the Central Bank of Cuba (BCC), as members of the National Coordination Group.

Currently, BIOFIN has a National Steering Committee –made up by high level officials of the agencies that make up the National Coordination Group- which examines and approves the reports on the work finalized by the BIOFIN components, including recommendations in each case.

The BIOFIN initiative has divided the work among five integrated components, fostering inter-institutional dialogue on biodiversity, economy and finance in order to mobilize resources for sustainable biodiversity management.

The objective of BIOFIN component 1 is the policy and institutional review on biodiversity finance. In fulfilling this purpose, the main sectors, economic activities, agencies, higher business management bodies and entities having an impact on biodiversity were identified

The design of this component was led by the Ministry of Economy and Planning (MEP) with technical assistance from the United Nations Development Program (UNDP), and paved the way for implementing the initiative.

BIOFIN coordinated the work of over 15 Cuban institutions, the starting point and final goals of which were the actions and goals established in the National Biological Diversity Plan for 2016-2020, as well as seeking solutions for the required funding to reduce the main biodiversity threats pointed out in the Fifth National Report to the Convention on Biological Diversity.

The analysis of the documents and materials consulted shows that Cuba has a wide range of legal and institutional policies for the protection and sustainable use of natural resources developed throughout more than 40 years, as endorsed in the Constitution of the Republic which states in Article 27 that:

**“The State protects the environment and natural resources. It recognizes their close link with sustainable economic and social development to make human life more rational and to ensure the survival, wellbeing and security of present and future generations. The competent bodies are in charge of implementing this policy. Citizens have the duty to contribute to the protection of water, the atmosphere, soil conservation, the flora, the fauna and nature’s entire rich potential.”**

**Under Component 1, an inventory of legislations was thoroughly reviewed to identify those legal rules with biodiversity-related provisions. All the documents related to this topic were identified, namely: 20 international conventions, treaties and protocols; 12 laws; 27 decree-laws, 21 decrees, and 47 ministerial resolutions. This proved that there are no significant policy and legal gaps and that the main problems are found in terms of implementation and poor will to finance biodiversity reflected in sectorial policies, except for protected areas, forests, and the mining sector.**

**Regarding the analysis of policies driving the economy and their sectorial impact, one of the principles of the 2030 National Plan for Economic and Social Development (PNDES its Spanish acronym) states: Guarantee the conservation and rational use of natural resources so that environmental protection can contribute to sustainable economic and social development. On the other hand, Natural Resources and the Environment are among the 6 strategic axes of the PNDES, emphasizing the need for development actions in the different economic sectors to be mindful of their impact on the environment in order to attain the sustainable development sought.**

**Likewise, target No. 15 of this axe specifies: “Implement economic incentives in order to attain financial sustainability in the use and conservation of natural resources”, an opportunity for BIOFIN to implement its initiative.**

**The main shortfalls in the policy framework are:**

- **Lack of a high-ranking rule (law or decree-law) for the implementation of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits (ABS) to the Convention on Biological Diversity.**
- **In Cuban accounting standards and in the structure for budget settlement no incomes or expenditures related to the environment or biodiversity are defined.**
- **Gradual implementation of environment taxes under the current Tax Law has been quite slow in recent years.**
- **Decree No. 179 on Soil Protection, Use and Conservation, emphasizes soil as a productive factor and not as the foundation of biodiversity.**
- **In the implementation of Decree-Law No. 201 on the National System of Protected Areas there has been slow progress in the mechanism for the sustainable financing of such areas, one of the main targets of BIOFIN.**
- **The legal and institutional framework required for tariff reductions related to the import of environmentally-friendly technologies needs to be updated.**

- Of the income sources acknowledged in the legal framework for the National Environmental Fund, the state budget is the only current source being used.

In the institutional review, sectors, economic activities, State Central Management Organizations (OACE, its Spanish acronym), Higher Business Management Bodies (OSDE, its Spanish acronym) and national entities having an impact on biodiversity were identified and their competencies, institutional structures and legal basis were analyzed. The current status of biodiversity finance was also analyzed, showing that the State Budget and the National Economy Plan are the main financing sources.

The BIOFIN analysis corroborated that the current structure of the Ministry of Science, Technology and Environment (CITMA), as the governing body for environmental issues in the country, has certain constraints for designing and implementing biodiversity finance mechanisms. It is worth mentioning that this Ministry is undergoing a refinement process that will put in place solutions for strengthening its economic and financial structure.

The main difficulties for implementing economic tools are found in the institutional framework, where structural and capacity-building problems that difficult to ensure the implementation of the policies adopted.

The lack of financing for the sustainability of the National System of Protected Areas is a key problem that needs to be solved, as well as the structural inconvenience of being managed by different entities, both business entities and state financed entities from different agencies.

Financial mechanisms currently being used in the country as well as gaps in their implementation were identified. This points out the need of learning how to use them in order to optimize their implementation and create new financial mechanisms for the conservation and sustainable use of biodiversity and ecosystems.

After analyzing BIOFIN's Catalogue of Financial Solutions, it was concluded that around 40 of them can be applied in Cuba, out of which, more than 15 are, in one way or another, already implemented in the country.

The main recommendations resulting from the policy and institutional review conducted by BIOFIN are the following:

- To assess, for policies to be designed and approved in the future, the relationship between financial sustainability and the environment for the conservation and sustainable use of biodiversity, as well as the contributions that existing policies can make to this end.
- To strengthen inter-sectorial work to foster positive practices in the sustainable use of biodiversity.
- To check and update the legal framework to support economic efforts aimed at protecting the environment, involving new actors in order to diversify the sources for biodiversity finance.
- The Ministry of Finance and Prices should include and evaluate biodiversity-related incomes and expenditures in accounting standards in order to establish the basis for payments for environmental services (PES) and other financial mechanisms.

- To increase the different income sources for the National Environmental Fund, to ensure its financial sustainability.
- To update the legal and institutional framework to obtain tariff discounts for the import of environmentally-friendly technologies.
- To design, implement and evaluate mechanisms to redistribute biodiversity-generated incomes and use them in bio-diversity conservation and/or management like, for example, nature tourism; using payments for environmental services (PES and others) to develop areas providing ecosystem services.
- To evaluate the possibility of establishing a fee or contribution to be paid by tourists visiting the country, to be used in the conservation of biodiversity.
- To consider drafting a provision for regulating that total or partial incomes from environmental fines, fees, certificates, licenses and permissions be used for a specific environmental purpose.