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FINANCING NEEDS ASSESSMENT FOR BIODIVERSITY (FNA) REPORT
MONGOLIA

BIOFIN

THE BIODIVERSITY FINANCE INITIATIVE

THE BIODIVERSITY FINANCE POLICY AND INSTITUTIONAL REVIEW (PIR)
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ASSESSMENT ON NATURAL RESOURCE USE FEE COLLECTED AND SPENT LOCALLY
METHODLGY OF ESTIMATION OF INCORPORATING BASE EXPENDITURE
ON ENVIRONMENTAL PROTECTION AND RESTORATION INTO LOCAL BUDGET BASE EXPENDITURE -
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FINANCE NEEDS ASSESSMENT (FNA)

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Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety

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Swiss Confederation
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ABBREVIATIONS

ADB	Asian Development Bank
BE	Business Entity
BD	Biodiversity
ECF	Environment and Climate Fund
EPF	Environmental Protection Fund
FAO	Food and Agriculture Organization
FWRCC	Fresh Water Resources and Conservation Center
GASI	General Agency for Specialized Investigation
IMF	International Monetary Fund
IO	International organizations
MNT	Mongolian Tugriks
MET	Ministry of Environment and Tourism
MECSS	Ministry of Education, Culture, Science and Sports
MFALI	Ministry of Food, Agriculture and Light Industry
MoF	Ministry of Finance
MNT	Mongolian Tugriks
NBP	National Biodiversity Program
NSO	National Statistics Office
RBC	River Basin Council
SPAA	Special Protected Area Administration
SDC	Swiss Development Cooperation
SPAC	Special Protected Area Council
SCB	State Consolidated Budget
TNC	The Nature Conservancy
UNDP	United Nations Development Program
WCS	Wildlife Conservation Society
WWF	World Wildlife Fund

ONE. EXECUTIVE SUMMARY

This report aims at identifying the required financing needs for the implementation of Medium-term Action Plan /hereafter referred to as medium-term plan/ of the National Biodiversity Program (NBP). The financing needs have been defined by the identified activities, yearly needs and by NBP strategic areas.

Financing gap for the implementation of the medium-term plan is estimated at 136.6 million MNT, or 51.8 million USD. It was estimated that 74.7-84.3% of the total required funding of the strategic areas #1 and #2 are in deficient, which amounts to 95.7% of the total NBP financing gap. In contrast, the financing gap for strategic areas #3 and #4 is relatively small. Nevertheless, funding the financing gaps of the strategic areas 3 and 4 should be prioritized by establishing the legal frameworks for economic incentives and ecosystem payments.

It would further rationalize the use and conservation by increasing private sector participation and find solutions for future financing needs and/or reducing the future costs from environmental damages and degradation.

The relevant data from six ministries and one government agency, which were used for this report, were collected through the Ministry of Environment and Tourism (MET), whereas the data from international organizations were collected through the respective project coordinators. An official letter, signed by the State Secretary of MET, requesting the implementation status of the medium term plan during 2016-2018, and the planned activities for 2019-2021 was sent to the six ministries, GASI, NSO and MOF on 9 March 2019.

As of 1 May 2019, a response was received from the MCUD, MOE and MMHI, however, these ministries notified that they did not receive any official information regarding measures/activities of the medium-term plan that they should be in charge of. Therefore, no expenditures occurred, or no funding was budgeted for the NBP activities. A response from the ministries other than MET was not received, and the 2020 Fiscal Framework has not been formally approved; thus, related information was not included in this report.

The assessment of data and information on 9 donor projects and 36 projects funded by international organizations was carried out. The report included information on 25 projects that are relevant to respective goals of the program.

TWO. FINANCING NEEDS FOR THE IMPLEMENTATION OF THE MEDIUM-TERM ACTION PLAN

The MET approved the NBP's Medium-Term Action Plan on 4 April 2018. A total of 9 ministries, 9 agencies, 3 local administrations and 8 non-government organizations have been identified as stakeholders in the implementation of the plan. International and donor organizations, branches of international NGOs included in this Action Plan were considered as external sources, but not as stakeholders. This might indicate that there is a potential funding from international organizations and respective projects, however, it is uncertain that the government would collaborate. The required budget for 79 activities out of the total 96 specified in the Action Plan is 197.3 billion MNT, or 78.9 million USD. The main sources of funding include the State and local budget, private sector financing, and external sources, or in a combination of different sources. The budget allocation by Strategic areas is as follows:

GRAPH 1. BUDGETARY MEEDS BY STRATEGIC AREAS

Strategic area 4 /7%/
Strategic area 3 /6.6%/
Strategic area 1 /18.7%/
Strategic area 2 /67.6%/

The budget for Strategic Areas #2: Develop and implement science-based policy on the conservation and sustainable use of biological resources', accounts for 67.6% of the total financing needs. This indicates that the performance of the Medium-Term Plan will largely depend on financing of this Strategic area.

In order to examine the availability of funding, the budget has been classified according to the financing sources, as shown in Graph 2:
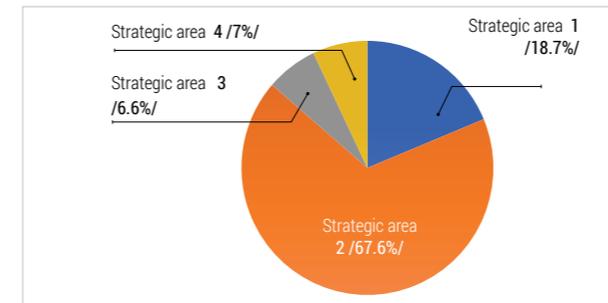
GRAPH 2. CLASSIFICATION OF THE BUDGET BY FINANCING SOURCES

External FS and Private Sector 26%
State and Local Budget 13%
Joint Financing from State and Local Budget and External Sources 1%
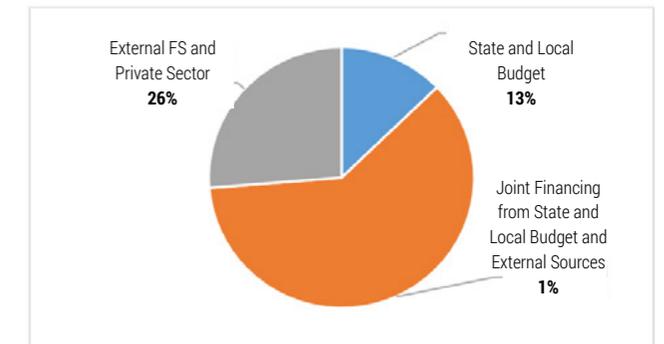
The graph suggests that the success of the medium-term plan is largely reliant on the allocation of the State and local budget, in addition to the mobilization of external funding and investments.

According to the roles and functions of the various agencies specified in the plan, the MET is responsible for 69% of activities, MFALI for 14%, and MECSS, NSO, GASI, MRTD, MCUD, MMHI and aimag administrations either each or jointly responsible for 1-5% of activities. Graph 3 shows the percentage of main stakeholders' participation in the implementation of the NBP based on the number of activities.

GRAPH 3. MAIN STAKEHOLDERS' PARTICIPATION IN THE IMPLEMENTATION OF THE NBP

MET and MFALI 1%
MOF and MET 1%
NSO 1%
MFALI, MMHI, MOE, MRT, MCUD 5%
MECSS 1%
Capital city and Aimag Administration 3%
MET and GASI 3%
GASI 1%
MFA 14%
MET and MECSS 3%
MET 69%
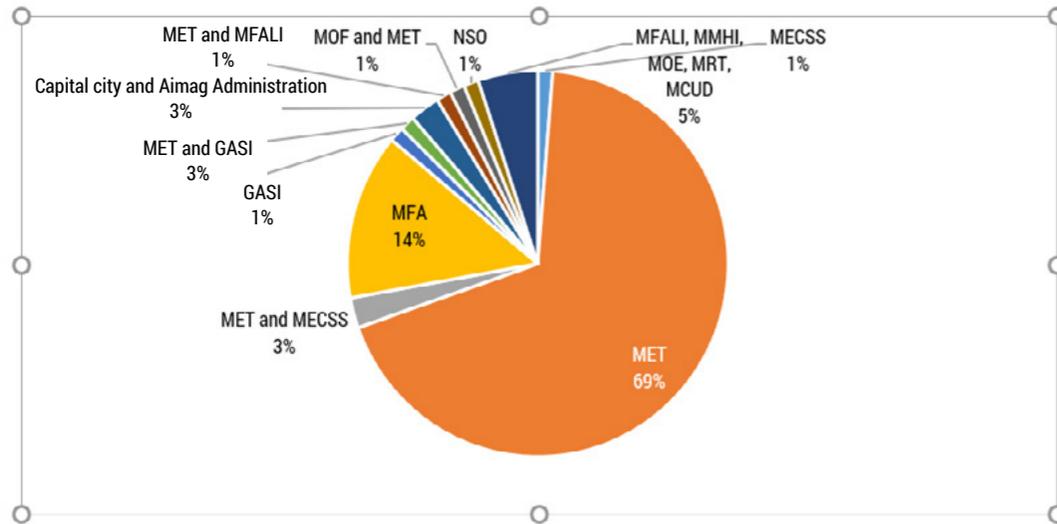
In addition to activities conducted by a single agency, 9 measures (11.4% of the total) will need to be undertaken by 2-5 ministries and agencies combined, which accounts for 5.03% of the required financing. This suggests that one of the most important factor in the implementation of the medium term plan is to ensure the inter-sectoral coordination, as it would have significant impact on the sustainable conservation of biodiversity.

3
TOTAL BUDGET FINANCING NEEDS

THREE. TOTAL BUDGET AND FINANCING NEEDS

The total financing needs for the implementation of the Medium-term Action Plan was estimated at 197.5 billion MNT during 2019-2021. Information from the relevant responsible agencies and the funding of projects and programs have been used to calculate the financing needs. It was also estimated that the total financing gap amounts to 136.6 billion MNT, which is 69.2% of the total financing needs.

Information received from the various stakeholders demonstrates a surplus in funding for Goals 2,8,13 and 14 as result of funding of donor projects. Moreover, the budget for recurrent expenditures and investments for 66 activities

working towards the development of tourism suited to local conditions is higher than the required funding of 600 million MNT. Therefore, this surplus was deducted in the estimation of potential funding sources. To obtain a tangible estimation of funding gaps, the net deficiency in financing sources was estimated with an assumption of no transfer of funding between goals is possible. Any surplus and gaps in financing according to the NBP's goals can be found in Appendix 1. It seems possible to address certain financing deficiencies by ensuring coordination with projects that are related to respective goals. This issue is discussed in details in Section 4, where financing needs are classified by Strategic areas.

TABLE 1. AVAILABILITY OF FUNDING FOR THE MEDIUM-TERM ACTION PLAN OF THE NBP IMPLEMENTAION (MILLION MNT)

Strategic Areas and Their Share in Total Program Budget	Total budget	Available funding	Financing gap in MNT and %	
Strategic area 1 (18.7%)	37.0	6.3	31.1	22.8%
Strategic area 2 (67.6%)	133.4	33.7	99.7	73.0%
Strategic area 3 (6.6%)	13.1	11.3	3.2	2.2%
Strategic area 4 (7%)	13.9	12.9	2.7	2%
TOTAL	197.4	64.2	136.7	100%

The above table demonstrates that financial sources for 69.2% of the total funding needs for the program's implementation from 2019-2020 are yet to be identified.

_____
1.   These 4 goals are in surplus of 3,547 million MNT funding

GRAPH 4. POTENTIAL FUNDING AND THE FINANCING GAP FOR NBP IMPLEMENTATION

	Strategic area 1	Strategic area 2	Strategic area 3	Strategic area 4
■ Series3	31,093.99	99,661	3,150	2,673
■ Series1	6,307	33,709	11,331	12,930
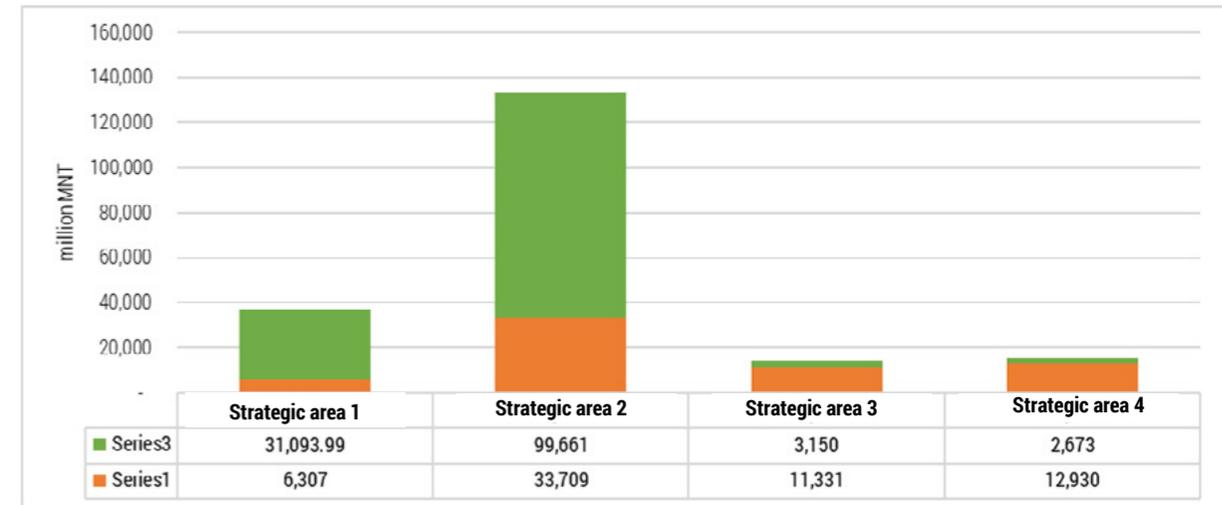
Assessment on the financing sources shows that the state budget provides 13.4 billion MNT, whereas the funding from international organizations amounts to 50.8 billion MNT of the total available sources.

GRAPH 5. POTENTIAL FUNDING AGENCIES
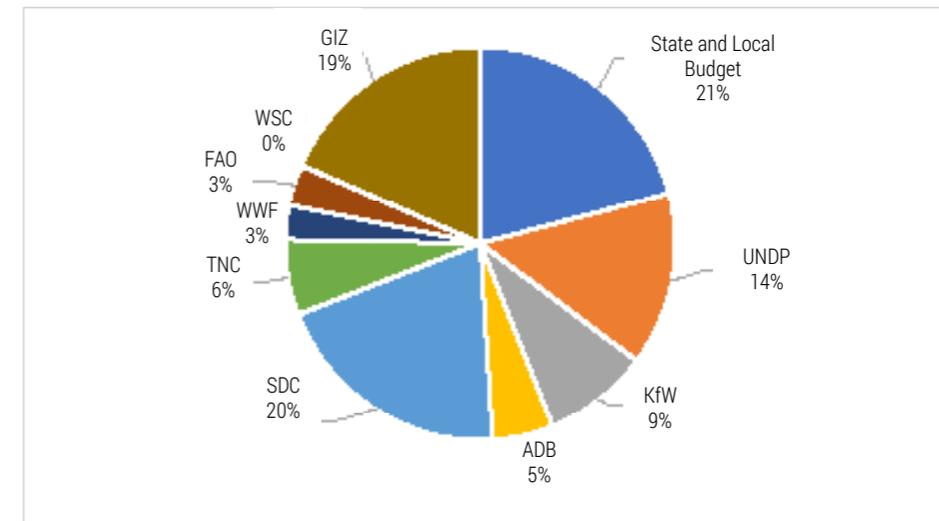
4

BUDGET AND FINANCING NEEDS BY STRATEGIC AREAS

FOUR. BUDGET AND FINANCING NEEDS BY STRATEGIC AREAS

STRATEGIC AREA 1: *Increase awareness and knowledge on Biodiversity conservation and sustainable use among both decision makers and the general public (Goal 1 and 2)*

The MECSS and the MET are responsible for 1 and 5 measures relating to Goals 1 and 2, respectively. The two ministries are also jointly in charge of the Action plan activities within the framework of the 2 goals and 4 objectives.

Graph 6. Financing Plan for Strategic Area 1 by Funding Sources

State budget 2%
Local budget and External sources 3%
State and Local budget 16%
State budget and External sources 79%

The planned expenditure for activities relating to Strategic Area 1 is 36.9 billion MNT, making up 18.7% of the total budget of the Action Plan. With regards to the source of this financing, the State and local budgets plan to fund 3 activities, while the remaining 4 activities are funded by combined external funding sources.

The financing sources for 31.1 billion MNT out of the 36.9 billion MNT, which is the total required funding for Strategic Area 1 is yet to be identified. However, the funding for goal 2 is in surplus, and thus it may be possible to utilise any unused funding from Goal 2 for Goal 1, given that both goals focus on formal education on sustainable development, and distribution of information to the public and decision-makers and the setting up of related systems.

In essence, if the surplus of funds allocated for "1.2.4.3 Trainings and advocacy on biodiversity conservation and the reduction of environmental pollution for the public, children, youth and decision-makers" is used for "1.1.1.3 Support for eco-schools, the engraining of the traditional culture of environmental protection, and eco-friendly lifestyles for children and youth", the total financing needs for Strategic Area 1 will be reduced by 435 million MNT.

Responsible agencies	Measures	Budget
MECSS	1	19600.0
MET	5	11366.0
MET and MECSS	1	6000.0
TOTAL	**7**	**36966.0**

Table 2. Financing Needs and Insufficiency of Funding for Strategic Area #1, (million MNT)

Goals	Budget	Avaialble funding	Gap/ surplus
Goal 1: The education for sustainable development is integrated into all level education curricula and this information is disseminated by at least 5% of mass media.	36 400.0	5.306.0	31 094.0
Goal 2: Establish the biodiversity sub-database through improving the content and access to the National Environmental Information Database and ensure its use in decision making.	566.0	1.001.0	(435)
TOTAL	36 966.0	6.307.0	30 659.0

The classification of available funding by financial sources show that the consolidated State budget amounts to 865 million MNT, or 14% of total funding, while, international organizations and other donors provide the remaining 86% at 5.4 billion MNT. Financing from the MET accounts for 100% of the government's contribution.

SDC's "Education for Sustainable Development" project is on-going, thus the percentage of donor financing is high. However, the majority of the financing gap is for "Incorporating sustainable development and green development concepts into training programs, and training teachers and other relevant staff", which has been discussed for an extended period of time, and also limited funding was budgeted within the approved Medium-Term Plan.

The following solutions are suggested to fill the financing gap:

1. As mentioned above, transfer any surplus funds for activity 1.2.4.3 to activity 1.1.1.3.

2. Place emphasis on consistency between on-going projects with training programs and the training of teachers and urge the government to formalize training programs and the preparation of textbooks.

3. It is interesting that even though the " Sustainable Development Vision -2030" was adopted, the related issues was not reflected in the Government Action Plan from 2017-2020. If MECS can succeed in including 19.6 billion MNT in its budget as per duties specified in the SDV-2030, the 64.1% of the NBP financing needs can be met.

4. It is worth mentioning that this assessment only covers projects related to environmental protection, and that there are projects related to other areas of development that incorporates 'Education for sustainable development'.

GRAPH 7. STAKEHOLDER PARTICIPATION IN POTENTIAL FINANCING FOR STRATEGIC AREA 1
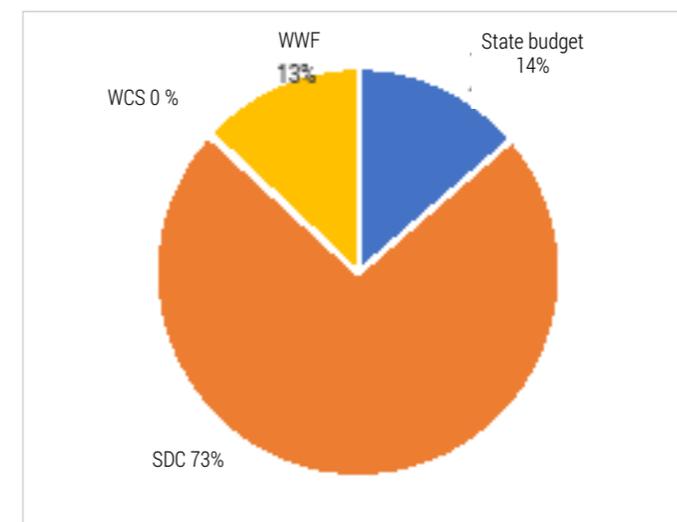
STRATEGIC AREA 2: *Develop and implement science-based policy on the conservation and sustainable use of biological resources (Goals 3,4,5,6 and 7)*

Responsible agencies	Actions	Budget (million MNT)
MET	30	114 004.0
MFALI	8	17 967.0
GASI	1	200
MET and GASI	1	1 200.0
TOTAL	40	133 371.0

Graph 8. Financing Plan for Strategic Area 2 by Funding Sources
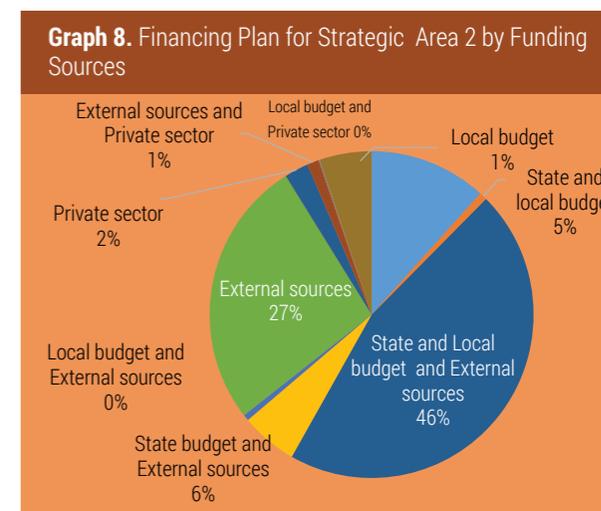
With regard to sources of financing for Strategic Area 2, the consolidated State budget accounts for 17% of the total required funding. The remaining 83% is planned to be acquired from external sources and/or the private sector, indicating a need for closer cooperation between the MET and other stakeholders, international organizations and projects.

Available funding for the implementation of this Strategic area equals 31.4 billion MNT, resulting in a gap of 101.8 billion MNT out of the total required funding.

**TABLE 3.** FINANCING NEEDS FOR STRATEGIC AREA 2 (MILLION MNT)

Goals		Total budget	Availbale funding	Financing gap
Goal 3:	Create a legal environment for the protection, sustainable use, and fair and equitable sharing of benefits arising from widely used and economically significant genetic resources, and to implement sustainable use, and protection from genetic erosion and depletion	15,402	60	15,342
Goal 4:	The national programs on conservation of rare and endangered animal and plant species is fully implemented	7,617	312	7,305
Goal 5:	At least 30% of each representative of main ecosystems, all patch and vulnerable to climate change ecosystems are included in to the National Protected Area network and their management is improved	39,922	24,118	15,804
Goal 6:	Protect soil and water resources from chemical and nutrient pollution	9,630	1,027	8,603
Goal 7:	Increase forest cover to 9% by 2025 through the improvement of forest management, and thereby protect forest biodiversity	60,800	6,028	54,772
TOTAL		133,371.0	31,544.0	101,827.0

Funding from the State budget amounts to 11.5 billion MNT, whereas the funding by international organizations and donors amounts to 20.0 billion MNT which equals to 63% of the total available financing sources.

The State budget included plans for the program in the MET's 2019 budget, including 5.6 billion MNT for forest programs; 4.7 billion MNT for defining eco-systems vulnerable to climate change, and developing and implementing the protection plan;

and 0.8 billion MNT for ensuring joint participation between the State and public in the monitoring of adherence to laws related to chemical pollution caused by urbanization, mining and industrialization. The relevant activities, except reforestation, are planned to be funded through the Envioronment and Climate Fund.

GRAPH 9. STAKEHOLDER PARTICIPATION IN POTENTIAL FINANCING OF STRATEGIC AREA 2
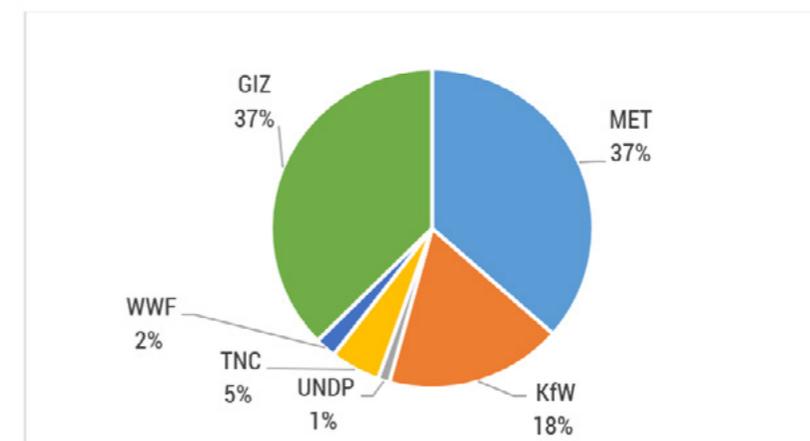
As shown in Graph 9, the financing from the State budget is relatively small, as this report only considered the 2019 MET budget, and no relevant funding was reflected in that of the MFALI, despite the fact that the Government Action Plan details actions related to the program and their corresponding budgets for the MFALI. The GASI did not respond to official requests for their relevant data. The following issues need be considered in resolving the financing gaps for Strategic Area 2:

1. A total allocation of 23.9 billion MNT from the State and local budgets is reflected in the Medium-term Plan. The available confirmed funding to date, however, equals less than 50% of the required funding. Therefore, the MET would have to lead the process of ensuring the approval of the State and local budgets by breaking down them down into specific activities.

2. The 53.7% of the total financing gap is for the goal on 'Ensuring the inter-sectorial coherence in implementation

of State forest policy', particularly the activity on 'Implementing State policy on forest and developing the Action Plan for implementation'. It is important to note that the potential funding of donor agencies for this goal amounts to 429.1 million MNT, and so the majority of funding will come from the State budget. In order to achieve this goal, it is essential that a system is urgently created to 'Identify potential sources of funding needed to implement the national biodiversity program and create a framework for efficient use of these funds' (Goal 14). A new methodology, or practices such as eco-tax, must also be introduced, as without them the possibility of solving the issue may be limited.

3. The budget for 'Improving the financing and legal environment for SPA administration infrastructure for implementation' under Goal 5: 'At least 30% of representatives from each main ecosystem and all patch and vulnerable to climate change ecosystems are included in to the National Protected Area network and

their management is ensured' is 39.9 billion MNT, with the financing gap of 15.8 billion MNT. The donor funding, which equals to 19.3 billion MNT or the 80.1% of the total potential funding, is mostly provided by KfW and GiZ. Although donor funding is high, the shortage of funding relates to the implementation of activities to improve the financing and legal environment for SPA administration infrastructure. The financing gap accounts for 15.5% of the total deficiency of funding for this Strategic area. Thus, there is an urgent necessity to shift to a system of financing from an operating income for the creation of the legal environment for the sustainable financing of SPA management. It is also important to re-consider the current practices of the centralization of incomes for redistribution, as it creates negative consequences such as discouraging the increase of revenue generation, and setting the tourist entrance fees at low rates.

4. Financing for the implementation of the goal, 'Increase forest cover to 9% by 2025 through the improvement of forest management, and thereby protect forest biodiversity' is deficient by 54.7 billion MNT, which equals to 53.8% of the total financing gap of the Strategic Area.
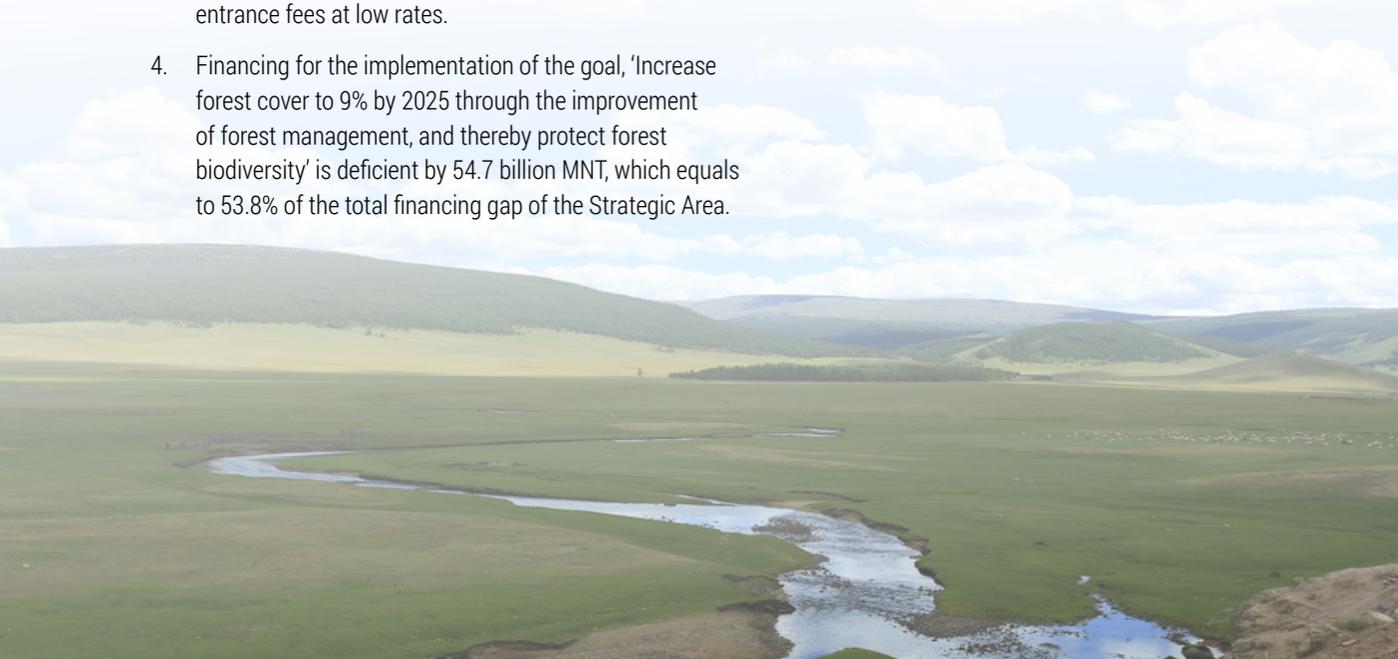
The gap should be funded by the state and local budgets. In 2019, only 5.6 billion MNT was included in the state and local budgets for this purpose, a figure which is half the size of the 2018 expenditure for reforestation.

During 2017-2018, expenditures of this kind amounted to 9.1-11.4 billion MNT, with donors and international organizations funding of 20.7-22.1 billion MNT. It suggests that there is a possibility that if funding dedicated to reforestation remains at the same level as that of 2017-2018, the financing gap for 2020-2021 will be resolved. It is therefore required to define the value of forest ecosystem services, consequently determining the optimal level of fees required to resolve the future sustainability of financing for the forest sector.

STRATEGIC AREA 3: *Sustainable Use of Biodiversity (Goal: 8, 9 and 10)*

A key feature of the successful implementation of Strategic Area 3 is that government agencies, including MET, MFALI and MOF must cooperate with local administration in achieving the results. The financing needs for this Strategic area account for 6.6% of the total required funding. Although the required funding for this Strategic area is relatively small compared with that of other Strategic areas, no sources of funding have been identified except for 3% funded state and local budgets.

Responsible agencies	Measures	Budget (million MNT)
MET	6	1 065.0
MFALI	3	11 520.0
Aimag administration	2	450.0
MET and MFALI	1	10.0
MOF and MET	1	20.0
Total	13	13.065.0

GRAPH 10. FINANCING PLAN FOR STRATEGIC AREA 3 BY FUNDING SOURCES

TABLE 4. FINANCING NEEDS FOR PIRORITY AREA 3 (MILLION MNT)

Goals	Budget	Available funding	Gap/ surplus
Goal 8: Introduce management techniques for the sustainable use and conservation of natural resources, namely game animal resources by mean of creating partnerships between government, local community and private sectors	1,330.0	2,746.0	(1,416)
Goal 9: Taking into account grazing capacity and livestock population size, utilize legislative and economic leverages in order to reduce pasture degradation by up to 70% and increase quality of existing pas	11,530.0	8,585.0	2,945.0
Goal 10: Modernize industrial farming techniques and activities to meet requirements for food safety and conservation of biodiversity in the environment's agricultural ecosystem	205.0	-	205.0
TOTAL	13,065.0	11,331.0	3,150.0

The total budget planned for achieving the objectives of this Strategic area amounts to 13.1 billion MNT. Available potential financing sources, however, amount to 11.3 billion MNT, which was estimated using the relevant data provided by the respective 2 ministries and 4 international organizations.

The financing from the state consolidated budget totals 67 million MNT, whereas the funding by international organizations and donors amounts to 11.264 million MNT of the total available financing sources.
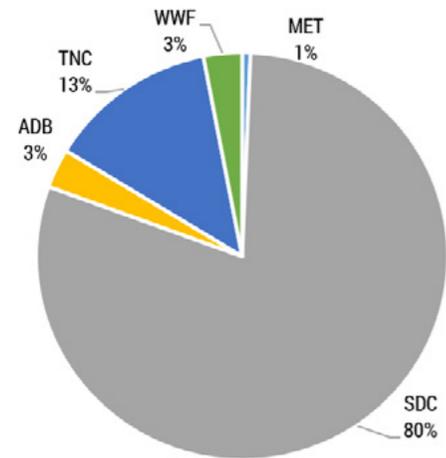
It is possible to achieve the objectives of Strategic area 3, through increasing the effective coordination among projects, and efficient collaboration between government agencies, thus reducing the overlapping activities and ensure funding from the state budget.

2. MFALI and MET

1. **The projects supported by TNC and WWF budgeted a total of 1.283 million MNT and the MET 62 million MNT, via ECF, for Goal 8:** 'Introduce management techniques for the sustainable use and conservation of natural resources, namely game animal resources by means of creating partnerships between government, local communities and private sectors' generating a surplus of 1.4 billion MNT. It seems possible to reduce the financing gap for Goals 9 and 10 by introducing sustainable management practices through biodiversity conservation in pasture and crop regions, in addition to developing partnerships between the private sector and projects implemented by the aforementioned agencies.

2. **For the implementation of the activity to 'Introduce participatory management models for pasture users in the region' under Goal 9:** 'Taking into account grazing capacity and livestock population size, utilize legislative and economic leverages to reduce pasture degradation by up to 70% and increase the quality of existing pastures' 11.5 billion MNT was budgeted. This amount was also reflected in the Implementation Plan (2017-2010) of the Government Action Plan, but not in the MFALI budget to date. Furthermore, no spending for this purpose occurred during 2016-2018. The pasture management component of the SDC, 'Green Gold-Animal Health' project and the 'Integrated Livelihoods Improvement and Sustainable Tourism in Khuvsgul Lake National Park' project supported by ADB have a budget of 8.6 billion MNT. Given that 5 million MNT was budgeted by ECF to 'Develop and enforce the methodology on estimation of agriculture land damages, reducing degradation and rehabilitation' and no other relevant budget items were approved for this purpose, the State budget accounts for only 0.06% of the potential

financing sources. Therefore, it is required that the MFALI ensures the approval of 25.5% of the total funding (11.5 billion MNT), or at least 2.9 billion MNT reflected in its own budget and supports the closer coordination of relevant projects.

3. **The total budget for achieving Goal 10:** 'Modernize industrial farming techniques and activities to meet requirements for food safety and the conservation of biodiversity in the environment's agricultural ecosystem' is 205 million MNT, of which 97.6% (200 million MNT) is allocated to funding of research on biological activity of the soil in crop areas. Another 5 million MNT is dedicated for developing guidelines on detailed environmental assessment of irrigation projects based on environmental

strategic assessments, for which MET is responsible, as specified in the Medium-Term Plan. However, no financial sources have been identified for this goal yet. It seems possible for these ministries to ensure the approval of the budget or alternatively, resolve this issue within their already approved budgets. For example, the MFALI and the Darkhan Plant Research Institute spent 387 million and 562.9 million MNT on outsourcing activities in 2018, respectively. Thus, it seems sensible for the budget allocated for research to be used by the Science and Technology Fund and/or the aforementioned research institutes by ensuring inter-ministerial coordination.

STRATEGIC AREA 4: *Improve policies and the legal environment for the conservation and use of biological diversity and ecological services (Goal 11, 12, 13 and 14)*

Activities under Strategic area 4 are conducted by 7 ministries and NSO, although the percentage of these activities is relatively small in terms of number of activities and financing needs.

Responsible agencies	Measures	Budget
MET	13	10,617
NSO	1	600
MET and MECSS	1	600
MFALI, MMHI, MOE, MRTD and MCUD	4	2,090
TOTAL	19	13,907
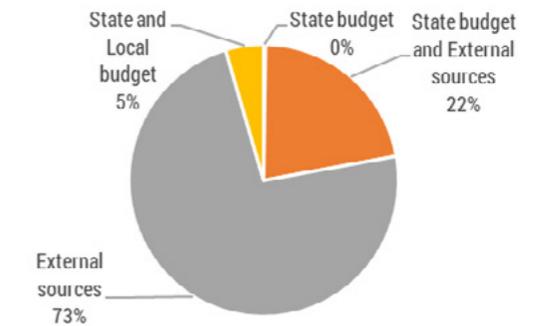
The state and local budgets account for 5% of the total available budget, while 73% is provided by external sources. The remainder is expected to be provided by combined sources, indicating that the dependence on external sources is high for Strategic Area 4, which is unlike the other areas.

In total, 13.9 billion MNT is budgeted for the 19 activities within the framework of goals 11-14 of the NBP Medium-Term Action

Plan. According to the information received from stakeholders, the potential funding for these activities is estimated at 12.9 billion MNT. Table 5 displays the budget and financing needs for Strategic Area 4.

TABLE 5. FINANCING NEEDS FOR STRATEGIC AREA 4 (MILLION MNT)

Goals	Budget	Available funding	Financing gap
Goal 11: The biodiversity related indicators are reflected in the national accounting system to monitor the implementation project and programs of relevant sectors	895,0	200	875,0
Goal 12: Create a legal environment where subsidies or financial assistance are prohibited for use in agriculture, mineral resource extraction, infrastructure, energy, light industry, food manufacturing, and service industry projects and actions deemed to be harmful to or potentially harmful to biological diversity in accordance with environmental strategy evaluations	2,090,0	292,0	1,798,0
Goal 13: Taking into account the value and importance of pasture, water resources and forest ecosystem services, develop and implement a framework for sustainable use and conservation of natural resources in which social and economic benefits of these resources are appropriately protected	8,120,0	8,812,0	(692)
Goal 14: Identify potential sources of funding needed to implement the national biodiversity	2,802,0	3,806,0	(1,004)
Program and create a framework for efficient use of these funds	13,907,0	9,293,0	2,673,0
TOTAL			

Graph 13 shows the available financing classified by the sources, which illustrates that donor funding is dominant.

GRAPH 13. STAKEHOLDER PARTICIPATION IN POTENTIAL FINANCING FOR STRATEGIC AREA 4
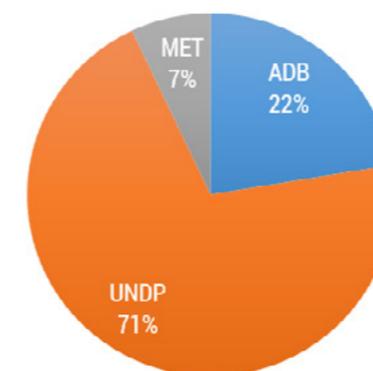
As reflected in the Medium-Term Action Plan, the financing from the budget shall account for 22% of the total funding, but this percentage currently lies at only 7% to date. Thus, the following solutions can be considered to fill this gap:

1. **Financing for Goal 11:** "The biodiversity related indicators are reflected in the national accounting system to monitor the implementation project and programs of relevant sectors" accounts for 29.7% of the financing gap. The activity 'To introduce Environmental and Economic Accounting System (EEAS) and develop the recommendation on step-by-step creation of sub-accounts for defining the environmental contributions to economic development' lacks a funding of 600 million MNT. However, ADB reports that 3 sub-accounts related to the environment has been established as part of the project implemented during 2016-2018 at the NSO. The total project funding was 1388 million MNT. Hence, MET and

NSO should evaluate the outputs of this project to define if any additional activities or financing is required.

2. **The activity "To apply strategic environmental assessment that is internationally accustomed for project documents on agriculture, minerals, infrastructure, energy, light industry and service sectors" for achieving the Goal 12:** Create a legal environment where subsidies or financial assistance are prohibited for use in agriculture, mineral resource, infrastructure, energy, light industry, food manufacturing, and service industry projects and actions deemed to be harmful to or potentially harmful to biological diversity in accordance with environmental strategy evaluations" lacks a funding of 1.798 million MNT. No allocation of budget has been made on the activity to date, despite the fact that 1.280 million MNT has included in the Government Action Plan 2016-2020 for the MMHI, MOE and MCUD. Therefore, the MET must provide detailed guidance to respective ministries and ensure coordination between them.

3. **There is a requirement of 8.5 billion MNT displayed in the Medium-Term Action Plan for achieving Goal 13:** 'Taking into account the value and importance of pasture, water resources, and forest ecosystem services, develop and implement a framework for sustainable use and conservation of natural resources in which social and economic benefits of these resources are appropriately protected'. No deficit for this goal was observed as the 'Ensuring Sustainability and Resilience (ENSURE) of Green Landscapes in Mongolia' project, supported by UNDP, has a budget of 8.8 billion MNT.

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23. Strengthening Capacity for Environment-Economic Accounting

4. **The financing needs for implementaing the objective on "Identify and implement funding sources such as PES and biodiversity offset for protection of biodiversity" amounted to 1.8 billion MNT.** However, MET reports that most of the activities under the goal was implemented through the project entitled "Land Degradation Offset and Mitigation in Western Mongolia" funded by UNDP during 2015-2018.

5. **It seems that there is a sufficient state funding for activities related to tourism.** Therefore, MET should prioritize financing of the activities related to improving the policy and legal environment for the conservation and sustainable use of biodiversity and ecosystem services, which would further enable future financing solutions through successful implementation NBP action plan and engaging private sector representatives.

5

CONCLUSION AND RECOMENDATIONS

FIVE. CONCLUSION AND RECOMMENDATION

The analysis of the budget for the Medium-Term Action Plan, which includes the potential funding opportunities from the state and local budgets, international and donor organizations, estimation of financing gaps, and the participation of various agencies in the financing of the NBP action plan, has led to the following conclusions and recommendations:

1 The potential financing from the State budget accounts for only 21% of the total financing needs, which is unsatisfactory. According to the Medium-Term Action Plan of the National Biodiversity Program approved by the government, 8 ministries and agencies, and general budget governors, have been assigned to ensure the implementation of activities under the NBP. It was estimated that 74% of the total financing needs should be funded by the mentioned government institutes. However, all of the government institutes, except for MET have not planned any activity related to NBP during 2016-2018, thus no budget was approved for the such purposes in 2019, in spite of the approval of NBP in 2018. Therefore, in order to address this funding issue, MET as one of the line ministries, should provide information and methodologies to other ministries and local administration concerning their duties under this program, and assist to facilitate the process of planning and the formulation of justifications for funding. As the biodiversity is a fundamental to socio-economic and sustainable development issue of the country, it would be advisable to establish and ensure effective coordination of among government institutes through MET.

2. Due to the gradual recovery of the country's economy, the budget allocation to ministries and local administration has tended to increase in the past few years. Given this situation, it is necessary to provide relevant information, raise awareness, and facilitate the process of enabling decision-makers to allocate budget for the conservation and sustainable use of the ecological resources that are the basis of the country's economy.

3. Numerous actions related to research, analysis and developing relevant methodologies and mechanisms are reflected under the goals and objectives. Each year from 2016-2018, 7-9 billion MNT was provided to Science and Technology Fund for research purposes, and 12-19 billion MNT to ECF. Surprisingly, no allocation was made for the baseline analysis of biodiversity, which should be considered as the rudiments of socio-economic development.

4. Despite the fact that the research institutes operate under the supervision of the MECSS, it was also found that the collaboration among research institutes and coherence in research findings are weak, and the research focus is not based on the sectoral or institutional needs.

5. Moreover, numerous small-scale researches were undertaken using grants provided by the state budget. However, a comprehensive evaluation is needed to ensure if such small-scale research was mandatory.

6. There is a need to guarantee consistency between donor projects. It is thus desirable to organize thematic meetings with project owners to ensure proper coordination without duplication of activities. This can be done by defining the contributions of each project by geographical location or the types of biodiversity and subject matters they address.

It is also important to confirm that new projects focus on areas and activities where there is a shortage of funding or ensure that any financing gaps are rectified by the State budget.

7. The government agency in charge shall take the lead in promoting closer cooperation with projects and programs funded by international organizations and donors, ensure that activities and results are consistent, and consolidate results, while allowing the partial, rather than integrated, implementation of certain activities.

8. Ministries and agencies, excluding the MET, are lacking in information on their duties and corresponding budgets regarding the implementation of the Medium-Term Action Plan of the NBP.

APPENDIX 1. AVAILABILITY OF POTENTIAL FINANCING FOR IMPLEMENTATION OF MEDIUM-TERM ACTION PLAN OF THE NBP

№	Strategic Areas and Goals	Total Budget (million MNT)	Potential financing available (2019-2021)	Financing gap/ (surplus)	Financing gap
Strategic Area 1: Increase awareness and knowledge on Biodiversity conservation and sustainable use among both decision makers and the general public (Goal: 1 and 2)					
Goal 1:	The education for sustainable development is integrated into all level education curricula and this information is disseminated by at least 5% of mass media	36,400	5,306	31,094	31,094
Goal 2:	Establish the biodiversity sub-database through improving the content and access to the National Environmental Information Database and ensure its use in decision making	566	1,001	(435)	
Strategic Area 2: Develop and implement science-based policy on conservation and sustainable use of biological resources (Goal: 3,4,5,6 and 7)					
Goal 3:	Create a legal environment for the protection, sustainable use, and fair and equitable sharing of benefits arising from widely used and economically significant genetic resources, and to implement sustainable use, and protection from genetic erosion and depletion	15,401.7	60	15,342	15,342
Goal 4:	The national programs on conservation of rare and endangered animal and plant species is fully implemented	7,617	312	7,305	7,305
Goal 5:	At least 30% of each representative of main ecosystems, all patch and vulnerable to climate change ecosystems are included in to the National Protected Area network and their management is improved	39,922	24,118	15,804	15,804
Goal 6:	Protect soil and water resources from chemical and nutrient pollution	9,630.0	1,027	8,603	8,603
Goal 7:	Increase forest cover to 9% by 2025 through the improvement of forest management, and thereby protect forest biodiversity	60,800	8,193	52,607	52,607
Strategic Area 3: Sustainable Use of Biodiversity (Goal: 8, 9 and 10)					
Goal 8:	Introduce management techniques for the sustainable use and conservation of natural resources, namely game animal resources by mean of creating partnerships between government, local community and private sectors	1,330	2,746	(1,416)	
Goal 9:	Taking into account grazing capacity and livestock population size, utilize legislative and economic leverages in order to reduce pasture degradation by up to 70% and increase quality of existing pastures	11,530	8,585	2,945	2,945
Goal 10:	Modernize industrial farming techniques and activities to meet requirements for food safety and conservation of biodiversity in the environment's agricultural ecosystem	205	-	205	205
Strategic Area 4: Improve policies and legal environment for conservation and use of biological diversity and ecological services (Goal: 11, 12, 13 and 14)					
Goal 11:	The biodiversity related indicators are reflected in the national accounting system to monitor the implementation project and programs of relevant sectors	895	20	875	875
Goal 12:	Create a legal environment where subsidies or financial assistance are prohibited for use in agriculture, mineral resource extraction, infrastructure, energy, light industry, food manufacturing, and service industry projects and actions deemed to be harmful to or potentially harmful to biological diversity in accordance with environmental strategy evaluations	2,090	292	1,798	1,798
Goal 13:	Taking into account the value and importance of pasture, water resources and forest ecosystem services, develop and implement a framework for sustainable use and conservation of natural resources in which social and economic benefits of these resources are appropriately protected	8,120	8,812	(692)	
Goal 14:	Identify potential sources of funding needed to implement the national biodiversity program and create a framework for efficient use of these funds	2,802	38806	(1,004)	
TOTAL		**197,308.7**	**648277.0**	**133,032**	**136,579**