



TOWARDS POST-2020 EXPERTISE ON #8

INSTILLING BIODIVERSITY INTO BUDGETS AND FINANCIAL SCHEMES: HOW TO SHIFT TOWARDS A GREENER SYSTEM?

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Of utmost importance to reach the Aichi targets and related Sustainable Development Goals, biodiversity-positive finance remains a challenge to this day. In the post-2020 Global Biodiversity Framework (GBF), learning from the past and involving all actors is essential to take on the challenge of ambitious and achievable targets.



“CURRENT INVESTMENTS IN BIODIVERSITY CONSERVATION, WHEN COMPARED TO THE ECONOMIC VALUE OF ECOSYSTEM SERVICES, PROVIDES A VIVID PICTURE OF THE URGENCY IN BIODIVERSITY FINANCING.”

Annabelle Trinidad
Assistant Director, Biodiversity Management Bureau, Department of Environment and Natural Resources, Philippines

Biodiversity loss undermines the progress of 35 out of 44 SDG targets¹, increasing risks of being unable to provide populations with food security, health, economic development, and peace.

The ongoing, unprecedented environmental degradation (75% of land and 66% of ocean surfaces have been altered²) thus endangers long-term prosperity and will affect financial flows. The latter conversely represent crucial tools to mitigate such loss.

Biodiversity services have been valued at US\$33 trillion per year—the combined GDP of the United States and China³. Ambitious conservation policies could lead to a 0.69% net gain in global GDP growth⁴.

This intrinsic link between economic activities and biodiversity loss means that a transformative post-2020 framework requires efficient, thoroughly oriented financial resource mobilisation to shift towards sustainable systems and activities that reduce the footprint on biodiversity and enable environmental restoration and regeneration.

Cover page picture:
Coral reefs generate USD 36 billion per year in tourism revenue

1. A CASE FOR ACCURATE DATA ANALYSIS AND THOROUGH DISSEMINATION

ESTIMATING CURRENT BIODIVERSITY FINANCING FLOWS

Results of ongoing global assessments regarding necessary financial efforts for biodiversity conservation stretch from US\$ 100–300 billion/year (to reach 30% of Earth surface protected by 2030) to US\$ 631–895 ⁵ billion/year (integrating all post-2020 GBF related expenditures).

In light of biodiversity's critical role in supporting a sustainable and prosperous economic system, these volumes represent significant steps towards the US\$5–7 trillion/year total investment needed to achieve the 17 SDGs (3,000-fold the biodiversity investment volume).

Public domestic investments in aid of biodiversity programs have been gauged at US\$ 67.8 billion per year ⁶ (integrating a yearly variability), far exceeding international public financial flows (US\$ 3.9–9.3 billion/year) and private funding (US\$ 6.6–13.6 billion/year) ⁷. This total biodiversity finance volume would be equivalent to 0.1% of the global GDP ⁸ and correspond to half of the above minimum effort estimation.

CONTINUING TO DEFINE STANDARDISED METHODOLOGIES AND TOOLS

Homogenous, accurate assessment methods and common terminologies among expert groups, nations, and between the biodiversity community and the private sector are needed to raise investment opportunities, awareness and reinforce budget allocation coherence. The development of shared methodologies should be based on a strong science-policy-implementation dialogue. Such dialogue is to ensure new common tools will balance the unavoidable tension between the need for internationally consistent and comparable metrics, and nationally tailored approaches.

Identifying methodologies and categories used by different stakeholders constitutes an inevitable first step. Some initiatives show the way forward: the International Development Finance Club undertook a methodology mapping among its different members (international financial and development actors). In parallel, the CBD encourages its Parties to report data by category – rather than total investments – and to provide information on the underlying methodology. Collaborative platforms (e.g. the OECD's Paris Collaborative on Green Budgeting) catalyze best practice-sharing and pave the way for technical

support to enhance capacity at all levels and across communities.

Voluntary initiatives (such as the Taskforce for Nature Related Disclosure), though impactful, will likely not be sufficient to harmonise global standards while maintaining specific regional or national tailored tools. A strong impulse from international arenas such as the CBD seems crucial.

The development of transversal and robust conversion tools, avoiding double counting, could be elaborated in a second phase. Such tools call for coordinated action to avoid parallel developments of competing methodologies. This is time for actors to develop ownership of global platforms as well as conventions – representing unique arenas to engage in meaningful experience-sharing, so that reliable and common standards emerge to estimate global needs and allocate funding programs.

UNDERLINING THE URGENCY TO MEASURE NEEDS AND GAPS

At national levels, implementing the following tracking tools is necessary to establish effective biodiversity protection policies and budget allocation:

- + baseline definition—which can be supported by harmonised standards via international stakeholders such as the CBD,
- + effective data collection,
- + strong monitoring and reporting policies.

“WE NEED TO SCALE UP BOTH ACTION AND FINANCE FOR BIODIVERSITY TO ACHIEVE THE OUTCOMES WE WANT, TO HALT AND REVERSE BIODIVERSITY LOSS. EQUALLY IMPORTANT IS TO REFORM SUBSIDIES THAT ARE HARMFUL TO BIODIVERSITY, WHICH ARE AROUND FIVE TIMES HIGHER THAN POSITIVE FLOWS.”

Katia Karousakis, OECD

Targeted biodiversity investments should be tailored to both needs and capacities, and to financial thresholds that enable transformative change. Financial Needs Assessments (FNA) are impactful tools to inform decision-makers about necessary budget allocation at the domestic level.

BIOFIN Colombia ⁹ supported a national FNA followed by a gap identification—the difference between biodiversity budget and needs—and assessed the leveraging effects of financial efforts thanks to a differential analysis with business-as-usual practices. Such calculations enabled the government to optimise its budget allocation and highlighted the importance of regular gap updates to monitor its variability based on natural system changes and political/economic decisions ¹⁰. In parallel to crosscutting needs assessments, national schemes can be used to accelerate domestic capacity



Pollinator species provide 75% of global food crop types with a service estimated at USD 235–577 billion/year. (PBES, 2019, Global Assessment Report on Biodiversity and Ecosystem Services)

¹ IPBES, 2019, Global Assessment Report on Biodiversity and Ecosystem Services

² Idem

³ World Economic Forum, 2020, Global Risk Report

⁴ WWF, 2020, Global Futures: Assessing the Global Economic Impacts of Environmental Change to Support Policy-Making

⁵ CBD, 2020, Financial Needs Assessment of the Post-2020 Global Biodiversity Framework: Preliminary Second Report of the Panel of Experts

⁶ Between 2015 and 2017

⁷ OECD, 2020, A Comprehensive Overview of Global Biodiversity Finance

⁸ Idem

⁹ <https://cutt.ly/wfFKUYq>

evaluation, identify and remedy regulatory gaps, and facilitate tailored budget allocation and international funding grant applications, if based on solid data, including:

- + Long-Term Strategic Approach to Mainstreaming (LTAM)
- + National Biodiversity Strategic Action Plans (NBSAP),
- + Biodiversity Finance Plans,
- + Integrated National Financing Frameworks.

These identification and allocation efforts should consider the time lapse between investments and effects and be embedded in global biodiversity-positive instruments.

institutions, investment banks and cooperation actors to leverage engagement in increased and coherent financing. Based on sustainability domains interconnection, and to echo the climate mobilisation example, the biodiversity community could promote the financial opportunity of nature-based solutions and call for more mutual assistance of the three Rio Conventions. Innovative financial tools with co-benefits help incentivize private stakeholders to jointly consider all development goals and act accordingly.

Lessons learned from programs initially tailored for one topic – such as the OECD Research Collaborative on tracking private Climate Finance – could greatly inspire biodiversity financial resource mobilisation and an innovative resource mobilisation perspective in the post-2020 GBF.

2. SHIFTING TOWARDS VIRTUOUS AND COHERENT BIODIVERSITY FINANCE SCHEMES

“MUCH OF THE FUNDING DOES NOT NECESSARILY HAVE TO BE NEW MONEY. IT CAN BE MONEY THAT IS ALREADY AVAILABLE BUT HAS TO BE REORIENTED TO BE EFFECTIVELY USED TO PROTECT BIODIVERSITY.”

Fernanda Montero, Ministry of Finance, Mexico

REMOVING HARMFUL SUBSIDIES

In addition to the aforementioned tools, sharper budget allocation encompasses drastic reduction of negative funding, i.e. spending that fails to protect biodiversity or negatively influences actors: harmful subsidies, taxes, and fees.

Global harmful subsidies spending has been estimated to be USD 500 billion/year by the OECD ¹¹, more than five-fold the volume of global biodiversity investment. The Kyrgyz BIOFIN program workplan (identifying negative subsidies such as agricultural subsidies and assessing the impact of reforming allocated support) has shown that harmful subsidies can constitute an important part of national budgets (2,5% of the Kyrgyz budget and 0,5% of its GDP), highlighting not only the importance and urgency of reallocation but also the challenge represented by such reform ¹².

Negative spending reallocation will be based on systematic redesign of fiscal and economic schemes based on refined granularity instruments. Programs enhancing biodiversity-supportive expenditures incentivise private and public institutions to adopt new practices and switch their performance paradigm.

HIGHLIGHTING THE VALUE OF CO-BENEFITS

Transformative change, whether it be in the productive value chain or in consumption habits, is grounded in robust and transversal governance schemes, encompassing all SDGs. All governance scales (international, regional, national) should thus align and facilitate a strategic integration of relevant SDGs into private sector organisations, financing

MOBILISING STAKEHOLDERS AT ALL LEVELS

The whole-of-government approach aims at giving priority to biodiversity in administration by structuring a concrete ownership of biodiversity stakes thanks to, among others, inter-ministerial committees with clear mandate and allocated budgets.

In a coherent strategy, this approach is accompanied by integrated governance. All stakeholders ¹³ are part of such processes and benefit from coordinated actions, public-private partnerships, and compensation schemes. South-South cooperation facilitates mutual capacity-building, best practices exchanges and joint applications for common biodiversity protection programs and funding.

These measures are inextricably linked to stakeholder-responsive enabling conditions. Clear, earmarked domestic budgets and dedicated national institutions are some of those. They will come hand in hand with simple and reliable identification and categorisation tools to detect harmful spending or highlight positive projects.

This is highly conducive to creating an environment in which companies and national agencies are encouraged to implement strong baseline data collection, track progress through effective monitoring and reporting instruments, define and stick to red lines.

From this integrated approach, public, private and finance leaders will create solid grounds for transformative measures in resource mobilisation for biodiversity.

The Philippines provides an innovative approach to this challenge, by championing stakeholder engagement through its biodiversity national plan development based on feedback loops, and supporting its own best-in-class organisations.

¹⁰ According to the presentation of Santiago Aparicio, Director of Environment and Sustainable Development National Planning Department of Colombia during the 4th Global Conference on Biodiversity Finance (2020).

¹¹ OECD, 2020, A Comprehensive Overview of Global Biodiversity Finance

¹² Presentation of Lira Zholdubaeva, Climate Change Programme Analyst at UNDP in the Kyrgyz Republic during the 4th Global Conference on Biodiversity Finance (2020).

¹³ Subnational authorities, civil society – the private sector, Indigenous Peoples, Local Communities and non-state actors alike – as well as neighboring countries.



3. GREEN THE FINANCE, FINANCE THE GREEN

TRANSITION TOWARDS A RESTRUCTURED AND MORE SUSTAINABLE PRODUCTION SYSTEM

Targeted national regulations are likely to prompt private biodiversity investments. Structuring a stable, long-term regulatory vision would incentivise the integration of ambitious biodiversity targets in business strategies. Such vision should consist in the establishment of clear investment conditions based on science-based tools and standards, motivational, simplified taxing schemes and optimised transaction costs. Investment risk mitigation programs would complement this set of enabling conditions.

Among such programs, blended finance constitutes an example of mutually beneficial investment practices. Several international institutions, multilateral and bilateral banks already developed large co-financing/ blended finance facilities, such as the Global Environmental Facility, which sixth period (2014-2020) showed a 1 to 5 co-financing ratio – USD 1.540 billion leveraged a total of USD 8.165 billion ¹⁴.

Secondly, it is crucial to stimulate the integration of positive and negative impacts of business operations on biodiversity in performance evaluation processes. Companies will be incited to define and implement continuous monitoring of their biodiversity footprint and, more ambitiously, their imported biodiversity footprint, thus encompassing their whole value chain practices and exactly reflecting their environmental and social impacts. Including biodiversity in financial vulnerability tests and central bank testing processes would stem the case for wider consideration of growing reputational, legal, and commercial risks associated with harmful operating practices.

The EU taxonomy ¹⁵ is an ambitious policy step in encouraging the private sector to undertake extensive portfolio assessments, making it compulsory for companies and asset managers to take ownership of performance assessment tools based on environmental criteria. The aim is for the private sector to adopt biodiversity investment vehicles to complement and increase the resilience of their

portfolio – green bonds, impact investing schemes, carbon offset programs, payment for ecosystem services, debt for nature swaps, or trust funds supporting area-based management programs.

AMBITIOUSLY IMPLEMENT A NEW PARADIGM

Holistic changes fostering global transparency – such as full finance flows disclosure, and environmental and human health accountability – are now needed for the Post-2020 Global Biodiversity Framework to deliver on its ambitions. For governments, this means adopting better metrics for needs assessment, for screening, monitoring and reporting of allocated budgets, but also for identification and removal of harmful subsidies.

Enabling conditions incentivise private stakeholders to invest more broadly in biodiversity positive assets and to integrate biodiversity footprint in their evaluation standards. In a new paradigm, all stakeholders, whether public or private, would show leadership through a complete biodiversity footprint disclosure and associated externalities internalisation and reduction.

An accompanying framework, supporting change and later sanctioning lack of action, is key to foster such paradigm. Fully and effectively integrating biodiversity in business models is another substantial step towards successful system transformation.

Consolidating biodiversity as a core element of revenue stream models is a necessary endeavor considering the vital importance of biodiversity for economic growth and human development. Similarly, national development plans and recovery plans should increasingly position biodiversity as a strategic priority.

This could be supported through CBD's establishment or support of specific accompanying programs for countries, first to integrate biodiversity in their economic/development strategies and second, to implement regulations inciting private sector stakeholders to assess and reorganise their portfolio in light of their biodiversity footprints. From this basis, CBD Parties and non-state actors may enter a dialogue in which biodiversity is no longer a limit to finance, but a core aspect of sturdy economic systems and international resource mobilisation.

Targeted habitat restoration, such as tackling tropical forest fragmentation through corridors, could generate one of the highest returns on investment for biodiversity conservation, according to a study (Newmark et al, 2017, "Targeted restoration can reduce extinction rates", Proceedings of the National Academy of Sciences, 201705834)

¹⁴ Global Environmental Facility, 2018, Report of the Global Environment Facility to the Fourteenth Meeting of the Conference of the Parties to the Convention on Biological Diversity

¹⁵ Fore more insight on the EU taxonomy check page 4 of the Post-2020 collection publication by Viktoria Igel on Expertise #10

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