



Interface Dialogue Finance and Biodiversity Results and insights of IDFB 7

Results and insights of the IDFB session for Parties, held on March 19th, 2022, in Geneva.

Introduction

Nearly 40% of the world's economy depends on the direct use of biodiversity and [70% of the world's vulnerable people live in rural areas that depend directly on nature](#). The gap in funding for biodiversity worldwide is estimated to be between USD 598 and 825 billion annually. To fill this gap, the financial sector must be involved to achieve an ambitious post-2020 Global Biodiversity Framework (GBF). Currently this new framework is being negotiated under the [Convention on Biological Diversity \(CBD\)](#) and is expected to be adopted at the 15th Conference of Parties (COP) of the CBD this autumn. The GBF will define targets and pathways for the conservation, restoration, and sustainable management of biodiversity for the next decade and beyond.

Interface Dialogue Finance and Biodiversity

The Interface Dialogue Finance and Biodiversity (IDFB) was set up in August 2021 to bring together Parties and representatives from financial institutions wanting to create momentum around the exchange of learning, experience, and best practice in resource mobilisation and aligning the financial sector and financial flows with biodiversity. The ultimate goal of the IDFB is to support Parties in designing and implementing a strong GBF that incorporates and maximises the effective use of public and private finance. The IDFB is organised by the Government of the Netherlands in close collaboration with the Government of the United Kingdom. Information regarding the IDFB and previous sessions can be found on the [IDFB website](#).

The IDFB aims to galvanise the transition towards including biodiversity in all financial decision making. The IDFB will run until the COP15 process has been completed with the adoption of the GBF. The dialogues are open for all governments and financial actors that are interested. The meetings are informal and are hosted mostly online or in a hybrid format. So far, the IDFB has facilitated seven dialogues on biodiversity and finance. These sessions have helped to support countries in getting access to information, tools, and best practices for mobilising finance; and for using this information to strengthen the GBF.

Main takeaways of IDFB 7

- At the 7th IDFB meeting in Geneva, the storyline of the IDFB on alignment of all financial flows with the GBF was presented and discussed with participants. The storyline calls for a more prominent place in the GBF for the concept of alignment of financial flows. The IDFB community believes that the GBF should be explicit in its expectation of both private and public institutions to be involved in this alignment process.
- Participants of this session expressed the need to consider how alignment should be defined, made more tangible, and how it can be measured and monitored. A follow-up question posed to the IDFB was thus: What methods are available to implement, measure and monitor the alignment of financial flows so as to create a more tangible and applicable understanding of the concept for the parties?



- As part of the storyline the IDFB community underlined the important role that financial institutions, regulators and relevant government departments can play in capacity development to create an enabling environment for alignment of the private financial sector and the GBF. From BIOFIN's experience the IDFB learned the importance of an all-encompassing government approach to financing biodiversity.
- Finally, the IDFB community also underlined the important operationalizing role that National Biodiversity Finance Plans (NBFs) can play in helping to shape alignment.

1. Momentum

Development of the IDFB's storyline

The IDFB's storyline on the alignment of all financial sources with the objectives of the GBF was presented for discussion to the IDFB community. This storyline focuses on three key ideas:

- The importance of aligning **all** financial flows with the GBF objectives and centring the idea of alignment in the GBF
- The different roles and contributions that various kinds of private and public institutions can play in this alignment process and in bridging the finance for nature gap.
- Capacity building is needed in **all** countries, with an emphasis particularly on knowledge building

The alignment of financial flows is expected to be achieved through four main actions:

1. Development finance institutions committing to creating nature positive portfolios.
2. Governments committing to nature positive public financing.
3. The embedding of natural capital in sovereign debt markets.
4. Advancing nature risk reporting across all financial markets.

Participants of the IDFB community responded to this storyline proposal and alignment actions with questions such as: *what regulatory measures and financial incentives are needed to encourage better alignment of financial flows to create more nature positive outcomes?* Members also raised the idea to pose fundamental questions such as whether the idea of economic growth in the long run can be maintained. The importance of local custodians of biodiversity having access to financial flows was also raised as a topic for further discussion in future IDFB sessions. Another issue that participants broached was that of what alignment will look like in practice and how the concept should be operationalised. These topics for discussion have been picked up by the IDFB and will be discussed in future sessions, after the IDFB has reached out to knowledge partners and experts to gather relevant input and solutions for the community.

The lessons from Climate

The Nature Conservancy shared insight into progress that has been made since the Paris Agreement regarding the creation of a pathway to align finance with a low carbon trajectory whilst also making nature positive. The Taskforce on Nature Related Financial Disclosures (TNFD) is an important step in moving towards a world where companies and governments can better understand and disclose their dependencies and impacts on nature. NGOs such as TNC have increasingly received questions from corporate partners on how to measure and disclose their relationships to nature. They have found that many simply do not understand how to measure such relationships.



Ultimately, NGOs are working towards a way to enable the scrutinization of public and private investments and financial flows in order to understand their nature-related impacts. This is so that we can begin to move towards creating more nature-positive impacts by closing the funding-for-nature gap. The single most important roadblock to this development is, according to TNC, the difficulty in quantifying relationships to nature. Thus, the aim is to go beyond inclusion of the GBF in the financial world, but to also make the GBF work towards closing this funding gap by generating enough money for implementation of the GBF, and, secondly, to green existing finance by aligning financial flows to nature.

Finance for Biodiversity Foundation

The Finance for Biodiversity Foundation (F4B) has worked with 89 financial institutions that have committed themselves to 5 actions to be achieved by 2024 to fully understand their own relationships to nature and how to better align their financial flows with nature. These actions include:

- 1) Influencing companies through engaging them on their impacts on biodiversity, either to encourage a transition to biodiversity-positive investing, or to learn from ones already doing so;
- 2) Collaboration and knowledge sharing
- 3) Measuring impacts and dependencies
- 4) Target setting
- 5) Disclosing.

At the same time, an enabling policy environment that supports financial institutions in better managing the risks and capitalising on the opportunities is key. The GBF can help to unlock private and public finance at a massive scale by setting the enabling environment for alignment of finance to nature. Whilst financial institutions are looking at what proportion of the companies they are investing in are in alignment with the Paris agreement, measuring biodiversity impacts and risks is still in its infancy. This sector needs to mainstream investments in nature that already demonstrate a positive business case through strategic and operational actions. Where financial returns are not yet possible, they must collaborate with, or pressure, governments to create an enabling environment and financial incentives for investing in nature-positive projects. Financial institutions need to be pressured to disclose their strategy for reducing biodiversity impacts, as well as information on their impacts, dependencies and risks related to nature. There is a need to engage in resource mobilisation, alignment, and increased financing for nature in tandem. Thus, alignment is key to enable us to see where public and private financial flows are creating negative impacts and to reroute these, whilst still increasing funds for nature. Monitoring and accountability are key to achieving these aims.

A nature-positive Dutch financial sector

The Sustainable Finance Lab and WWF have published a policy paper on greening the Dutch financial sector. It provides recommendations to the Dutch government on how to enable the Dutch financial sector to reach global biodiversity goals through mobilizing resources to preserve and restore biodiversity, and by limiting financial institutions from doing harm to biodiversity through their financing. This will further contribute to bridging existing data and knowledge gaps and to building the capacity needed to deal with this. To further increase knowledge sharing and capacity building, financial institutions need to be pressured to disclose their strategies for reducing biodiversity impacts using the TNFD framework.



2. General developments on finance and biodiversity

Nature-positive solutions

Current economic and financial norms are not conducive for institutions to value, quantify and report their dependencies and impacts on nature. The tools to understand how to create a positive financial return on a nature-positive investment are lacking. As a result, vital ecosystem services are often not valued or accounted for in expenditures. Environmentally degrading actions are rarely effectively regulated; thus, their negative costs are often not internalised. This issue is therefore systemic, as the current financial systems structure does not value the importance of nature in monetary terms. On this point, members identified that beyond being able to value nature economically and provide increased financing for biodiversity-positive investments, it is important to ensure that local communities are given a central role in restoration and development of projects in which these investments will be made.

Database on funding sources for biodiversity

Another way to increase accountability and understanding of the sources of finance for biodiversity is through the use of BIOFINs database on funding sources for biodiversity. BIOFIN has developed a catalogue of financing mechanisms which denotes a typology of funds that exist for biodiversity and how these funds are used. Furthermore, BIOFINs new database on financial sources at a global level looks at both typical biodiversity related investment funds, and at those funds which could contribute something to biodiversity. This database has identified a number of different blended finance structures currently used for funding biodiversity. These developments will help with working towards increasing the accessibility of information related to biodiversity investments in both the public and private sectors. Further work is needed to develop a mechanism for streamlining such an exercise at the national level, too. Financial institutions, regulators, and governmental departments need enhanced capacities and methods for creating an enabling environment within the private financial sector to align its flows to the GBF goals.

Access to data for all

An important point raised at the IDFB 7 was the need to require the sharing of data that is gathered as a part of these reporting processes for biodiversity impacts. A prevailing problem with measuring and monitoring the alignment of financial flows is the lack of accessible data on relationships between nature and actors. Often, data gathered for reporting processes is discarded afterwards or remains private, thus it is difficult to gather useful data that could help plug some of the existing data gaps for the implementation of the GBFs goals. Data availability on biodiversity impacts, risks and dependencies is a key issue when it comes to understanding and realigning financial flows. Private financial institutions regularly mention the lack of data regarding impacts, dependencies and risks related to nature as a constraint to their actions.

Global Biodiversity Information Facility (GBIF)

Public development banks need to be further encouraged to share the data generated by their biodiversity impact assessments with the Global Biodiversity Information Facility (GBIF) so that it is accessible to all. The French Development Agency (AFD) is working in partnership with the GBIF on the Data for Nature project which aims to help public development banks understand the influence that data sharing requirements could have if made part of lending agreements. One positive example identified was that of Norway's proposed addition for including public disclosure within Target 15. The proposed wording now includes the need for the underlying data gathered for environmental impact assessments to be published in order to increase business accountability.



3. Capacity building and knowledge generation

Development of the IDFB helpline

The IDFB helpline has been developed by the IDFB for parties and participants to share questions and ideas relating to this, and any other topics of interest to the GBF and greening of financial flows. Any relevant questions or thoughts regarding the IDFB storyline or about making the alignment of financial flows more tangible, measurable, and monitorable can be submitted via the IDFB website for discussion in future sessions. One central issue that has materialised and evolved from the IDFB discussions is the joint understanding that the alignment of all financial flows should have a prominent place within the GBF. Members of the IDFB, while speaking about alignment, expressed the need to consider how alignment should be measured and monitored. IDFB members also expressed the need to gain a better understanding of the role that National Biodiversity Finance Plans (NBFP) have in mainstreaming biodiversity and in aligning financial flows from all sources with global biodiversity goals. Please refer to our website for these first needs and questions: [Helpline – IDFB Dialogue](#)

The IDFB has reached out to knowledge partners in order to gain insight into the solutions to these questions and has begun the preparation of a document on alignment. This alignment document will start covering methods for measuring and monitoring relationships to nature and financial flows, as well as offering a perspective on how parties can take action. The document strives to provide a starting point for calculating relationships in a more quantitative manner and to instil confidence in those striving to achieve this alignment of financial flows to the GBF.

First steps towards operationalizing alignment

A central topic of seventh IDFB session in Geneva was how to make the alignment of all financial flows with the goals of the GBF more tangible and operational for members. For this, it is crucial to know how alignment can be measured, quantified and monitored. Alignment was introduced as a move towards closing the funding gap for nature-positive investments and is key to protecting the world's biodiversity. The need for synergy between resource mobilisation and alignment was emphasised, as even with many donors' generous contributions to biodiversity positive impacts, there will still not be enough funds for nature available to close the gap.

As a first step towards a more tangible notion of alignment, it was suggested to identify financial flows that are currently not in coherence – or aligned with the goals of the GBF. This would be a key step to take before trying to realign financial flows, thus 'coherence' was identified as an important term for the alignment storyline. Similarly, the issue of 'realignment' was identified as an important issue. Regulatory and policy frameworks need to provide an enabling environment for the private financial sector to align its flows with the goals of the GBF. Solely focusing on increasing budgets for nature will not create the change that is needed to reverse nature losses. With subsidies that harm nature estimated to be five to seven times greater than the amount that is globally spent on public funding to protect nature, governments must prioritise reducing and repurposing harmful subsidies in ways that incentivise the conservation, sustainable use, and restoration of nature. To ensure that biodiversity projects are scaled-up, it is necessary to develop policy and regulatory mechanisms to better coordinate funding streams at the national level. Understanding private and public financial flows is crucial to get the necessary funding to nature-positive projects on the ground.

To measure and monitor the alignment of financial flows with the GBF goals, a number of approaches were identified and presented for discussion at the session. These included: 1) Public spending by DFIs and governments can be measured and reported using the RIO markers, 2) Identification of the number of financial institutions which already disclose their impacts and dependencies on biodiversity can provide insight on the uptake of biodiversity by financial



institutions, and 3) Government regulators will need to be urged to use TNFD's recommendations to move from voluntary market practices to mandated disclosure requirements. They can make the framework that the Task Force will launch in September 2023 mandatory, which can be used to frame disclosures on strategies, dependencies and impacts related to biodiversity. IDFB will set up meetings to follow up and elaborate further on these and other relevant approaches.

NBFPs and best practices

The IDFB discussed the importance of developing NBFPs for an OECD country that can inspire - through sharing of guidance and best practices - countries to cooperate more closely with the financial sector, and that can help them align with the goals of the GBF. Following the BIOFIN methodology for developing national biodiversity expenditure reviews that consider all aspects of budgets including for agriculture, fisheries, and tourism, it is possible to identify biodiversity-positive expenditures and to use this to work towards alignment of financial flows with GBF goals.

Next IDFB sessions - between now and Nairobi

At our next 8th IDFB session on 26 April, the Netherlands Planning Agency - Rens van Tilburg will present a new report from the Agency titled The Road from Paris to Kunming- Enabling a nature-positive and net zero financial sector. Then, IDFB members Mexico and Belize will present their work with BIOFIN on mainstreaming biodiversity and the role of finance. They will engage in a panel discussion about the Paris to Kunming report, the future role of BIOFIN and the role of the public finance sector.

In May 2022, we focus IDFB 9 on the role that ministries of finance and regulators can play but we are discussing with a number of Parties how we can use the IDFB to prepare topics relevant for work towards Stockholm50. In June, we hope to hold IDFB 10 in person again in Nairobi and discuss how we as IDFB members engage with our own governments to ensure stronger engagement at the political level and how to get alignment higher on the agenda both domestically and internationally. We also hope to discuss how we can better engage non-state actors such as leading NGOs. In this light it is also good to mention that IUCN NL hopes to organise a meeting for stakeholders and international experts on the issue of alignment in May.

Link to Helpline and Website

The IDFB launched a website and a helpline for Parties who are looking for technical and practical knowledge as well as hands-on experience with regards to finance and biodiversity. The link to the website: <https://www.idfb-dialogue.org/> & email address: info@idfb-dialogue.org