



Interface Dialogue Finance and Biodiversity Results and insights of IDFB 8

Results and insights of the IDFB session for Parties, held on April 26th, 2022

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 exchanging of learnings, experiences, and best practices 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 eight 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 8

Momentum

- Members noted that much of the discussion at Geneva was dominated by calls for more International Development Finance (ODA) and the possible creation of new funds. More focus is needed on alignment of financial flows and specifically also to show how this alignment translates into tangible results for biodiversity conservation on the ground. An important outcome of Geneva was the decision to have extra meetings of the Open-ended Working Group in Nairobi in June 2022. Before this, there is still time to build momentum around the alignment of financial flows and other topics discussed at the IDFB. The IDFB can help to increase knowledge and understanding of the alignment of financial flows and how important this is to have as an integral part of Goal D of the GBF.



Practice

- A presentation from BIOFIN Mexico explained how finance for biodiversity had decreased over recent years in Mexico with a shift to more important roles for sub-national governments. The presentation emphasised that finance needs to be transformed in order to fill the large financial gap for biodiversity. BIOFIN helped create a finance plan for Mexico and a path towards reducing this financial gap. A representative from Belize explained that with BIOFIN the tracking of expenditures was made possible and an assessment how to mobilize grants and scale up environmental funds to help reduce the financial gap for biodiversity. Belize has gained further traction in mainstreaming biodiversity through establishing a national biodiversity office.

Capacity building

- Rens van Tilburg of the Netherlands Environmental Assessment Agency (PBL) presented a report that was the result of research commissioned to understand what we can learn for climate finance in order to achieve the goals and progress needed for the biodiversity agenda. The [report](#) discusses what the financial sector and governments can do to enable the financial sector to fully play its role in achieving biodiversity targets.

Next steps

- The 10th IDFB session in June will be organised as a hybrid event from Nairobi. The team will make the concept of alignment more concrete in the runup to this session in order to help find common ground on how it can be incorporated into the GBF framework. IDFB has held discussions about setting up a Friends Group on Alignment of All Financial Flows, and several members have already expressed an interest in establishing such a group. Everyone who supports the idea is invited to reach out to the IDFB to discuss how such a group can contribute to ambition on alignment and other ideas. The IDFB will continue to work on an 'Common Ground' paper on the issue, with the aim to bring together knowledge gathered through the IDFB discussions and create a collective understanding of the concept of alignment. Members are invited to share ideas and provide input for the alignment paper.

1. Momentum

ODA vs alignment

Much of the discussion in Geneva was focused on the role of Official Development Assistance (ODA). ODA will of course be part of the package to finance biodiversity, but it will not be enough to close the gap in funding that is needed to stop biodiversity loss and to protect and restore nature. Work has to be done to gain broader understanding of the potential that alignment of all financial sources will have in closing the gap and in particular, how this will translate in concrete results on the ground in developing countries. This will help build support for including alignment to the relevant targets under Goal B of the GBF. It is important to realise that it is closely linked to mainstreaming of biodiversity in all relevant economic sectors, and also that reducing and repurposing of harmful subsidies is an important component of alignment. ODA is a crucial tool through which to promote innovation and to finance some of the incremental costs of these transformative policies. Aligning public and private financial flows should therefore be a priority.



Roadmap for resource mobilisation

Colombia is proposing a resource mobilization roadmap for countries to move towards COP15. While GEF resources have been useful, other mechanisms need to be put in place to complement it. Colombia would like to work in collaboration with other CBD Parties on:

- Establishing strategic alliances between Parties and other stakeholders for implementation.
- Finding a middle ground and creating innovative solutions to ensure achievement of ambitions, whilst accelerating the implementation of National Biodiversity Strategy and Action Plans (NBSAP) after the adoption of the GBF based on good practices from other related processes.
- Contributing to making progress in the negotiation process and achieving a satisfactory outcome at COP15.

Finance for Biodiversity and a narrative for alignment

The Finance for Biodiversity initiative wants to work on an alignment assessment to be able to specifically assess what this alignment of flows looks like quantitatively. The aim is to gain an understanding of the size of alignment, or misalignment, of global financial flows – both public and private. In doing so, they intend to work towards defining nature positive outcomes so as to better measure progress on realignment. Through assessing alignment and what possibilities exist for achieving this alignment, Finance for Biodiversity wants to create a narrative for alignment with input from Members of the IDFB discussions. Collective ownership of the narrative will be crucial. Central questions remain on the topic of alignment that the IDFB seeks to respond to, including: Why is alignment important? How do we define alignment and how do we operationalize it to create concrete, inclusive financial flows that go towards nature conservation and restoration projects? How can we monitor alignment? Which policy levers can be used to enhance it, and how? What role will the private sector and civil society have to play? The Interface Dialogue Finance and Biodiversity (IDFB) aims to create common ground between negotiating Parties and experts from the financial sector and explore how alignment can help strengthen the implementation of the GBF.

2. Practical developments on finance and biodiversity

Experiences: Mexico and Belize

In Mexico, BIOFIN has seen a decrease in funding for biodiversity at the federal level over the past years. BIOFIN found that they needed to foster finance at the national level to help reduce the funding gap and to increase private and public sector impact investments. BIOFIN conducted an analysis of 30 federal subsidies and aims to scale up positive programs for nature related to social and economic development whilst reforming harmful existing subsidies. They also aim to reform a number of harmful programs to increase positive biodiversity impacts. The second phase of their program will run from 2022 to 2024, and will entail conducting a cost-benefit analysis to find win-win solutions and link subsidies to conservation gaps. The Mexican government has already moved towards more integration and development of a more sustainable financial sector through ESG financial disclosures and mobilization of capital. They argue that reforming private and public finance should be prioritised in order to stop further decreases in funding for biodiversity. In Belize, BIOFIN have tracked expenditures and looked at how to mobilize grants and scale up existing environmental funds. They have gained traction in mainstreaming biodiversity through establishing a biodiversity office to implement a new management framework for protected areas and finance solutions aimed at resource mobilization. The biodiversity office is now responsible for implementing the resources mobilised to achieve biodiversity goals. Going forward, they will focus on how to increase private sector involvement.



Side Event in Geneva on 'Aligning financial flows to generate more resources for nature'

During the CBD meetings in Geneva in March, the Finance for Biodiversity Foundation, UNEP FI, AFD Group, and the Swiss government hosted a side event: 'Aligning financial flows to generate more resources for nature'. In February 2022, the Finance for Biodiversity Foundation launched a policy paper with suggestions for the draft Global Biodiversity Framework (GBF) in preparation of the 15th meeting of the UN Biodiversity Conference of the Parties (COP15). The position paper emphasises that necessary actions need to be taken by all stakeholders, including those in the financial sector, to urgently halt and reverse biodiversity losses. The alignment of public and private financial flows is a policy aim for government action and for financial market actors. It is crucial to reduce negative impacts on biodiversity and incentivise positive impacts. The main goals for this event were:

1. Explain why the concept of alignment of financial flows is central to resource mobilization and mainstreaming of biodiversity in the economic sectors,
2. Discuss the idea that the alignment of financial flows should not only be seen as an implementing mechanism, but should also be a policy aim both for government action and for financial market actors,
3. Reflect on the suggestions for a clear definition of alignment and for the integration of the alignment of financial flows into the GBF goals and targets.

NGFS: An agenda for action on biodiversity loss, financial risk, and system stability.

A new report from the Network for Greening the Financial System (NGFS) and the International Network for Sustainable Financial Policy Insights, Research and Exchange (INSPIRE) emphasises that biodiversity losses are important yet underestimated threats to the financial sector and financial stability. Central banks and supervisors are encouraged to take action to respond to the physical, transitional, and financial risks posed by biodiversity loss. It provides five recommendations on how these actors can comprehensively respond to ensure biodiversity protection is incorporated into monetary policy and investment portfolios. This report is useful for parties wanting to develop an understanding of how central banks and governments can respond to these biodiversity-related risks and what supervisory actions need to be taken.

Leaders Pledge for Nature

Political leaders participating in the United Nations Summit on Biodiversity in September 2020, representing 93 countries from all regions and the European Union, have committed to reversing biodiversity loss by 2030. By doing so, these leaders have sent a united signal to step-up global biodiversity ambitions and have encouraged others to match their collective ambition for nature, climate, and people with the scale of the crisis at hand. See: [Leaders Pledge for Nature website](#). The Leaders' Pledge for Nature was endorsed by Heads of State and Governments of 93 countries from all regions, as well as the President of the European Commission for the European Union, representing 38% of global GDP and more than 2 billion people.

The OECD Centre on Green Finance and Investment

The OECD Centre on Green Finance and Investment will hold the 9th edition of the OECD Forum on Green Finance and Investment virtually in October 2022. This edition will be held as a series of high-level panels and breakout sessions focused on the theme of: "Moving from commitments to actions in the decade for delivery: towards impactful green and sustainable finance".



Whilst awareness of climate-related risks is increasing within the financial industry, climate and environmental risks remain poorly managed by financial institutions and markets, leading to a persistent misallocation of global public and private finance towards high-emitting assets and investments. Creating pipelines of bankable projects aligned with long-term climate and environmental objectives remains critical to mobilising investment at scale. The 9th Forum will bring together the most influential global actors from both the public and private sectors to discuss the policies and changes required to foster more transformative investments in the real economy, achieve low GHG emissions, and move towards climate-resilient development whilst halting the loss of biodiversity and ecosystem services.

3. Capacity building and knowledge generation

The Road from Paris to Kunming

This study commissioned by the Dutch environmental assessment agency PBL, and published by the Sustainable Finance Lab, looked at how climate and biodiversity problems overlap and interact, what existing synergies in policies target solving these issues, and what trade-offs exist between the two. The current \$700 billion figure for the gap in biodiversity finance assumed to be an underestimation: the climate finance gap alone is already estimated at \$2.5 trillion globally. Many financial institutions have committed to transition plans to change the direction of private finance on climate to reduce climate risks. Even though there is movement and momentum on the subject of climate within the financial sector, this large gap in funding largely remains. When it comes to biodiversity finance, there are promising developments and biodiversity is starting to appear on the agenda, however not enough is happening yet. Some innovative approaches have been used, such as sovereign debt in specific countries being reduced in exchange for protection of biodiversity. Solutions such as these have potential to be scaled up in the future. Awareness on biodiversity is accelerating, but still remains lower than that of climate finance.

The financial sector and its supervisors should follow the precautionary principle and start taking action, they must accept that it is better to be roughly right than to be exactly wrong. In recent years, there has been more regulation aimed at increasing data availability and transparency. So far, this has mainly been focused on climate change related data. France has shown that it is possible to broaden this scope to include biodiversity. Public budgets and markets currently do not effectively help to preserve biodiversity or halt climate change. The aim of the 2010 biodiversity framework to double spending for preservation has not been met and over USD 500 billion of public spending actually goes towards harmful biodiversity annually. In 2019, the Coalition of Finance Ministers for Climate Action was formed to promote climate action through the use of public finance and fiscal policy. However, climate negative subsidies still have the same order of magnitude as those for biodiversity. Public investment institutions play an important role in driving the energy transition. However, so far, biodiversity has not been high on the agenda of public investment institutions — either those operating nationally or those operating internationally. Supervisors have started to consider climate change but have not yet begun to act. For biodiversity the situation is arguably worse.

We cannot wait to act until biodiversity is fully integrated into current financial models and tools. Monetary policy is starting to take climate change into account, yet still needs to move on biodiversity. The ECB is expected to integrate climate risks into its collateral framework this year. Other central banks have already done so and have also adjusted their purchasing programmes. For biodiversity there have been no such actions, and none are planned in the near future.



First steps towards operationalizing alignment

A central topic of the 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 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 in Geneva, as even with many donors' generous contributions to biodiversity positive impacts, there will still not be enough funding for nature available to close the gap. The IDFB is working on a paper to help to make the concept of alignment and how to implement it more tangible, with the input from its knowledge partners and from knowledge shared during the IDFB meetings. This document aims to work towards a common language on what is meant by alignment, and on finding ways to quantify, measure, and monitor it.

Next IDFB sessions - between now and Nairobi

On June 2nd, the 9th IDFB meeting will be hosted and will focus on the concept of alignment and what role it plays in the context of the CBD Global Biodiversity Framework.

The three aspects that we will discuss are:

- What is the importance of including the alignment of all financial flows in the GBF goals?
- What views are there on the alignment of all financial flows?
- What is needed to implement alignment?

The goal of the session will be to have an open discussion and start deriving answers from the audience on key questions, including: How do we define alignment? How do we operationalize this to establish concrete, inclusive financial flows towards nature conservation and restoration projects? How can we link this to NBSAPs and NBFPs? How are we going to monitor this? What policy levers can be used to enhance it, and how? What role will the private sector and civil society have to play?

The Interface Dialogue Finance and Biodiversity (IDFB) wants to create common ground between negotiating Parties and experts from the financial sector and explore how alignment can help to strengthen the implementation of the GBF.

On May 31st, IUCN NL, WWF NL, Tropenbos International and IDFB are organising an online meeting for NGOs and other relevant stakeholders and international experts on the issue of alignment and to discuss how we can assure inclusiveness and engage non-state actors such.

In June, we hope to hold the 10th IDFB session in person again in Nairobi, to 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.

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 helpline on the IDFB website: <https://www.idfb-dialogue.org/index.php/helpline/> & email address: info@idfb-dialogue.org