



Interface Dialogue Finance and Biodiversity Results and insights of IDFB 10

Results and insights of the 10th IDFB session for Parties, hosted June 30th, 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 nine 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 the 10th IDFB

Momentum

- The 10th IDFB session is a milestone, and the IDFB secretariat is in conversation with the SCBD on organising a 'Finance and Biodiversity Summit' during the COP15. This summit would follow the [IDFB-storyline](#) on the topics of alignment of public and private financial flows, alignment of financial incentives, and how the financial sector can help countries with implementation.
- There were a number of new participants in this Session of the IDFB, including representatives from the Seychelles and Egypt. Several other new Parties indicated their interest to join the IDFB at the OWG4 meetings in Nairobi. This will bring the number of Parties affiliated with the IDFB to around forty.
- Participants shared their reflections on the discussions in Nairobi. Target 19.1 on financial resources was flagged as requiring considerable amount of further work. However, encouraging progress has been made with the approval on target 19.2, an outcome that was highlighted by a number of participants.



In Practice

- Suresh Weerasinghe from the Finance for Biodiversity Foundation (FfB) presented his takeaways from Nairobi, with a specific focus on how the alignment of all financial flows can be implemented by financial institutions. Please refer to the latest FfB Foundation [position paper](#) for further information.
- Although annual global biodiversity-positive investments and spending (public and private) sits at around US \$100 billion, this is dwarfed by the pandemic stimulus on a global scale, as well as the global financial markets which total US \$350 trillion. When looking at alignment, it is thus important to look at large financial flows and how much of them are aligned to the GBF and how much goes the other direction.
- Participants of the IDFB shared interesting insights into different, innovative ways in which funding for biodiversity has been provided. This included insights from the Seychelles about the use of Blue Bonds, and the Aviva Climate Trust Fund. Representatives of a number of countries and initiatives shared their reflections on experiences in Nairobi, and Egypt shared that it is commencing with the BIOFIN process.

Capacity building

- The National Project Coordinator for BIOFIN Egypt shared that Egypt will implement the BIOFIN process over the next four years. The representative shared insights into some challenges faced by the implementation of this process and what hurdles may lie ahead.
- Jeremy Eppel from Finance for Biodiversity (F4B) presented the [new paper of F4B](#) on the linking of sovereign debt to nature by making requirements regarding nature-related performance and KPIs, in order to reflect the huge economic impacts that biodiversity and ecosystem services losses could cause to economies and sovereign debt ratings.
- The IDFB [website](#) has been updated and now hosts a number of [new resources](#), including a growing overview of various relevant reports, tools, and frameworks that have been shared by IDFB participants. The website also provides an overview of important upcoming events in the lead-up to COP15, which can be found in the [Roadmap](#).

Next steps

- IDFB 11 will be hosted on August 30th, 2022. In the meantime, the IDFB team will share some updates and information with participants and may pose some questions to members before the next IDFB meeting.
- Several participants noted that the lack of side events during Nairobi limited the ability of Parties to build momentum about next steps and what is already being practiced in terms of resource mobilisation and alignment of financial flows. Such events would also have been useful to link the various issues together.
- The IDFB secretariat is continuing to discuss options for the organisation of the potential Finance and Biodiversity summit and the exact focus at the upcoming COP15. Feedback is welcome, please reach out to the IDFB Secretariat if you have any ideas or would like to have input at such a summit.



1. Momentum

Reflections on Nairobi

Target 19.1

During the negotiations in Nairobi, there was increased awareness and discussion regarding the significance that *all sources* of financial flows need to be mobilized for biodiversity. Many countries have acknowledged that they have responsibilities, as do other actors in the financial sector. With regard to target 19.1, there are still challenges to overcome on and lots of work remains to be done, and the creation of a new global fund will not necessary solve everything. There were positives outcomes from Nairobi, but the discussions showed that there is much work to do in translating this to the national level, where the needs are about capacity building, exchange learnings from best practices on mechanisms, good experiences, tools for financing, design and implementation of NBSAPs. Furthermore, the private sector needs to understand what these targets mean for them. There are many private sector stakeholders that want to be frontrunners on these issues, but there is a need for harmful subsidies and other incentives to be redirected towards something more positive for nature. Though there were difficult moments for making progress during the discussions, there was some work in the right direction, especially regarding target 19.1. There are now notably less disagreements regarding the idea of funding from 'all sources' needing to be aligned, as there is increased recognition of the need to look at public and private sources at all levels.

Target 19.2

Reflecting on the discussions in Nairobi, Participants of the IDFB acknowledged the importance of the consensus reached in Nairobi on target 19.2. Target 19.2 is about technological transfers and capacity building, which are both essential elements to support the implementation of the GBF. This will be especially important for developing countries and small and developing states, who will need assistance through transfers of technology and increase capacities in order to go into transition. The implementation of this target will continue to be a challenge, as engaging the private sector in contributing to biodiversity remains difficult. Progress made on target 19.2 was very encouraging. Recognising the importance of technology transfers and capacity building was a vital step in the negotiations, especially for small and developing countries. Having joined the BIOFIN process, the Seychelles has moved towards identifying what must be done in the future and the need for resource mobilization and are working towards nationally mainstreaming their NBSAPs.

Practical developments on finance and biodiversity

Suresh Weerasinghe of the [FfB Foundation](#) on developments in Nairobi

FfB Foundation first aim for Nairobi was to contribute to progress with the draft goals of the post-2020 GBF, specifically on aligning private financial flows. First, FfB Foundation was hoping for a development similar to that seen with the Paris Agreement in article 2.1C. Many would want to see achieved for biodiversity what this article did for climate in terms of encouraging public and private financial flows. The second aim was to help strengthen language on reducing and redirecting harmful financial flows. This would have to be achieved under Goal D of the GBF, specifically targets 14 and 15. Overall, FfB Foundation felt that the Nairobi meetings were relatively positive, though it took some time to build momentum. Some progress made despite the negative reviews and headlines, especially on goal D, where there seemed to be a general consensus that it now encompasses: 1) the need to use ODA and public funding for countries in need of financial support for transitioning, and 2) the importance of aligning private flows to the GBF in support of bridging



the biodiversity finance gap. The EU addition regarding 'effective mainstreaming' provided a clear indication that there is support this topic, and that this should be further streamlined in Montreal.

Under Target 18 of Goal D however, there was less success in rallying support among parties for the integration of, and clear reference to, the concept of reducing harmful flows in explicit terms. This might not necessarily be entirely problematic as the concept of reducing harmful financial flows is in a way captured in the 'alignment of financial flows' language in the goals and targets of the GBF. Should parties wish to push for more explicit referencing to the reducing and redirecting of harmful flows, one option may be to pursue defining this within the glossary. Though private financial flows are also covered in target 19, there was a lack of involvement of the private sector in the negotiations, and little discussion regarding the commitments that can be made by the private financial sector beyond pledging capital to different funds. We can draw lessons from the experiences in the climate change negotiations and look how to work with the private sector and work with them to step up in a more concrete manner. Finally, on target 14, FfB Foundation was very happy with the outcome on what can be achieved regarding an enabling environment for private financial flows.

Blue bonds in the Seychelles

The Seychelles developed a blue bond. This bond has both private and public components and is designed to provide 'blue grants' that individuals and NGOs can apply for. The Blue investment fund is another initiative that the blue bond components contribute to. This investment fund can be applied to by investors and private actors. They can take out loans against reduced interest rates in exchange for using these loans towards actions and projects focused on the sustainable use of marine ecosystems. This can include managing sustainable fisheries or value addition within the fisheries sector. As actors repay their loans, others can take new ones, making the blue bond loan a continuous resource that is designed to support the development of a more sustainable fishery sector and diversification of the blue economy. The bond will do its work for some time to come.

IMF Action Proposal

The IMF has developed a new Trust Fund that aims to support countries in the restructuring of their debt restructuring through sustainable development initiatives. It however currently does not include targets on biodiversity. This trust fund is up for approval in October this year but because it lacks a window to include initiatives focused on biodiversity there is a suggestion to call on IMF Country Directors to ensure that the trust fund is also open for biodiversity projects. This issue could in particular be raised at the UNGA meeting this September.

Aviva climate transition fund

The Aviva Climate Transition Fund is showing how commitments to achieve net zero can work in practice for such a prominent financial institution. In 2021, Aviva made a commitment to achieve net-zero emissions across its real assets by 2040. It has also committed to reach net-zero across its businesses, by 2040. As part of this Climate Transition Fund, Aviva has invested in Woodland restoration in Northern Scotland. The projects are not always guaranteed to create a return on investment. These investments, which are derived from a commitment to use 2% of profits, are granted to community initiatives that contribute towards climate or biodiversity positive nature-based initiatives. Financial institutions such as Aviva have shown that the private sector can play a major role and that there are the funds available to do so, but it requires the development of commercially viable projects that are nature-positive which private financial actors can invest in.



3. Capacity building and knowledge generation

BIOFIN process in Egypt

The BIOFIN process will be implemented in Egypt in the coming years. Currently, the assessment is under way of institutional organizations within Egypt involved in biodiversity, such as the ministries of environment and finance, and many others that contribute to biodiversity both directly and indirectly. Data availability remains a major issue, as communication across ministries to retrieve all required information for developing these biodiversity financing plans is complex. Analysing the amount of money spent on biodiversity in the country is challenging, especially when this spending is spread across several different ministries and institutions. At the moment, the BIOFIN Egypt team are establishing a 'biodiversity factor' to assign to each ministry/governmental institution regarding biodiversity spending. Following this, they will develop a strategy to leverage more innovative funding mechanisms to increase funding for biodiversity in the future. Currently, finance for biodiversity-positive projects remains very low and therefore it is urgent to find new financial solutions and to develop a strong NBSAP. Challenges remain and current events have the potential to derail ongoing efforts to reduce harmful expenditures. The war in Ukraine coupled with the financial crisis has led the government to talk about the reintroduction of some previously removed harmful subsidies. These include subsidies for electricity, which were removed in recent years but may soon be reinstated as a result of increasing pressure from society, industries, and the media. This could create similar issues for other governments around the globe that are trying to reduce their harmful subsidies to biodiversity.

Jeremy Eppel on sovereign debt

A [recent publication](#) of the F4B looks at linking of sovereign debt and nature through mechanisms such as by linking nature performance bonds to specific Key Performance Indicators (KPI), rather than focusing on 'debt for nature swaps'. The report looks at the impact of nature loss on sovereign credit ratings, and how countries' sovereign credit ratings would be negatively impacted by biodiversity losses. Similarly to how analysis was performed on climate risk, this study shows how the losses of ecosystem functions and nature will affect 26 developing countries and their credit ratings. F4B found that partial ecosystem collapse would lead to serious economic impacts both directly on countries' economies, and through increasing countries' risk of seeing their sovereign credit scores being downgraded. This in turn would increase the cost of a countries' debt, making it more expensive, and creating increased risks for financial stability.

IDFB Website Updates

The IDFB website has been updated recently to include new dates on the agenda and will provide an overview of relevant events that will be organised by various partners and other organisations in the coming months in the run up to COP15. Furthermore, all summary reports of all the IDFB sessions can be found in the [meeting summaries](#), whilst a variety of relevant and insightful reports of relevant finance, expert and other organisations are made available in the [Readings](#) section of the website. Members of the IDFB are invited to share additional resources that can be useful for the IDFB network and that can be added to the website. Members of our network can continue to direct any questions to the IDFB via the [helpline](#). The IDFB secretariat strives to provide answers to Participants' questions and queries on the topic of operationalisation and implementation of alignment, as well as the sharing of best practices and technical knowledge. The IDFB will respond to any questions it receives and will where necessary consult with IDFB knowledge partners to provide answers and respond.



4. Next steps

IDFB 11

After taking a break for the summer, there will be another IDFB meeting on August 30th, 2022. In the meantime, we will continue working on the Common Ground document and create and share a questionnaire on important topics to address in upcoming IDFB sessions in lead up to COP15. The IDFB team will work on the creation of a friends of alignment group and will share any news and information on any new developments on this topic that happen during the break. This friends of alignment group will focus on the topics of strengthening implementation of alignment whilst continuing to build bridges and cooperate with other relevant initiatives.

Financing Biodiversity Summit

The IDFB, in conversation with the CBD, is discussing the organisation of a summit for the financial sector regarding biodiversity at the COP15. This is in response to suggestions made during the IDFB sessions, as well as feedback from IDFB participants following the negotiations in Nairobi. The Summit would follow along the lines of the Common Ground document due to be shared by the IDFB in the coming month on the issue of the alignment of all financial flows. This Common Ground document is intended to serve as an input for negotiations and to create space for a discussion about implementation of alignment. As the IDFB intends to bridge the gap to the financial sector, it wants to welcome both businesses and private sector actors as well as ministers of finance and representatives of the government – as it is important to emphasise the role of the Parties. The IDFB will provide an update regarding this potential Summit after the summer break.

Participants of IDFB 10

Parties to the CBD

Ahmed Mohamed Abdelmaksoud (Government of Egypt)
Charlie Makin (Government of the UK)
Georgia Patt (Government of the UK)
Henna Haapala (Government of Finland)
Indira Gamatis (Government of the Seychelles)
Karin Zaunberger (European Commission)
Sophie Morel (Government of the Seychelles)

Caroline van Leenders (Government of the Netherlands)
Jan Willem den Besten (Government of the Netherlands)
Yuval Tchetchnik (Government of South Africa)

Observers

Jeremy Eppel (F4B)
Jorien van Hoogen (Nature^Squared)
Eli Morell (Nature^Squared)
Suresh Weerasinghe (Finance for Biodiversity Foundation)

Link to Helpline and Website

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