



Interface Dialogue Finance and Biodiversity Results and insights of IDFB 5

Results and insights of the IDFB content session for Parties, held on January 25th, 2022.

The Interface Dialogue Finance and Biodiversity (IDFB)

Nearly 40% of the world's economy is derived from the direct use of biodiversity and 70% of the world's poor and vulnerable live in rural areas that depend directly on it. The gap in funding for biodiversity worldwide is estimated to be between USD 598 and 825 billion yearly. To fill this gap, the financial sector has to be involved in achieving an ambitious post-2020 Global Biodiversity Framework (GBF). Currently this framework is being negotiated under the Convention on Biological Diversity (CBD). It will define targets and pathways for the conservation, restoration and sustainable management of biodiversity for the next decade and beyond. Since early 2019, consultation workshops and meetings involving many stakeholders have been organized in preparation at the national, regional, and global levels. The GBF is expected to be adopted at the 15th meeting of the Conference of the Parties (COP 15) in Kunming, China over the summer of 2022.

The Interface Dialogue Finance and Biodiversity (IDFB) was set up to bring together a group of Parties and financials willing to create momentum around exchange and learning from experiences and best practices that the financial sector has in aligning finance and biodiversity. The ultimate goal is to support Parties in designing and implementing a strong GBF that incorporates and maximizes 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.

The IDFB tries to mobilise Parties to the CBD and financial institutions in order to galvanize the transition towards including biodiversity in financial decision making. The IDFB will run until the COP15 process is completed with the adoption of the GBF. The dialogue is open for all governments and financials that are interested, will be informal and mostly online or hybrid. So far, The IDFB facilitated five IDFB dialogue sessions around biodiversity and finance, thereby facilitating support for countries in getting access to information, tools and best practices in mobilizing finance; and using this information to strengthen the GBF.

Main takeaways of IDFB 5

Momentum

- Financial institutions are increasingly aware that alongside climate change, the loss of biodiversity and the related decline in ecosystem services are creating risks to businesses and increasing systemic risk for the financial system.
- A group of investors, including AVIVA, BNP Paribas and Robeco, worth more than USD 10.6 trillion in assets under management have issued a statement ahead of COP15, calling for heightened global action to end deforestation and ensure sustainable land use. The statement urges world governments to deliver a more ambitious GBF.
- The Finance for Biodiversity Foundation works on a draft position paper: "Aligning financial flows with biodiversity goals and targets". It calls on CBD Member States to adopt a stronger GBF, explicitly mentioning both public and private financial flows - with relevant goals and targets, and also mentioning explicitly stopping harmful financial flows.
- The possibility was raised of having financial institutions helping to get the biodiversity message through to the Treasury or Finance Ministries, pressing them to include strong policies and regulation related to biodiversity; and mandating investors to start



measuring portfolio alignment with the objectives of the Convention on Biological Diversity.

Experimenting in Practice

- The Government of France presented a new pioneering legislative framework, the "29-LEC". This decree introduces a reporting obligation on biodiversity from 2022; investors must begin to measure their alignment with the objectives of the Convention on Biological Diversity. Under Article 29, French financial institutions will also have to disclose their strategy for reducing biodiversity impacts. They must include specific targets and a measure of alignment with international biodiversity goals.
- Concrete examples of countries' best practices - including South Africa, France, Nepal and Uganda - were presented during the fifth IDFB session. Topics varying from the role that regulatory and policy frameworks can offer to provide an enabling environment for the private financial sector to ways on how to effectively mobilize 'resources from all sources' were presented.
- Many global asset managers play a critical role in advancing nature-related financial disclosures and they encourage organisations that they invest in to disclose their nature-related risks. The Taskforce for Nature Financial disclosure (TNFD) framework for example brings together a large number of asset managers to promote consistency for nature-related reporting. TNFD member organisations now represent over USD 18 trillion assets under management worldwide.

Capacity building and knowledge generation

- Parties still face challenges to bridge silos in order to mainstream aligning finance with sustainability goals across relevant Ministries. Several countries are nevertheless developing best practices in collaboration with different ministries including ministries of finance towards common goals and achieving successful outcomes in this area.
- Scientific and technical papers on financing a sustainable economy need to focus more on the links between climate and biodiversity.
- Many Parties are challenged to keep track of the many meetings, reports, platforms and initiatives related to finance and biodiversity. The need for a helpline to share knowledge and to showcase best practices is broadly recognised. Such a helpline could also showcase interesting finance and biodiversity projects in the public and finance sector.
- In response to these expressed needs, the IDFB launched a new 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

1. General developments on finance and biodiversity

Blended Finance

To bridge the gap (around USD 598bn to USD 824bn per year) between what is needed to sustainably manage biodiversity and what is currently invested in conserving nature, the private sector should be bringing in a much larger share of biodiversity finance. A lot of focus is still on public finance, so more focus on alignment of private finance and biodiversity is urgent. Investments in nature-based solutions, for example, amount to only USD 133 billion today. These investments need to at least triple by 2030 and increase four-fold by 2050 from the current level. Currently, around 86 per cent of current investments in nature-based solutions come from public sources.



Momentum is nevertheless growing and financial institutions do seem to realise that risks to nature pose risks to businesses; while simultaneously creating investment opportunities. The transition to a nature-positive global economy could generate up to USD10.1 trillion in business value and 395 million jobs by 2030, according to the World Economic Forum. There are investment opportunities arising from the conservation, restoration and sustainable use of nature with investors trying to direct financial flows away from projects with negative impacts on biodiversity.

It can generate **USD 10 trillion** in business value and create 395 million jobs by 2030^[1]. Blended finance has emerged as an important instrument to help de-risk impact investments and thereby spur on green transition for example towards sustainable agriculture. In land use and agriculture projects, green finance can address greenhouse gas emissions while improving biodiversity, soil quality and food security in developing countries. While blended finance in natural resources management and conservation cannot be exclusively relied upon to drive the needed transformation in global economic systems, it holds an important prospect for helping facilitate the mobilizing of private capital. It is therefore an important element in the package of available instruments focused on investing in the global commons. Support for policy frameworks that can improve predictability for green investments is critically important, and can be part of capacity building and institutional strengthening in both the private and public sector.

The Network for Greening the Financial System (NGFS)

NGFS is a network of 95 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change. NGFS also has established a working group to address nature-related risks and financial stability. In October 2021, the NGFS released a "Progress report on the Guide for Supervisors", which highlights noticeable progress made by NGFS supervisors in integrating climate-related and environmental risks into their supervisory activities, using the five recommendations of the NGFS Guide for Supervisors published in May 2020 as a reference.

Lack of standardised metrics and methodologies for biodiversity

Financial institutions are now concerned about how to deliver against new biodiversity-related disclosure requirements. In France, for example, implementation of Article 29 will be mandating financial institutions to disclose how they will identify, prioritise and manage climate- and biodiversity risks from 2022 (covering financial year 2021). From 2023, they will have to expand their disclosure to include, amongst other indicators, the share of outstanding financing aligned with the EU Taxonomy. The absence of standardised corporate disclosures, in addition to other data gaps, makes it difficult for financial institutions to identify, measure and disclose their own biodiversity risks. The current lack of guidance for financial institutions around disclosure of biodiversity-related risks illustrates the importance of the Task Force on Nature-related Financial Disclosures (TNFD).

TNFD beta framework release early 2022

After its formal launch of the TNFD in October 2021, the Co-Chairs, members secretariat of the Taskforce started the development of the TNFD framework, and are now on track to release a beta version in early 2022. The Taskforce Members have also met in their five respective Working Groups: (1) Defining nature-related risks, (2) Data availability for nature-related disclosures, (3) Landscape of standards and metrics, (4) Beta version of the TNFD framework and (5) Pilot testing and integration within the TNFD Framework development. As a first step each group has defined the key questions and areas of research for the next 3-4 months.

Sustainable Finance Disclosure Regulation (SFDR)



The European Commission recently announced that the Regulatory Technical Standards (RTS) for the Sustainable Finance Disclosure Regulation (SFDR) will not come into effect until 1 January 2023. This gives asset managers a greater amount of time to prepare and provide sustainability disclosures in sales, annual reports and on their own websites, ensuring that they are in line with the forthcoming regulation.

The deadline for the mandatory reporting on Principal Adverse Impact (PAI) of investment decisions at company level has not been postponed. Despite the postponement of the pre-contractual reporting requirements, ESG fact sheets must be prepared in compliance with the SFDR as early as next year, as they concern Article 8 and Article 9 funds.

2. Lessons and insights for the Global Biodiversity Framework

Lessons from COP26 UNFCCC:

The Paris Agreement had three clear main objectives: mitigation, adaptation and finance. Article 2.1c on alignment of financial flows set the stage for private actors to converge and mobilize. The climate change agenda is ahead of biodiversity in many ways. We need to consider what negotiators at Kunming might learn from the 2015 Paris Agreement to help them achieve a strong and workable global framework for biodiversity. Two lessons are prominent: scaling up biodiversity finance and engaging business. Many in the business sector recognise that if we are to limit global warming and keep the goal of 1.5C alive, then the world needs to use land sustainably and put protection and restoration of nature at the heart of everything we do. Under the Glasgow Financial Alliance for Net Zero, more than 450 financial institutions announced their commitment to net zero emissions by 2050. They represent USD 130 trillion in private capital. The three largest Alliances – banks, insurers and investors – are convened by the UN. The commitments that were made show that nature and land use is increasingly being recognised as essential to meeting the Paris Agreement goals, and will contribute to addressing the twin crises of climate change and biodiversity loss.

Best practices on biodiversity regulation

Some countries have already set up legislative frameworks. French financial institutions are now required to disclose both biodiversity and climate-related risks and impacts, as a new decree from the French financial regulator is being published in the coming weeks. The inclusion of biodiversity in the new disclosure regulation signals a broader shift in the finance sector: climate risk is no longer the only environmental risk receiving significant attention.

The new decree under Article 29 of the French law on Energy and Climate provides extensive details on expected disclosures across both biodiversity and climate. It requires financial institutions to publish information on the portion of their assets complying with the environmental criteria set out in the EU Taxonomy. The new Article 29 will replace the pioneering Article 173, which has required French investors to disclose their climate-related risks on a comply-or-explain basis since 2016. The notable difference is that Article 29 now requires all French financial institutions – including banks, investors and insurers – to disclose biodiversity-related risks as well as climate-related risks. The new decree adopts the concept of double materiality, aligning itself with the new EU Sustainable Finance Disclosure Regulation (SFDR). Double materiality means that financial institutions must disclose how their financial activities depend on climate and biodiversity, as well as how their financial activities impact on climate and biodiversity. For example, an investor with agricultural companies in their portfolio may impact on biodiversity through agricultural activities potentially causing deforestation and soil degradation. At the same time, agricultural investments are reliant on climate and biodiversity: if climate change continues unabated and insect populations for example continue declining, more severe droughts and disrupted pollination services could lead to lower agricultural productivity. Under Article 29, French financial institutions



will also have to disclose their strategy for reducing biodiversity impacts. They must include specific targets and a measure of alignment with international biodiversity goals.

Best Practices on developing National Biodiversity Finance Plans (NBFP)

The Ministry of Forestry, Fisheries and the Environment of South Africa is on the road towards finalising its National Biodiversity Finance Plan. The NBFP presents a comprehensive and coherent national approach to biodiversity finance that encompasses a full suite of biodiversity conservation and management finance solutions. The NBFP in South Africa was developed by the national Department of Environmental Affairs and BIOFIN in collaboration with the UNDP Country Office, the SANBI, SANParks and National Treasury and Statistics South Africa. These are the finance solutions that are currently being implemented by the South African country office:

- Growing protected area revenue;
- Reforming property rates legislation to protected areas;
- Building a sustainable financing model to adequately fund biodiversity stewardship programmes;
- Providing institutional support for biodiversity tax incentives;
- Improving biodiversity offsets modalities for protected area expansion;
- Developing and implementing a voluntary market-based certification scheme in the wildlife sector;
- Developing and promoting an online Biodiversity Economy Investment Portal;
- Improving effectiveness of permits;
- Improving impact of subsidies and incentives on the biodiversity of South Africa

The Implementation of the Nepal National Biodiversity Strategies and Action Plan (NBSAP)

The Implementation of the Nepal NBSAP has improved the conservation and sustainable use of biodiversity by updating and exposing the current state of knowledge, start new sentence from here: sensitising stakeholders involved in biodiversity conservation, identifying important policy and planning gaps, raising awareness, focusing on priority implementation projects, and providing a framework for the National Biodiversity Coordination Committee through which planning, implementation and the sharing of best practices can take place efficiently and effectively. However, despite successes, there are considerable gaps in implementation which have led to significant delays in successfully accomplishing the objectives of NBSAP. Many challenges remain in issues such as accounting biodiversity loss during investment decisions, incentivising private sector disclosure of information, reluctance to share financial information, appropriate institutional mechanisms for accessing finance, and compliance monitoring.

Nepal's priority will be an efficient utilisation of the existing resources, including re-aligning expenditure on biodiversity, 30x30 Global Target, OECMs and national guidelines and wildlife friendly infrastructures as an important measure to mitigate human wildlife conflicts. A BIOFIN study has identified priorities for finance solutions, which will include a resource mobilization strategy for achieving the post 2020 GBF targets. Nepal is currently in the process of revising its NBSAP and preparing its fifth national report, with the intention to also develop national targets and indicators and integrate the implementation of the NBSAP into the National Development Plan.

3. IFDB Helpline

In response to needs that Parties have expressed, the IDFB will introduce a new helpline for Parties who are looking for more technical and practical knowledge as well as hands-on experience with regards to the alignment of finance and biodiversity. The IDFB wants to give Parties the opportunity to share their challenges, suggestions and questions when it comes to translating progress on the topic of financial alignment into the design of a strong GBF and the implementation of it. The helpline can share questions online and in some cases share them in our



network of expert organizations, such as Finance for Biodiversity Initiative, Finance for Biodiversity Foundation and BIOFIN. IDFB is a co-partnership with the UK government.

website: <https://www.idfb-dialogue.org/>

email: info@idfb-dialogue.org

Participants of IDFB 5

Parties to the CBD

Anna Karamat (European Commission)
Aurelien Girault (Government of France)
Bruno Mweemba (Government of Zambia)
Camila Ortiz (Government of Chile)
Charlie Makin (Government of UK)
Dhananjaya Paudyal (Government of Nepal)
Helene Perrier (European Commission)
Herve Barois (UNDP)
Katie Beckett (Government of the UK)
Karin Zaunberger (European Commission)
Kiruben Naicker (Government of South Africa)
Lucretia Landmann (Government of Switzerland)
Miguel Galante (Government of Portugal)
Monique Akullo (Government of Uganda)
Nith Chin (Government of Cambodia)
Ines Verleye (Government of Belgium)
Iqbal Harun (Government of Pakistan)
Odile Conchou (CBD)
Sebastien Chatelus (European Commission)
Théo Jouard (Government of France)
Yuval Tchetchnik (Government of South Africa)
Zofia Radwan (Government of Cape Verde)
Caroline van Leenders (Government of the Netherlands)
Jan Willem den Besten (Government of the Netherlands)

Observers

Jeremy Eppel (F4B)
Anita de Horde (Finance for Biodiversity Foundation)
Jorien van Hoogen (Nature^Squared)
Daan Groot (Nature^Squared)

For more information regarding the presentations given during the IDFB sessions, as well as other relevant reports, documents and information, please visit:

<https://www.idfb-dialogue.org/>

For feedback, more information or questions please contact:

IDFB email address: info@idfb-dialogue.org.



Or Caroline van Leenders and Jan Willem den Besten of the Ministry of Agriculture, Nature and Food Quality of the Netherlands: caroline.vanleenders@rvo.nl and j.w.denbesten@minInv.nl

[1] [WEF The Future Of Nature And Business 2020.pdf \(weforum.org\)](#)