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## BIOFIN BELIZE – August 2017

# Biodiversity Finance Initiative

Ministry of Forestry, Fisheries, The Environment, and Sustainable Development

## Biodiversity Finance

An option for Sustainable Economic Growth in Belize

### Backdrop

Biodiversity refers to the variety of life that can be found (i.e. plants, animals, fungi, and microorganisms), as well as to the communities that they form and the habitats in which they live<sup>1</sup>. Biodiversity supports human well-being and economic development through the provisioning of food, clean water, disease and pest management, climate regulation, spiritual fulfillment, and aesthetic enjoyment<sup>2</sup>. The rapid pace of development, global, has increased pressures on and overall health of biodiversity and the services they provide. The Biodiversity Finance (BIOFIN) Initiative will recommend a menu of potential financial solutions aimed at helping Belize achieve its key environmental sustainability and biodiversity goals and objectives. The BIOFIN process will undertake a holistic review of the regulatory framework, policies, current operations and expenditure with a view to identify and recommend the implementation of viable and sustainable financial

solutions appropriate for the local context.

### The Local Economic Context

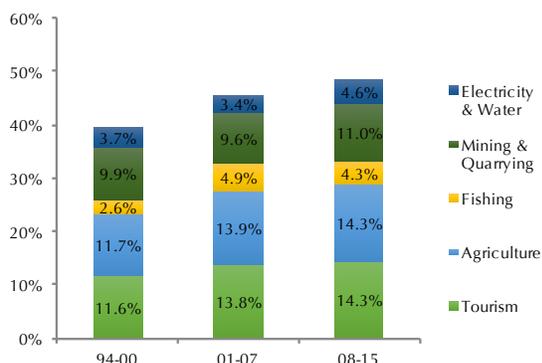
Belize has a small largely natural resource based economy. Key drivers of economic activity include agriculture, fishing, tourism, energy and extractive industries (see Figure 1). Belize's ability to improve living standards and achieve fiscal sustainability is inextricably linked to its ability to accelerate economic growth. The *Growth and Sustainable Development Strategy 2016-2019* (GSDS) targets *inter alia* annual GDP growth of 5%<sup>3</sup>. It envisaged that the increased output will be achieved through increased efficiency and productivity and improving market access. **However, achieving sustainable economic growth is not possible in the absence of responsible stewardship of the environment, natural resources and biodiversity.**

<sup>1</sup> Convention on Biological Diversity

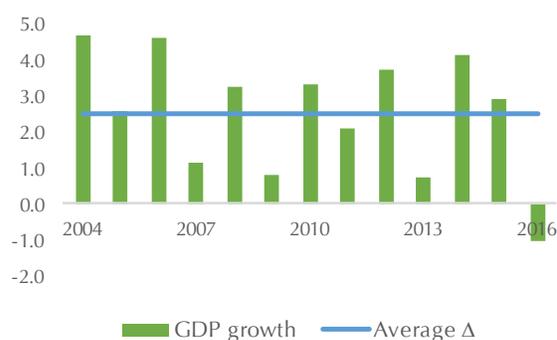
<sup>2</sup> Millennium Ecosystem Assessment, 2005

<sup>3</sup> This is double the current twelve-year average of 2.5%

**Figure 1: Sectorial Composition of GDP**



**Figure 2: GDP Growth % 2004-2016**



## The Challenge

The Government of Belize's resource constraints limit the funding available for biodiversity management and protection. Though Belize is considered a middle-income country with per capita GDP estimated at ~US\$4,700<sup>4</sup>, its high debt to GDP ratio limits the public sector's ability to implement counter-cyclical and expansionary fiscal policy. Between 2004 and 2009 the real GDP growth averaged 2.8 percent, and between 2010 and 2016 real GDP growth decelerated averaging only 2.3% (see figure 2).

In line with the GSDS, an acceleration of economic growth is essential to ensure fiscal and debt sustainability as well as improve overall standards of living. *However, environmental sustainability as well as biodiversity and natural resource conservation must be considered and reflected in economic policy decisions to ensure the achievement of the country's*

*economic goals as outlined in the GSDS.* Belize's economy is sustained by its natural resource base, with growth driven largely by the tourism and agriculture sectors. Both industries provide significant foreign exchange inflows and account for a large share of employment. Protecting biodiversity and adapting to the impacts of climate change are integral for the implementation of Belize's economic growth and development strategy.

As experience from around the world suggests, the sustainable development of a country can only be achieved by taking environmental issues into the heart of economic and financial decision making, particularly into the public budgeting processes and the wider financial sector. Some of the main threats to biodiversity in Belize include:

<sup>4</sup> Belize's per capita GDP compares favorably with many of its Central American peers but falls below many of its Caribbean peers (e.g. Trinidad, Barbados and Jamaica)

- Land use change (deforestation, clearing of mangroves, filling of wetlands and agricultural expansion);
- Unsustainable fishing;
- Unsustainable logging;
- Illegal wildlife trade;
- Pollution; and
- Transboundary incursions.

The holistic approach to be adopted by the BIOFIN process will provide a menu of policy and financing options

that seek to balance public sector constraints and the need to drive economic growth as well as conserve and protect Belize's biodiversity. The need to take steps to protect biodiversity and environmental sustainability is further underscored by climate change and climate variability, as the frequency and severity of adverse weather shocks and other challenges<sup>5</sup> is expected to increase, threatening ecosystems and economic activity.

## How will BIOFIN contribute to a solution?

BIOFIN aims to quantify the financing needs required to protect our natural resources to maintain the integrity of Belize's natural environment and therefore the country's socio-economic backbone. BIOFIN will carry out critical assessments which aim to provide decision makers with economic information to aid in:

- *Generating Revenues*: e.g. green climate funds, public private partnerships, green bonds and other alternatives for investment.
- *Realigning Expenditures*: re-purposing spending e.g. greening of harmful subsidies, results based budgeting, public budget realignment.
- *Avoiding Expenditures*: forego the need for future expenditures.

- *Delivering Better Returns*: increase technical capacity and improve incentives for conservation.

BIOFIN will recommend on suitable investments in biodiversity which can contribute to poverty reduction and

economic sustainability. BIOFIN will prioritize different finance solutions to improve the sustainable management of biodiversity and the contribution of biodiversity. It is envisaged that the recommendations arising from the BIOFIN will assist with the following outcomes:

1. Ensuring sustainable/responsible use of land and water resources<sup>6</sup>;
2. Implementing a sustainable forest management and protected areas management as a tool to ensure watershed

<sup>5</sup> for example, erosion, coral bleaching and sea level rise

<sup>6</sup> Completion of the National Land Use Policy and Integrated Planning Framework, as well as a Water Master Plan is integral.

- protection for water and food security;
3. Mainstreaming climate change considerations into national development planning;
  4. Ensuring biodiversity resources are used sustainably with the prospect of income generation<sup>7</sup>; and
  5. Mainstreaming biodiversity considerations into national development planning to reduce pressures on biodiversity and significant loss of natural resources<sup>8</sup>.

## What are possible finance solutions?

Preliminary research and discussions into potential finance solutions has commenced under the project. Possible finance solutions can be classified into five categories namely, regulatory, fiscal, grants, market-based and hybrid.

**Table 1: Possible Finance Solutions**

Type	Possible Solution
Regulatory	Amendments to existing policy framework
Fiscal	Improved efficiency through consolidation, cooperation and streamlining
Grant	Accessing of grant and concessionary funds
Market	Green bonds/financing, alternative finance
Hybrid	Public Private Partnerships

## Traction

The Global Biodiversity Finance Initiative (BIOFIN) Initiative was formally endorsed by the Government of Belize in December 2015 and officially launched with the assistance of UNDP in September of 2016. The project is being executed by the Ministry of Agriculture, Fisheries, Forestry, the Environment & Sustainable Development. To date, key personnel have been hired and preliminary analysis and consultation has commenced.

<sup>7</sup> As per National Biodiversity Strategy and Action Plan, and National Environmental Policy 2014-2024.

<sup>8</sup> The National Biodiversity Strategy and Action Plan can guide this process.



## What are the next steps?

The BIOFIN process focuses on three thematic areas namely policy, economics and finance with four key outputs. The key outputs of the BIOFIN process are:

1. **Policy Institutional Review** – assessment of the current framework and enabling conditions for financing biodiversity goals;
2. **Biodiversity Expenditure Review** – assessment of the current level of biodiversity expenditure<sup>9</sup> by both the public and private sectors;
3. **Financial Needs Assessment** – (based on agreed upon biodiversity goals) assessment of the current financing available and the required funding; and
4. **Biodiversity Finance Plan** – provides a framework with alternatives for financing biodiversity goals.

It is expected that the reviews and assessments will be completed by the end of December 2017, and the Biodiversity Finance Plan will be completed in 2018 (see table 1).

**Table 2: Tentative Project Timeline**

Key Project Outcome	Expected Completion
Policy and Institutional Review	November 2017
Biodiversity Expenditure Review	December 2017
Financial Needs Assessment	December 2017
Biodiversity Finance Plan	April 2018

<sup>9</sup> biodiversity expenditure refers to funds spent by both public and private sector entities that contribute, whether directly or indirectly, to biodiversity

## How can BIOFIN support the work you do?

The key economic areas on which the BIOFIN process is expected to focus include, tourism, protected areas, fishing, and trade and investment. Members of the BIOFIN Team will be engaging stakeholders across Government Ministries and non-governmental organizations and private entities to conduct assessments. Information obtained during the consultations will help to inform the policy recommendations to emerge from the project. The aim of the project is to identify the biodiversity financing gap, develop recommendations to improve the efficiency and effectiveness of policies and resource allocation and propose possible financial solutions to address the financing requirement.

Stakeholders in the BIOFIN process can assist by taking the following steps:

- **Consider** - biodiversity implications and seek to strike a balance between growth and environmental sustainability;
- **Support** - the BIOFIN process will require cooperation from persons across various Government Ministries and other organizations, and will require the allocation of time and resources; and
- **Collaborate** - in the implementation of the BIOFIN process by nominating a Ministry liaison to the BIOFIN process.

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