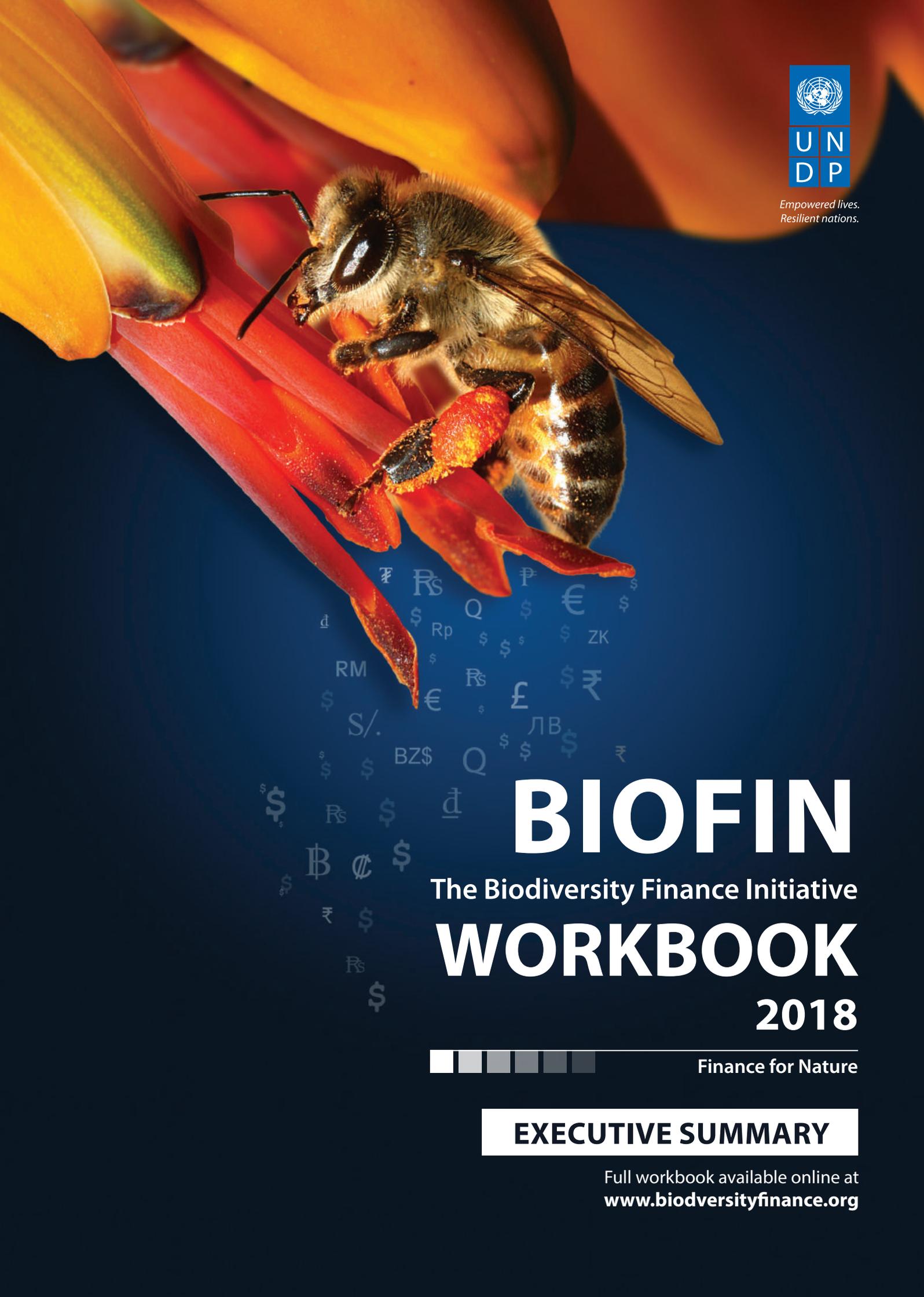




Empowered lives.
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BIOFIN

The Biodiversity Finance Initiative

WORKBOOK

2018



Finance for Nature

EXECUTIVE SUMMARY

Full workbook available online at
www.biodiversityfinance.org



Executive Summary

Key messages



Awareness that **biodiversity underpins sustainable development** has increased among finance decision makers and practitioners. Biodiversity finance is growing in value and sophistication. However, all of this has not yet resulted in a major shift or boom in finance flows towards biodiversity.



Effective governance and **partnerships between finance and environmental actors** are essential to guarantee the up-scaling and sustainability of biodiversity financing. These partnerships must tackle incoherence in public policy and market failures, among the major drivers of biodiversity loss, for instance by greening harmful subsidies and making more efficient use of resources already invested in nature.



Financing biodiversity is a **shared responsibility of governments, the private sector and us all.**

Market-driven innovations and non-traditional configurations of public, private and civil society actors has spurred a new wave of testing and piloting of investment templates and finance solutions. The private capital market for conservation is young but growing.



Numbers and facts are necessary to scale up biodiversity finance. We must quantify biodiversity finance needs, past expenditures and the value of natural capital to inform sound biodiversity finance solutions. Finance and economics are the foundation of a compelling business case for their implementation.



The Biodiversity Finance Initiative promotes **national platforms and regional and global dialogues** that capacitate countries to accelerate the reduction of their finance needs to the point where biodiversity targets are no longer hampered by the systemic lack of investment. Biodiversity finance is not only about mobilizing new resources. It is concerned with delivering better on what is available, reallocating resources from where they harm to where they help, and acting today to reduce the need for future investments.



Biodiversity—an investment priority

Biodiversity is “nature” – life on Earth. Biodiversity includes living organisms and ecosystems that underpin human well-being and economies by providing the essentials to a healthy and productive human life, like clean air, food security and fresh water. Investments in biodiversity are investments in the Sustainable Development Goals (SDGs), contributing directly to poverty reduction, resilience and long-term economic growth and sustainability.¹ Nearly half of all human beings are directly dependent on natural resources for their livelihood. Many of the most vulnerable people depend directly on biodiversity to fulfil their daily subsistence needs. By preserving biodiversity and ecosystems, we are retaining the ability of the planet to sustain our prosperity.

Biodiversity is in severe decline due to a combination of conflicting private and public interests, incoherent policy and governance, and insufficient financing. Although at least

US\$52 billion is spent on biodiversity per year globally,² this is against an estimated annual financing need of between \$150 billion and \$440 billion.³ This funding gap is a major challenge, hampering our achievement of both the Convention on Biological Diversity’s (CBD) Strategic Plan and the SDGs. However, it can be overcome – it is between just 0.2 percent and 0.6 percent of global GDP.⁴

We need a shift towards a new investment and policy paradigm that better incorporates the economic value and financial benefits of biodiversity. Companies and the financial sector are not investing adequately in biodiversity despite there being no shortage of liquidity in the world. The Biodiversity Finance Initiative (BIOFIN) and this Workbook will support this changing paradigm and the integration of biodiversity into public finance management, financial planning, and the financial system.



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¹ United Nations Sustainable Development Goals. Available from: www.un.org/sustainabledevelopment/sustainable-development-goals

² Parker, C., Cranford, M., Oakes, N., & Leggett, M. (2012). The little biodiversity finance book. Global Canopy Programme, Oxford. Available from: http://globalcanopy.org/sites/default/files/documents/resources/LittleBiodiversityFinanceBook_3rd%20edition.pdf

³ Convention on Biological Diversity (CBD) (2012). Resourcing The Aichi Biodiversity Targets: A First Assessment Of The Resources Required For Implementing The Strategic Plan For Biodiversity 2011-2020. Available from: <https://www.cbd.int/doc/meetings/fin/hlpgar-sp-01/official/hlpgar-sp-01-01-report-en.pdf>

⁴ World Bank (2017). National accounts data. Available from: <http://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

A new framework for biodiversity finance

Biodiversity finance⁵ is the practice of raising and managing capital and using financial and economic incentives to support sustainable biodiversity management. It helps leverage and effectively manage economic incentives, policies, and capital to achieve the long-term well-being of nature and our society.

BIOFIN is a UNDP-managed global partnership working with countries on biodiversity finance. Thirty-six countries have already started the process⁶ BIOFIN uses detailed country-level assessments to develop a biodiversity finance plan, drawing on qualitative and quantitative data, innovative methodologies, and expert input. It provides an innovative, stepwise and adaptable approach that enables countries to:

- Assess the policy, institutional, and economic context for biodiversity finance and map existing finance solutions;
- Measure and analyse current biodiversity expenditures, from the public and private sectors, donors and non-governmental organizations (NGOs);
- Make a reliable estimate of the finance needed to achieve a country's biodiversity goals, and compare this to current biodiversity expenditures and other resources available; and

- Develop a biodiversity finance plan that identifies and mobilizes the resources and policies required to implement the most suitable finance solutions.

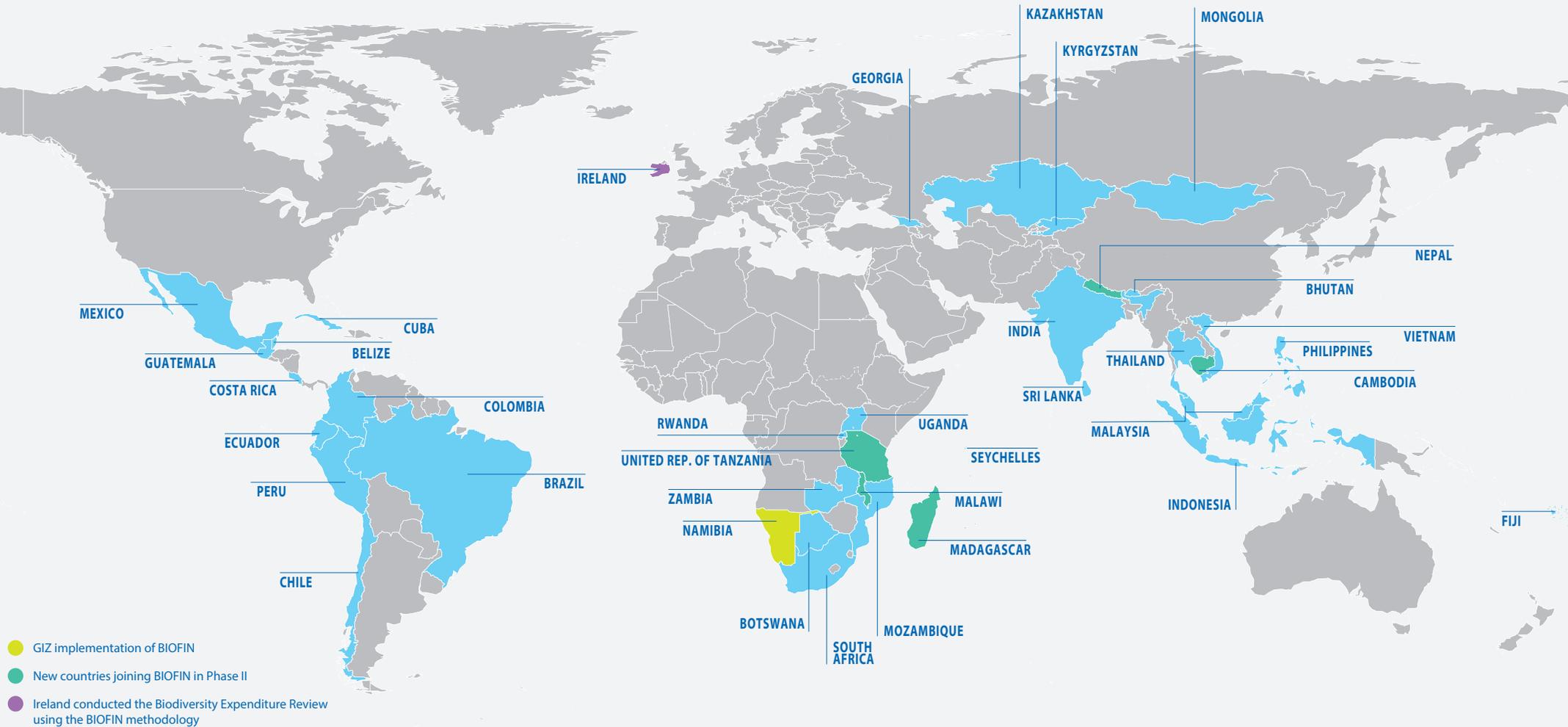
BIOFIN starts with the deeper understanding of the drivers of biodiversity loss and ultimately leads to the identification, prioritization and implementation of actions—the finance solutions—that result in positive outcomes for biodiversity and our society. Many of the actions prioritized through the BIOFIN process are framed as “finance solutions”. A finance solution is an integrated approach to solve a specific problem or challenge by the context-specific use of finance and economic instruments. It is built on a combination of elements that includes one or more finance instruments, financing sources, lead agent or intermediaries, beneficiaries or principal stakeholders, and the desired finance result. Thorough assessments and screening processes should build an evidence base from which to identify, prioritize and implement finance solutions. Meeting finance needs requires a complementary mix of solutions, adapted for every country, as shown in figure S.1.



⁵ The term is similar to the more commonly used “conservation finance” but avoids the connotation of a focus on “conservation” as the primary or only objective.

⁶ For details of participating countries and supporting resources see: www.biodiversityfinance.org.

BIOFIN AROUND THE WORLD



The Workbook describes a variety of finance solutions, such as:

- Reforming subsidies harmful to diversity in Sri Lanka, where aligning fertilizer policy to environmental goals could save \$150 million per year.
- Enhanced partnerships between private and public stakeholders in the Seychelles tourism sector for better redirecting Corporate Social Responsibility tax revenues to fund biodiversity programmes.
- The development of partnerships and impact frameworks for issuing and managing green bonds in Costa Rica and green sukuk in Indonesia.

Finance solutions can achieve their desired impact through:

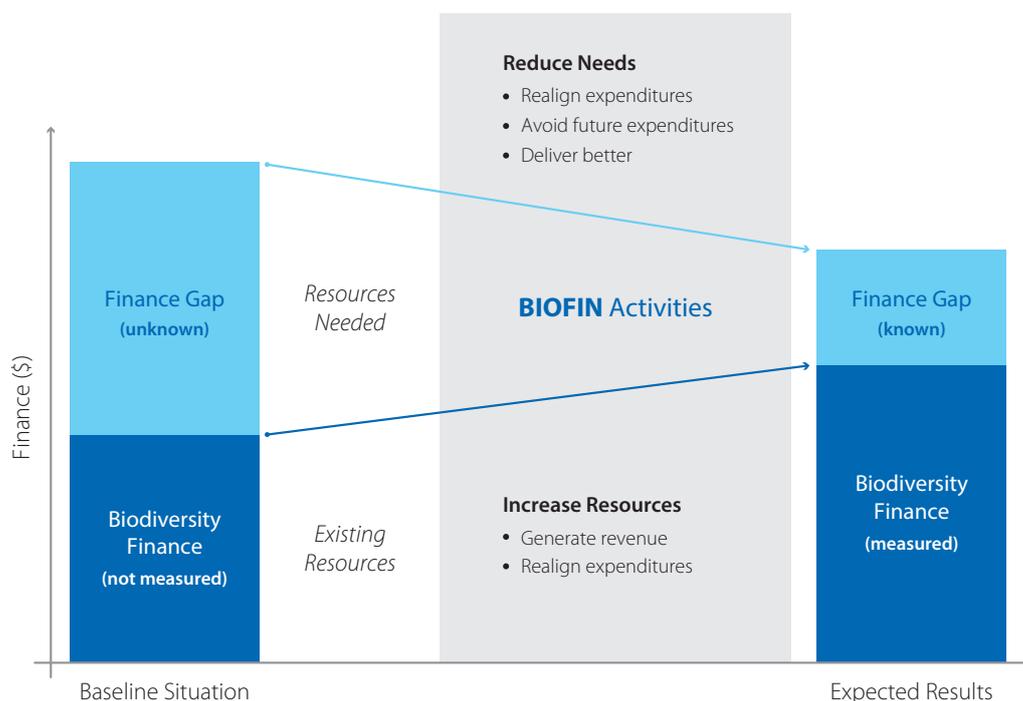
- Generating new revenues targeted towards biodiversity;
- Realigning existing financing to reduce negative impacts and improve positive outcomes;

- Avoiding future expenditures through strategic investment and policy changes;
- Delivering better on conservation through improved effectiveness, efficiency and synergies.

BIOFIN actively seeks buy-in from finance and environmental stakeholders and decision makers (e.g. ministries of finance and environment, innovative corporations, leading NGOs) to identify and mobilize policies, resources and institutional capacities to implement biodiversity finance solutions that are:

- Politically realistic, drawing on knowledge of relevant institutions and public finance management;
- Financially sound, showing the returns on biodiversity investments, backed by an economic case considering the distribution of the costs and benefits; and
- Integrated into the wider sustainable development agenda, contributing to more effective, efficient, and equitable sustainable biodiversity management and development.

Figure S.1: The BIOFIN approach



Investing in the conservation and sustainable use of biodiversity is a fundamental determinant for achieving the SDGs. The successful uptake of finance solutions is strengthened by a convincing business case for investing in biodiversity, aimed at

reaching both the public and private sectors. BIOFIN aims to be integrated into relevant country-level processes in order to influence and sustain change.

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BIOFIN is funded by:



This project is co-funded by the European Union



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety



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OF FOREIGN AFFAIRS



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