



## **Interface Dialogue Finance and Biodiversity Results and insights of IDFB 9**

### **Results and insights of the 9<sup>th</sup> IDFB session for Parties, hosted June 2nd, 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 15<sup>th</sup> 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 9<sup>th</sup> IDFB**

##### **Momentum**

- Before the negotiations on the Post-2020 Global Biodiversity Framework (GBF) in Nairobi from June 21<sup>st</sup> to 26<sup>th</sup>, Finance for Biodiversity Pledge (FfB) launched their [second position paper](#) with suggestions for the GBF and on creating an enabling environment for financial institutions.
- An increasing number of Parties are calling for the transformation of the rules of the economic game by eliminating or redirecting subsidies harmful to biodiversity, whilst increasing positive incentives to promote the alignment of all financial flows.

More and more strategic collaborations with other stakeholders are emerging that are focused on implementation of the GBF based on good practices and with attention to capacity building and learning from relevant processes. They are working towards finding a common ground for creating innovative solutions that ensure achievement of GBF ambitions, whilst working on the review and implementation of National Biodiversity



Strategies and Action Plans (NBSAPs).

- The IDFB team is working on a Common Ground document to define common understanding on alignment of all financial flows with the targets of the GBF and the operationalization of alignment. We hope to increase knowledge and highlight the importance of making this an integral part of GBF. It will help Parties in with the implementation or the GDF at the national level.

### **In Practice**

- The Partnership for Biodiversity Accounting Financials (PBAF) presented <https://pbafglobal.com/standard> for financial institutions to measure the impact of their loans and investments on biodiversity.
- Parties including South Africa, France, Nepal and Colombia presented examples of best practices in design, review and implementation of NBSAPs and National Biodiversity Finance Plans (NBFPS) . Elements of the finance solutions that countries are trying to implement on the ground are starting to be voiced more and more in discussions on the draft GBF .
- The Swiss government hosted an event at the WEF in Davos, during which the Taskforce on Nature-related Financial Disclosures (TNFD) announced new initiatives aimed at expanding consultation efforts. The establishment of three Consultation Groups are intended to bring together representatives of the private sector, business, finance, public sector, and CSOs piloting the Beta version of the TNFD framework.

### **Capacity building**

- Mandatory reporting requirements for businesses and financial institutions are needed. Institutions must be mandated to assess and disclose their impacts and dependencies on nature in Target 15. However challenges for implementation at the national level include better engaging and aligning all the different ministries relevant for mainstreaming biodiversity in all economic sectors including finance..
- The availability of data related to nature and biodiversity remains a challenge for many actors and requires capacity building.. There are ongoing efforts to increase the amounts of accessible, comparable data, as well as to develop tools for measuring, monitoring, and reporting on biodiversity.
- Finance for Biodiversity (F4B) is creating a dashboard that seeks to explain which financial flows are becoming more aligned, in which sectors and countries, and in which kinds of financial institutions. The dashboard will present an analysis of the current state of alignment and will create a more objective understanding of alignment.

### **Next steps**

- The idea of transitioning the IDFB into a 'Friends of alignment' group remains an ongoing discussion in the IDFB meetings. However, some members have noted that whilst such a transition may help to increase the visibility of the IDFB and the topic of alignment, such a shift in focus could mean losing its focus on knowledge sharing and consensus building which has been so valuable. Arguing for a particular position on alignment may risk excluding members from the discussion who perceive alignment as an issue or who are not in favour of it.
- More common ground is needed on the issue of alignment and its operationalization. The IDFB team, with inputs from its valued knowledge partners, continues to work on a Common Ground document to help move towards a common understanding of alignment and its operationalization.
- At the COP15, the IDFB may organise a hybrid event with a focus on the operationalisation of the GBF, focusing on appropriate methods and capacities required for implementation. From October to December 2022, three online sessions will be hosted with a focus (tentatively) on the following (tentative) themes:
  - Operationalisation and implementation of the GBF;
  - Linking with other relevant initiatives;
  - Capacity needs at the national level;
  - The role of NBSAP and NBFPS.



## 1. Momentum

### *Finance for Biodiversity: New Publication*

In June 2022, the Finance for Biodiversity (F4B) initiative published a position paper on Aligning Financial Flows with Biodiversity Goals and Targets (part 2). It provides a brief overview of how actions taken to align private sector finance with the GBF can be scaled up through shifting away from predominantly voluntary actions towards reforming economic policies, establishing mandatory disclosures, and standardisation of data. This paper illustrates the growing commitment from the financial sector to meet biodiversity goals and targets, and highlights the critical role of the financial sector in helping to reverse biodiversity losses. This paper argues that alignment can be better achieved if both private and public financial flows are to be explicitly referenced in the GBF, so that there is a clear framework for regulatory action. At the meeting of the Open-Ended Working Group in Geneva in March 2022, the FfB called for changes to the text of GBF Goal D to explicitly require the alignment of all [relevant] financial flows the GBFs Theory of Change. Explicit reference to this can ensure that alignment becomes a policy aim, not just an implementing measure. Broadening the scope of the action being taken by some financial institutions will require supportive action from governments, regulators, and public finance institutions.

### *Learning from climate change*

Progress achieved on policy and reporting frameworks for climate change can serve as a blueprint for nature-related risks, potentially enabling a much swifter response. As we have seen with climate regulation, an acceleration is required to support the financial sector's response to the biodiversity crisis. Furthermore, given the strong link between climate change and biodiversity loss, we need a harmonised policy approach that will deliver net-zero greenhouse gas emissions in line with the goals of the Paris Agreement, whilst tackling the nature crisis. It is critical that the GBF, especially through Goal D, create the impetus for governments to create an enabling environment that will facilitate and increase action from the financial sector to reverse biodiversity loss within this decade. We believe that Goal D should serve as the basis for driving further regulatory action by requiring the alignment of all public and private financial flows. The need for an enabling regulatory environment to support implementation by the financial sector should be mirrored in targets 14 and 15.

### *An Overview of Nature-Related Risks and Potential Policy Actions for Ministries of Finance: Bending the Curve of Nature Loss*

[The Coalition of Finance Ministers for Climate Action](#) is a group of 72 finance ministries that has been working since 2019 to support Members' efforts to mainstream climate change into economic, fiscal, and financial policies. Knowledge exchange, research, and preparation of policy relevant reports are key ways in which the Coalition creates value for its members. One of the priorities for the Coalition is to improve its Members' understanding of climate- and nature-related risks, as well as opportunities, that will arise with the transition to net-zero, nature-positive economies. Nature loss and climate change are interrelated and neither crisis can be successfully resolved unless both are tackled together. As the impacts of climate change become clearer, concern about nature loss amongst Ministries of Finance (MoFs) is growing. Hence, following the publication of the 2021 Coalition report on climate-related risks, the Coalition Sherpa Co-chairs deemed it crucial to produce a report on nature-related risks. Governments – Ministries of Finance in particular – manage critical levers for nature conservation, restoration, and sustainable use, as well as having high risk exposure to nature loss. MoFs are the central government entity tasked with designing and executing core economic and financial functions of the government.



The report '[An Overview of Nature-Related Risks and Potential Policy Actions for Ministries of Finance: Bending the Curve of Nature Loss](#)' thus provides an initial overview of how nature-related risks affect the work and responsibilities of MoFs. It summarises global ongoing efforts to address nature-related risks, as well as giving a general overview of different nature-related risks and the fiscal and contingent liability risks these could trigger for MoFs. The report concludes with recommended policy actions for MoFs to mitigate and manage these risks.

#### *Leaders Pledge for Nature in Stockholm*

On June 1st 2022, the UK Government and the [Leaders Pledge for Nature](#) organised an event in Stockholm on the topic of nature finance. At the event, the UK Government announced a contribution of £330 million (US \$405 million) to the GEF. This brings the total capital pledged to date to the GEF8 to US \$5.25bn, an increase of 29% from GEF7. The event builds on the ambitious commitments made by nearly 100 countries through the Leaders' Pledge for Nature and COP26, which put nature at the heart of global efforts to tackle climate change. [The Glasgow Leaders Declaration](#) secured commitments from 141 governments to halt and reverse deforestation. This was matched by major donors pledging US \$20 billion to protect and restore the world's forests, alongside commitments made by financial institutions and major commodity traders to ensure their investments and businesses support the goal of forest protection.

#### *Update from Switzerland*

On May 24<sup>th</sup> 2022, the Swiss government hosted a breakfast at the WEF in Davos, Switzerland. At this event, the Taskforce on Nature-related Financial Disclosures (TNFD) announced three initiatives to expand consultation with market participants and other stakeholders on the design and development of the TNFD's recommendations on nature-related risk and opportunity management. The meeting was received positively, showing that there is an increased interest within the consultation groups that bring together actors, financial institutions, and other corporates currently piloting the beta version of the TNFD.

#### *Update from Colombia*

Numerous countries, including Colombia, have expressed interest in collaborating with other CBD Parties to establish strategic alliances between Parties and other stakeholders. Such partnerships would be for working on implementation, and for finding a middle ground for creating innovative solutions that ensure achievement of GBF ambitions whilst accelerating the implementation of NBSAPs. Specifically, countries are looking for ways to create flexible matchmaking platforms for high ambition stakeholders to harness financial and non-financial resources from all sources, and to exchange knowledge and best practices from its members. It is important to establish project pipelines for biodiversity-positive actions at the national level for investable projects and to complement the resources available under the CBD financial mechanism, the GEF, and other related funds. Harnessing the financial and technical support and bilateral and multilateral resources available, as well as multilateral development banks (MDBs), is important going forwards. In addition, increased support and facilitation for countries regarding how to access finance from multiple sources and mechanisms is needed.

#### *General update on public investment institutions*

Currently, public budgets and markets cannot effectively help to preserve biodiversity or to halt climate change. Biodiversity has not been high on the agenda of public investment institutions thus far — neither those operating nationally, nor internationally. Supervisors have started to consider climate change in decision-making approaches and policies but have yet to begin to take



adequate action. For biodiversity the situation is arguably worse, as much progress remains to be made. Many of the public investment institutions which made commitments to align their activities with the goals and principles of the Paris Agreement have now made significant progress in integrating climate risks in their investments. This is nevertheless proving a significant organisational challenge. Efforts needed to integrate climate considerations may thus be constraining PDBs from starting on a similar process for nature. Another constraint is the lack of a single overarching goal for biodiversity corresponding to the 1.5°C warming limit for climate.

#### *Update from South Africa*

South Africa's Ministry of Forestry, Fisheries and the Environment is on the road to finalising its NBFP. Based on the analysis conducted by BIOFIN, a number of finance solutions were identified for the development of the NBFP. The current NBSAP provides a comprehensive and coherent national approach to biodiversity finance, which provides a number of potential conservation and management finance solutions that are biodiversity-positive. Finance solutions currently being implemented by the South African country office include approaches such as growing protected area revenue, developing and promoting an online Biodiversity Economy Investment Portal, and improving the impact of subsidies and incentives on biodiversity. Elements of the finance solutions that South Africa is trying to implement on the ground are starting to be voiced a lot more loudly in the GBF and in current discussions. Although there is interest from the MoF in the development and implementation of the NBFP, difficulty remains in implementing such a cross-sectoral approach that requires much coordination and compromise between different ministries.

Furthermore, the MoF of South Africa has finalised its draft of the Green Finance Taxonomy, which will help to unlock a larger scale of capital and green investment for climate. The Green Finance Taxonomy aims to achieve this unlocking of capital and increased investment through increasing transparency and credibility of green projects and activities. The taxonomy will help to support South African labour laws and sustainable finance policies. Though it is more climate-oriented than biodiversity-focused, it represents a good step forward in green finance. The South African team also continues to work on a draft of guidelines for biodiversity offsets, which is due for public comment soon which will represent an important step towards the development of a formal program.

#### *Update from Nepal.*

Nepal presented an update of its progress regarding the implementation of its NBSAP. Nepal's priority will be on the efficient utilisation of existing resources, including through re-aligning existing expenditures on biodiversity, focusing on the 30x30 Global Target, and the use of OECMs and wildlife friendly infrastructures as important measures through which to mitigate human wildlife conflicts. A BIOFIN study has identified priority \ finance solutions, which will include a resource mobilisation strategy for achieving the post-2020 GBF targets.

#### *Update from France on Public Development Banks (PDBs)*

A number of bilateral PDBs are promoting the idea of aligning flows. The International Development Finance Club (IDFC) is investigating what work PDBs are doing already in regard to alignment, and what more they can contribute. Whether this will lead to a common declaration is yet to be seen, however a number of PDBs are working with the Agence Française de Développement (AFD) and the CBD on resource mobilisation. Work is being done currently on alignment to some degree, as this is being promoted by both France and the EU.



## 2. Practical developments on finance and biodiversity

### *Dashboard Finance for Biodiversity initiative*

The F4B Initiative seeks to understand and explain which kinds of financial flows are becoming more aligned. To tackle questions such as: *which sectors are becoming more aligned? In which countries, regions and financial institutions?*, the F4B will develop a dashboard based on identified metrics and analysis of the current landscape of alignment. It is expected that the dashboard will be developed and improved over the coming months, though it is yet unknown whether it will be ready for the COP.

### *TNFD beta release, pilot testing and consultation groups*

The TNFD framework, now in prototype format, will enable corporates and financial institutions to assess and disclose on their nature-related risks and opportunities, with the ultimate aim of helping to shift financial flows from nature-negative to nature-positive outcomes. The final recommendations from the Taskforce are due to be published in September 2023. Efforts to develop the TNFD's nature-risk framework are led by 34 individual Taskforce Members, representing financial institutions, businesses and market service providers, and supported by over 400 institutions around the world who constitute the TNFD Forum. A first 'beta' framework was released in March 2022, with inputs now being received from a wide range of market participants and other stakeholders through a market-led, open innovation process to co-create the final recommendations. The TNFD framework is also attracting considerable interest from policy makers and regulators as efforts accelerate within several jurisdictions towards integrated sustainability reporting requirements. Three new initiatives will drive feedback and engagement on global, national, and community levels:

- Six TNFD Consultation Groups in Australia & New Zealand, India, Japan, Netherlands, Switzerland, United Kingdom
- Four piloting program partnerships: FSD Africa, Global Canopy, UNEP FI, WBCSD
- Engagement of Indigenous Peoples and Local Communities globally in partnership with IUCN

### *New PBAF standard*

The Partnership for Biodiversity Accounting Financials (PBAF) presented a new standard for financial institutions to measure the impact of their loans and investments on biodiversity. The 'PBAF Standard 2022' describes by way of requirements and recommendations what is needed to carry out a biodiversity footprint: an assessment for financial institutions to measure, manage and report on the negative and positive impact of their loans and investments (e.g. shares, bonds and green bonds) on biodiversity. For example, fund managers can estimate the loss of biodiversity from an investment in an international food company and gain insight into the underlying causes. Besides important preconditions, the standard explains various methodologies and tools that financial institutions can use to map out their impact. Innovative examples are the use of satellite images to map deforestation and the detection of certain animal species through DNA traces in rivers. The standard is harmonised as much as possible with other initiatives in the financial sector, such as the Taskforce for Nature Related Disclosures (TNFD), the Science Based Targets Network (SBTN) and the EU Align project.





### **3. Capacity building and knowledge generation**

#### *Operationalizing alignment*

The central topics that were discussed during the 9<sup>th</sup> IDFB session were:

- What is the importance of including the alignment of all financial flows with the GBF goals?
- What views are there on the alignment of all financial flows?
- What is needed to implement alignment?
- How can the alignment of all financial flows with the goals of the GBF be made more tangible and operational?

For this, it is crucial to know how alignment can be measured, quantified, and monitored. Alignment was introduced as a way towards closing the funding gap for nature-positive investments and is a key step in 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 towards biodiversity-positive investments and projects, there will still not be enough funding for nature available to close the gap. The IDFB is working on a common ground document to help to make the concept of alignment its implementation more tangible, using the input from its knowledge partners and from experiences 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.

#### *Feedback on the IDFB Common Ground document and Friends of Alignment Group*

During the IDFB session, the ideas for the creation of a Common Ground document and for transitioning the IDFB group to a Friends of Alignment Group were discussed amongst members. The idea of a Common Ground document was well received by different IDFB members, as it was noted that creating a common language and understanding of what alignment of all financial flows means and entails is an important step. The structure of the paper was discussed in order to give members an overview of what different topics regarding alignment will be covered, including different kinds of financial flows and relevant actors at different levels. Members were invited to share any feedback they may have on the content and structure of the paper, as well as to provide further insights to inform the paper. The need for the document to be a 'living document' of useful links and information to guide members on alignment topics, without the use of overly technical language, was emphasised.

### **4. Next steps**

#### *A Friends Group AAFF?*

The idea of transitioning the IDFB to a Friends Group for Alignment of All Financial Flows was discussed by members. It was noted that this transition could contribute to the increased visibility of the IDFB group and more attention on the topic of the alignment of all financial flows, and could enable a more internal discussion amongst IDFB members on finding the definitions and common ground that we seek, in a group that is informal but remains strongly linked to negotiations. However, there are some drawbacks to this potential transition. Some participants noted that transitioning to this kind of group could in turn alter the focus of the IDFB somewhat, as it would shift from being focused on knowledge dissemination and sharing of experiences, more towards a group that is advocating for a particular position on alignment. It may risk ostracising those from the discussion who perceive alignment as a threat or who are not in favour of it.



### *IDFB 10 and common ground document*

**On Thursday June 30<sup>th</sup>**, we will hold the **10<sup>th</sup> IDFB session** in virtual format for Parties to discuss how we as IDFB members engage with our own governments to ensure stronger engagement at the political level in getting alignment higher on the agenda, both domestically and internationally. The goal of the upcoming IDFB session will be on reflecting on the intersessional meetings in Nairobi occurring from June 20<sup>th</sup> to 27<sup>th</sup>, 2022. The IDFB will be open to hearing the experiences of members in Nairobi on the negotiations of the alignment of all financial flows, and what questions remain for you regarding taking next steps. A representative of the Finance for Biodiversity Foundation has also been invited to present its main takeaways from the meetings in Nairobi on the how the alignment of financial flows (across the financial sector) could be implemented by parties and financial institutions and how these actions can be broadened and deepened through a supportive regulatory environment. Furthermore, an update will be provided in the Common Ground paper that the IDFB is currently developing, and on the discussions regarding the possible transition of the IDFB to a Friends Group for the Alignment of All Financial Flows.

Finally, the [Common Ground document outline](#) was presented at the IDFB 9 session for Parties to respond to. These first chapters of this living document which are being developed by the IDFB team will be shared with Parties of the IDFB 10 meeting in advance of the session.

### **Participants of IDFB 9**

#### *Parties to the CBD*

Sebastian Acosta (Government of Colombia)  
Chinn Nith (Government of Cambodia)  
Dhananjaya Paudyal (Government of Nepal)  
Gyanendra Karki (Government of Nepal)  
Karin Zaunberger (European Commission)  
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#### *Observers*

Chris Duinmeijer (Wolfs Company)  
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Jorien van Hoogen (Nature^Squared)  
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### **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](mailto:info@idfb-dialogue.org)**