



## Interface Dialogue Finance and Biodiversity Summary & Notes IDFB18: Scaling up financing for ecosystem services (16-10-24)

The International Dialogue for Finance and Biodiversity (IDFB) was established in 2021 by the Government of The Netherlands in the run up to COP15 to bridge the gap between greening finance and financing green. From 2021 to 2022, the IDFB hosted 15 dialogue sessions to bring together perspectives from the public sector and private financial sector. More than 30 countries and 60 experts have engaged in the dialogue sessions, where lessons and best practices on resource mobilisation and engaging the private sector were shared. Furthermore, the IDFB helped to get the alignment of all public and private financial flows in the text of the GBF and published [10 recommended actions to accelerate alignment](#).

After the establishment of the Kunming-Montreal Global Biodiversity Framework at COP15, this year is another big year for biodiversity. We are approaching the midway point for the Global Biodiversity Framework 2030 Targets and COP16 is fast approaching – the time for implementation has come. Private finance has a huge role to play, in addition to public finance, to implement the alignment of all financial flows and to finance the GBF targets.

Therefore, the torch of the IDFB has been reignited to again bring together experts on resource mobilisation and engagement with the financial sector from all Parties to exchange experiences and lessons learned on the mobilisation of the private sector for the GBF targets, and share knowledge linked to financing the implementation of the GBF. Over the summer, the IDFB did this by facilitating informal discussions through three Open Office Hours, where members of the IDFB network could meet each other and discuss topics and challenges on nature finance they are facing in the run up to COP16. From September to October 2024, the IDFB hosts three Dialogue Sessions to create a space for discussion and learning amongst experts on resource mobilisation on the topic of aligning all financial flows for nature, with a special focus on private finance.

The 18th Dialogue Session of the IDFB on **scaling up financing for ecosystem services** was held on the 16th of October 2024.

### Key Takeaways

- 1. There are challenges in valuing different types of Ecosystem Services (ES), due to the scale and period they impact.**

ES can be divided in 4 categories: provisioning, regulating, cultural and supporting services. ES help to integrate nature's value into decision-making processes by quantifying the value in monetary terms. Although all ES have value, not all can always be directly priced, and be priced in the same way. The benefits of provisioning services are experienced locally and can result in direct economic returns, making them attractive to private investors. Regulating services have a broader landscape-level impact and take longer to reach their full value. These services are benefiting the public rather than individual investors and therefore are often funded with public money.

## 2. Discounting has a crucial role in ES valuation.

People tend to value immediate benefits more compared to benefits that occur in the future. Discounting provides a way to assess and compare the value of ES across different time horizons, balancing short-term returns with long-term gains. However, if the value of nature only increases over time and costs of nature loss get higher with further nature loss, the question is whether the regular discount rate should be applied to nature.

## 3. Blended finance schemes can mobilize private sector investment and scale up payments for ecosystem services.

In the paper [Strategies to scale-up payments for ecosystem](#) by Caroline van Leenders and Deborah Heijblom are relationships explored between ES, scales and financing models. The paper also introduces 3 new finance strategies to raise investments in nature and shows that different strategies apply to different categories of ecosystem services.

## 4. To put nature on the balance sheet, investing in stocks rather than paying for flows may be an interesting approach.

Instead of focusing on the flow of benefits through ES, Landler focusses on the underlying stock of natural capital. With investing in stocks, the health of ecosystems is enhanced and will lead to an increase in ES. This could be especially helpful if stocks are easier to quantify or to invest in, than the ecosystem services that flow out of these stocks.

### Summary of IDFB18

During this session, Mieke Siebers from the [Foundation for Sustainable Development \(FSD\)](#) presented the concept of ecosystem services (ES) and emphasized the importance of valuing ES in landscape development. ES place humans at the heart of nature, highlighting the value nature provides to people through four categories:

- Provisioning services (e.g., food, water, and wood production)
- Regulating services (e.g., climate regulation, erosion prevention)
- Cultural services (e.g., inspiration, tourism, aesthetics)
- Supporting services (e.g., nutrient cycling).

ES differ in term of scale and the types of investors they attract. Provisioning services tend to have a local impact, often attracting interest from private investors. In contrast, regulating services operate on a broader landscape scale, benefiting the general public rather than just private stakeholders. Cultural services are very specific and challenging to capture in an investment or monetary value. In general, all ES can be valued but not all can be prized easily and with standardized valuation techniques. Monetary valuation helps identify stakeholders, serves as an effective communication tool and provides an overview for risk and opportunity management. [The Ecosystem Services Valuation Database \(ESVD\)](#) is an open source database that provides value estimates for ES from peer reviewed studies.

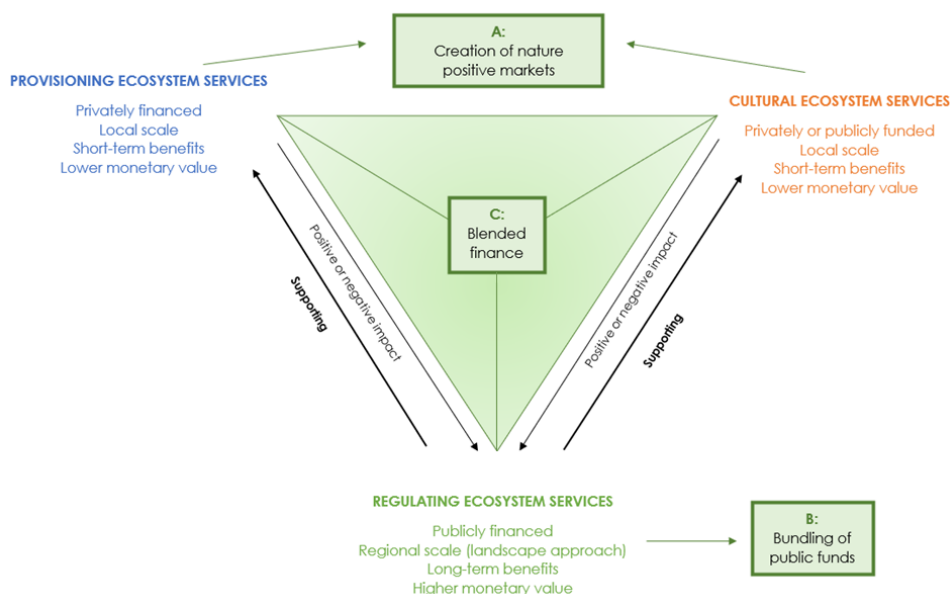
The value of ES changes over time, requiring investment strategies in nature to align with long-term time frames. The full public benefits of ES often emerge gradually and sometimes even experiencing an initial decline before reaching its potential. This highlights the need for patience in nature practices rather than focusing only on short-term private value or interests. To assess the net effects of trade-offs in these practices, it is crucial to apply the correct discount rates, which help account for the changing value of benefits and costs over time. Ecosystem services could justify a lower or even negative discount rate, as their value typically grows over time, in contrast to traditional assets that tend to lose value.

[Partnership for Biodiversity Accounting Financials \(PBAF\)](#) published a [Q&A](#) that provides answers to 10 questions regarding an assessment of impacts on ES and the value of these services. The paper explains what it means, why it matters and how it works.

The next presentation was given by Caroline van Leenders from the [Netherlands Enterprise Agency \(RVO\)](#) focusing on the paper [Strategies to scale-up payments for ecosystem](#), which she wrote with Deborah Heijblom. The paper explores the relationships and dependencies between ES and accompanying finance strategies, illustrating these connections in a graph that considers both scale and potential financiers. The paper discusses three finance strategies for scaling up payments of regulating ES:

1. *Creating nature positive markets for provisioning and cultural ecosystem services.*
2. *Creating coherence and synergies between publicly financed regulating ecosystem services.*
3. *Blended finance strategies based on the interconnectedness of ecosystem services.*

The paper concludes that the National Biodiversity Strategy and Action Plan (NBSAP) and National Biodiversity Finance Plan (NBFP) offer a chance to align policies around regulating ecosystem services. It also suggests that blended finance schemes can mobilize private sector investment and scale up payments for ecosystem services (PES), while using regulating ecosystem services as a way to define the concept of 'nature positive.'



During the Q&A, Jeremy Appel from [NatureFinance](#) provides an example of financing regulating services in cities. He is currently working on a case study in Rio de Janeiro.



NatureFinance holds two side events on their work on [Urban Biodiversity Credits at COP 16](#) on the 23<sup>rd</sup> and 27<sup>th</sup> of October, both in the Blue Zone.

The last presentation was given by Sonja Stuchtey, founder and managing director of [The Landbanking Group](#). Sonja presents [Landler](#), the world's first operating system bridging business and nature. This type of bridging system is crucial because nature operates on a different timeline than traditional investments. By focusing on the stock of natural capital, rather than just the flow of ES derived from it, investments in the stock can lead to an increase in ES. Natural capital is not viewed as a cost, but as an asset. In Landler, the stock is valued through measurements of the ecological health, allowing investors to enhance natural capital by funding improvements in land health. Sonja provided two examples of farmers turning a financial benefit from improved land health, the examples can be found in the slides of her presentation.

#### Relevant events and resources mentioned during the session:

- The IDFB hosts an informal gathering at COP16 on Sunday the 27<sup>th</sup> of October (16:00-20:00) for the IDFB community and network. You can register [here](#).
- As mentioned by Mieke Siebers, the [Ecosystem Services Partnership \(ESP\)](#) hosts its the 5<sup>th</sup> European conference under the theme [Ecosystem Services: One Plant, One Health](#) in Wageningen, The Netherlands from 18-22 November 2024.
- [The Taskforce on Nature-related Financial Disclosures \(TNFD\)](#) releases their [nature transition planning guidance at COP16](#) with their partners the [Glasgow Finance Alliance for Net Zero \(GFANZ\)](#) and [World Wide Fund for nature \(WWF\)](#).

#### Participants of IDFB18

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