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Item 3 of the provisional agenda*
Monitoring Framework of the Kunming-Montreal Global Biodiversity Framework

Headline indicator D.3 on private funding: a background note**

Note by the Secretariat

1. In its decision 15/7 on resource mobilization, the Conference of the Parties to the Convention on Biological Diversity requested the Executive Secretary to establish a Technical Expert Group on the financial reporting elements in the monitoring framework of the Kunming-Montreal Global Biodiversity Framework. In line with its terms of reference that were provided in annex III to the decision, the Technical Expert Group considered the headline indicators for targets 18 and 19 of the Framework; that is, headline indicators 18.1, 18.2 D.1, D.2 and D3 as contained in table I on decision 15/5, on the monitoring framework for the GBF, and developed (a) metadata fact sheets for these headline indicators; (b) proposals for complementary and binary indicators, if any; (c) suggestions for possible disaggregation in the reporting template; (d) gaps and of associated capacity-building needs; and (e) suggestions for future work, as needed.

2. The results of the work of the Technical Expert Group were forwarded to the sixth meeting of the Ad Hoc Technical Expert Group on Indicators for the Kunming-Montreal Global Biodiversity Framework, which was held in Cambridge, United Kingdom of Great Britain and Northern Ireland, from 12 to 15 March 2024, for further consideration and integration into the broader work on the monitoring framework. This integration was facilitated by the Co-Chairs of the Technical Expert Group on Financial Reporting, Lucretia Landmann (Switzerland) and Juan Pinto (Colombia), who attended the meeting in Cambridge. The consolidated work is provided in documents CBD/SBSTTA/26/2 and CBD/SBSTTA/26/INF/14.

3. In decision 15/5 on the monitoring framework, headline indicator D.3 on private funding had been identified as one of the indicators for which an agreed up-to-date methodology did not exist. In order to further support and facilitate the development of this indicator by the Technical Expert Group, the Secretariat commissioned a technical report on the possible methodological approaches and available data sources. The financial support of the United Kingdom for the preparation of this report is gratefully acknowledged.

* CBD/SBSTTA/26/1.
** The present document is being issued without formal editing.

4. The present report was developed in close interaction with the Technical Expert Group on Financial Reporting and its sub-group on indicator D.3, in form of several iterative steps. At its first meeting, held in Montreal, Canada, from 27 November to 1 December 2023, the Technical Expert Group had a first exchange of views on headline indicator D.3 and the information and views provided were reflected in a scoping paper. This scoping paper was considered by the sub-group on indicator D.3 that had been established by the Technical Expert Group during its first meeting, during an online meeting in January 2024. The comments on the scoping paper were reflected in the first draft of the present report that was presented to the Technical Expert Group during its second and final in-person meeting of the Technical Expert Group, held in Istanbul, Türkiye, from 26 February to 1 March 2024. This first draft of the present report served as the basis for the work of the Technical Expert Group on headline indicator D.3 as now reflected in the final outcomes contained in documents CBD/SBSTTA/26/2 and CBD/SBSTTA/26/INF/14. At the same time, the comments made during the second meeting of the TEG provided the basis for a revised version of the report, which is presented in this document.

5. The document is issued in the format received. The Secretariat intends to prepare a further revised version for information of the Conference of the Parties at its sixteenth meeting, and in this context would welcome any comments or reviews of the present document by Parties, relevant organizations and initiatives, as well as stakeholders. Comments or reviews should be sent to secretariat@cbd.int by 20 May 2024.

A REPORT FOR THE TECHNICAL EXPERT GROUP ON FINANCIAL REPORTING

Kunming-Montreal Global Biodiversity Framework Headline Indicator D.3 on Private Funding

A Background Note

19 April 2024

Prepared by:
Christina Van Winkle

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Section One: Objective and Approach

The objective of this work is to identify approaches to measure private funding for biodiversity, including linkages with other headline indicators, options for national and global monitoring of private funding, disaggregation needs (e.g. domestic versus international funding), and an assessment of the feasibility of each approach for countries to report on progress towards Goal D and Target 19 of the Convention on Biological Diversity's (CBD) Kunming-Montreal Global Biodiversity Framework (KMGBF). Target 19 generally calls upon countries to substantially increase the level of financial resources from all sources, including public and private sources, to mobilize at least USD 200 billion per year by 2030. Through Decision 15/5 at the 15th Conference of Parties to the Convention on Biological Diversity (COP-15), a monitoring framework composed of a suite of indicators for monitoring the KMGBF was adopted. Related to Goal D and Target 19 of the KMGBF, one headline indicator (D.3) was adopted to monitor private funding on conservation and sustainable use of biodiversity and ecosystems. Decision 15/5 also established an ad hoc technical expert group to advise on further operationalization of the monitoring framework. A dedicated technical expert group was established by decision 15/7, on resource mobilization, to consider the financial reporting elements of the monitoring framework. This work supports the Technical Expert Group on Financial Reporting to deliver its terms of reference as related to headline indicator D.3.

This work entailed conducting a desk review and in-depth interviews with experts to identify available sources of data and methodologies to track, and report on, private funding for the conservation and sustainable use of biodiversity and ecosystems at the national level. As private funding on conservation and sustainable use of biodiversity and ecosystems is not further defined in the KMGBF or in the suite of indicators adopted to monitor progress, this work explores possible approaches to adequately define private funding such that it captures all of the various channels and sources of funding aimed at conserving and sustainably utilizing biological resources. This work also explores possible modifications and expansions to existing data collection and reporting efforts that could serve as national, regional, and/or global indicators to monitor private funding for biodiversity. Finally, this work considers the feasibility of developing new national reporting requirements to collect information on private funding for biodiversity.

The aim of this work is to establish methodological guidance for countries to report on progress towards Target 19/Indicator D.3 through their national reporting templates. This methodology was outlined in a metadata factsheet. This requires datasets that are publicly available and disaggregated at the national level, or clear methodological guidance on how to collect, calculate, and report on monetary flows from private sources. However, to the extent that national level data is unavailable for all private financial flows to biodiversity, global datasets will be assessed for their feasibility for tracking financial flows at the global level, possibly through the CBD Secretariat. Further, this work explores possible work programmes to augment datasets such that they conform to the national reporting requirements of the CBD.

Section Two: Background on the Global Biodiversity Framework

COP-15 adopted the landmark Kunming-Montreal Global Biodiversity Framework (KMGBF), which provides global targets to be achieved by 2030 to safeguard and sustainably use biodiversity. In addition to goals on halting human-induced species extinction, ensuring the sustainable use of biodiversity, and equitable sharing of benefits, the KMGBF also established a goal of ensuring adequate financial resources are mobilized to close the biodiversity finance gap, estimated to be $700 billion per year.

Specifically, Goal D of the KMGBF addresses the need to secure adequate means of implementation, including financial resources, capacity-building, technical and scientific cooperation, and access to and transfer of technology to fully implement the KMGBF. Target 19 of Goal D aims to increase the level of financial resources from all sources, in an effective, timely, and easily accessible manner, including domestic, international, public and private resources, in accordance with Article 20 of the Convention, to implement national biodiversity strategies and action plans, mobilizing at least $200 billion per year by 2030. In addition to scaling public financial resources for successful implementation, this target specifically includes leveraging private finances, promoting blended finance, and implementing strategies to raise new and additional resources, and encouraging the private sector to invest in biodiversity, including through impact funds and other instruments. See Box 1 for the full text.

Decision 15/5, adopted by Parties during COP-15, established a monitoring framework for the KMGBF. Specifically, the monitoring framework established headline indicators for the KMGBF Goals and Targets. The below table outlines the headline indicators adopted for Goal D/Target 19 of the KMGBF.[1]

Table 1 Headline Indicators for Target 19

Goal/Target	Headline Indicator
19	D.1 International public funding, including official development assistance (ODA) for conservation and sustainable use of biodiversity and ecosystems D.2 Domestic public funding on conservation and sustainable use of biodiversity and ecosystems **D.3 Private funding (domestic and international) on conservation and sustainable use of biodiversity and ecosystems.**

[1] See Appendix 3 for additional information on the monitoring framework and indicators adopted through Decision 15/5.

While progress has been made to establish methodologies and indicators to monitor progress towards Headline Indicator D.1 and D.2, there is to-date no agreed upon methodology for the headline indicator D.3 on domestic and international private funding. The objective of this work is therefore to identify, at minimum, a methodology for the headline indicator D.3 on private funding for biodiversity.

Box 1. Target 19 of the Kunming-Montreal Global Biodiversity Framework

Substantially and progressively increase the level of financial resources from all sources, in an effective, timely and easily accessible manner, including domestic, international, public and private resources, in accordance with Article 20 of the Convention, to implement national biodiversity strategies and action plans, by 2030 mobilizing at least 200 billion United States dollars per year, including by:

(a) Increasing total biodiversity related international financial resources from developed countries, including official development assistance, and from countries that voluntarily assume obligations of developed country Parties, to developing countries, in particular the least developed countries and small island developing States, as well as countries with economies in transition, to at least US$ 20 billion per year by 2025, and to at least US$ 30 billion per year by 2030;

(b) Significantly increasing domestic resource mobilization, facilitated by the preparation and implementation of national biodiversity finance plans or similar instruments according to national needs, priorities and circumstances;

(c) Leveraging private finance, promoting blended finance, implementing strategies for raising new and additional resources, and encouraging the private sector to invest in biodiversity, including through impact funds and other instruments;

(d) Stimulating innovative schemes such as payment for ecosystem services, green bonds, biodiversity offsets and credits, benefit-sharing mechanisms, with environmental and social safeguards;

(e) Optimizing co-benefits and synergies of finance targeting the biodiversity and climate crises;

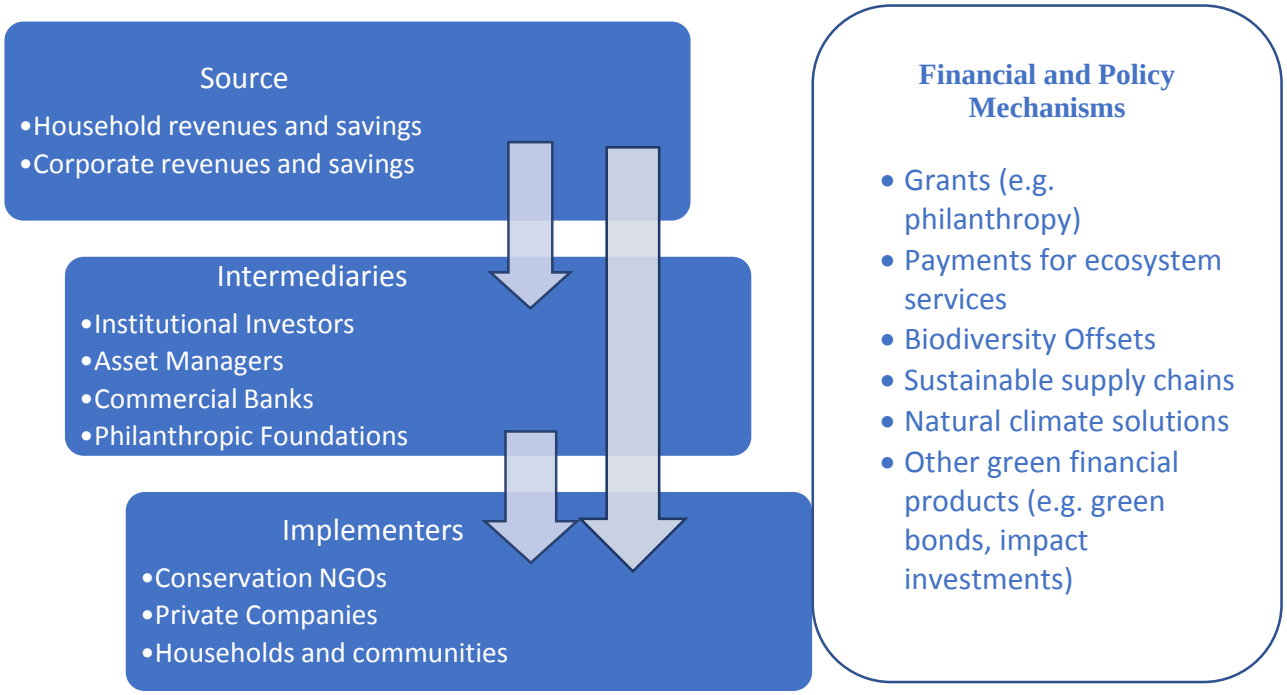
(f) Enhancing the role of collective actions, including by indigenous peoples and local communities, Mother Earth centric actions and non-market-based approaches including community based natural resource management and civil society cooperation and solidarity aimed at the conservation of biodiversity;

(g) Enhancing the effectiveness, efficiency and transparency of resource provision and use.

Section Three: Financial and Policy Mechanisms for Biodiversity

Private funding for biodiversity includes funding from all non-public actors including philanthropic foundations, high net worth individuals, businesses, institutional investors, and households. Funding from private entities generally flows from a source (such as household income and corporate revenue) to an implementer (such as a conservation NGO, private company, government, or household). Sometimes these funds flow through an intermediary (e.g. philanthropic foundations or institutional investors). Private funding mechanisms for biodiversity include grants, debt, equity, and certain economic incentive schemes such as biodiversity offsets, carbon markets, and water quality trading and payment for ecosystem service (PES) schemes, depending on their design and implementation. Private funding mechanisms also include investments in sustainable supply chains such as agriculture, forestry, and fishery goods.

Figure 1 The private biodiversity finance landscape



Source: Adapted from OECD (2020) and Deutz, et al. (2020)

The multiple channels of private funding sources, intermediaries, and implementers that utilize these financial mechanisms are described in detail below.

- **Private philanthropy**. Private philanthropy refers to voluntary contributions by high net worth individuals, families, charities, or private entities, typically in the form of grants or donations, to support environmental and social causes. Often in the form of individual or family foundations, these organizations manage and distribute contributions over time that align with their mission or focus areas. Distributions are often made to nonprofit and

community-based organizations and can be directed toward local, national, or global initiatives. These foundations manage a pool of assets, typically through an endowment, to generate income and use a portion of that income to fund the foundation's charitable activities. In addition to making charitable contributions to environmental and social causes, some foundations develop an investment strategy that prioritizes socially responsible or impact investing.

- **Conservation NGOs**. Several nongovernmental organizations (NGOs) have explicit biodiversity objectives and provide considerable funding for conservation projects. Organizations such as the World Wide Fund for Nature and the Wildlife Conservation Society operate global programs to conserve biodiversity and ecosystems. These organizations often received significant corporate and individual contributions, as well as public sector and philanthropic foundation contributions. Therefore, caution must be exercised when considering conservation NGO funding as a channel for private finance to ensure there is no double counting among private philanthropic flows and public sector flows.

- **Private co-finance mobilized by DAC official development finance**. Official development finance refers to financial resources provided by development finance institutions, development banks, and other bilateral flows to support developing countries. ODF can be used to mobilise private finance for biodiversity. Through financial instruments such as blended finance (e.g. concessional loans) and loan guarantees or insurance, ODF can attract private investments in projects that might otherwise be considered too risky.

  A key actor in the mobilisation of private finance through ODF has been the Global Environment Facility (GEF). The GEF is an international financial institution with a family of funds to support developing countries to meet international environmental agreements. It provides grants, blended finance, and policy support to address biodiversity loss, climate change, pollution, and land and ocean degradation. The GEF is mainstreaming private sector engagement by drawing on interventions supporting policy and regulatory changes, deploying innovative financial instruments, demonstrating innovative approaches, and convening alliances and strengthening capacity to promote environmental objectives. The GEF leverages private co-financing through full-size and medium-size projects and through non-grant instrument projects. Finance for biodiversity can be identified by whether the project is classified as a Biodiversity Focal Area, or as a Multi-focal Area project with biodiversity as a component of the project.

- **Biodiversity offsets**. Biodiversity offsets[2] refers to a measurable conservation outcome that results from actions designed to compensate for significant, residual adverse impacts

[2] The phrase 'biodiversity offset' is used in the literature as an umbrella term to include activities implemented to offset the habitat, environmental function, or ecosystem service impacts of a project. For example, in the United States, the Clean Water Act and Endangered Species Act govern compensatory mitigation for unavoidable adverse impacts to wetlands, streams and other aquatic resource, and to endangered and threatened species and designated habitat, respectively.

to habitat, environmental functions, or ecosystem services arising from project development and persisting after appropriate avoidance, minimization, and restoration measures have been taken.[3] The final option in the biodiversity mitigation hierarchy (i.e. avoid, minimize, restore, and offset), biodiversity offsets may be mandatory requirements imposed by some governments to compensate for unavoidable adverse impacts to biodiversity caused by a development project.

Under these regulatory programmes, project developers must compensate for biodiversity impacts in such a way that there is no net loss of biodiversity. Biodiversity offsets can be implemented either by the party directly responsible for the adverse impacts (referred to as permittee-responsible mitigation), or by a third party who has developed offset credits in advance of the project and then sold to the project developer (known as mitigation banking). A third option for regulated parties may be to provide direct financial compensation to a third-party, where the funding may go directly towards compensating for biodiversity loss or more indirectly to biodiversity-related projects (referred to as In-lieu fee mitigation). In addition to government regulatory requirements, biodiversity offsets can be implemented in response to voluntary corporate policies and financial performance standards.

- **Sustainable supply chains**. Increasing awareness of unsustainable commodity production for natural resource-based sectors such as forestry, agriculture and fisheries has generated demand from organizations and individuals for commodities that meet certain environmental and social standards. Investing in sustainable supply chain management can improve environmental sustainability, social responsibility, and economic viability. Certification schemes such as the Forest Stewardship Council, Marine Stewardship Council, Rainforest Alliance, USDA/EU Organic, and Roundtable on Sustainable Palm Oil establish sustainability standards that commodity producers must adhere to before labeling certified products. Independent, accredited certification bodies conduct audits, verify compliance, and issue certifications. These certified products have a direct benefit for biodiversity by ensuring their production followed internationally agreed upon standards to sustainably utilize natural resources by employing methods that do not deplete biodiversity. Demand for certified natural resource products can act to mobilize private investments in biodiversity safeguards to obtain such a standard certification.

- **Forest and land use carbon finance** (nature-based climate solutions). Nature-based climate solutions refer to actions and policies that protect, manage and restore natural ecosystems while addressing the need for climate change mitigation. Nature-based climate solutions aim to reduce greenhouse gas emissions while promoting healthy ecosystems and mitigating risk from flooding, soil erosion, drought, and other climate extremes. Private entities, through compliance or voluntary markets, may choose to

[3] As defined by the IUCN and the IFC Performance Standard 6 on Biodiversity Conservation and Sustainable Management of Living Natural Resources.

invest in nature-based climate solutions (e.g. improved forest management) instead of other climate solutions (e.g. renewable energy development) to claim the nature co-benefits alongside their greenhouse gas emissions savings.

- **Payments for ecosystem services.** Payments for ecosystem services (PES) are defined as voluntary transactions between ecosystem service users (e.g. a water treatment facility) and providers (e.g. upstream landowners) conditional on agreed rules of resource management for generating ecosystem services (Wunder, 2015). The objective of PES schemes is to maintain or enhance healthy ecosystems such as forests and wetlands to deliver important ecosystem services to society such as climate change mitigation, flood and soil erosion control, pollination services, and coastal protection. As urban centers along with food and water demand grow, the need for watershed protection increases to ensure these ecological services are secured. Payments for these ecosystem service schemes aim to finance the preservation of this 'natural infrastructure' by recognizing the economic value of the benefits derived from their services and then compensating landowners, communities, and other entities for maintaining or providing ecological services that benefit the environment and society.

  Although funding is often provided by public entities (acting on a wider group of ecosystem service beneficiaries), there is a growing interest in private sector investments from companies dependent on water resources and other ecosystem services such as water utilities and food and beverage companies. Water utilities have recognized the long-term financial savings of investing in upstream forest restoration and protection rather than expensive engineering solutions to treat water from forest landscapes damaged by wildfire, drought, and soil erosion[4]. Food and beverage companies such as the Coca Cola Company[5] and Häagen-Dazs[6] are investing in nature to protect their water supply and pollination services depended upon for key inputs to their products.

- **Water quality trading and offsets.** Another mechanism for watershed protection, water quality trading and offset markets allow water users to manage their impacts on watersheds, and meet water quality standards, by compensating others for offsite activities that improve water quality or supply. Markets are typically defined by watershed boundaries and are compliance-driven.

- **Green financial products.** Green financial products include debt and equity financial instruments that channel impact investment capital to companies and projects that aim to have a positive impact on biodiversity. Financial instruments such as green bonds, sustainability-linked bonds, and private equity funds, as well as emerging instruments such as insurance products offer investors an opportunity to invest capital into funds and

[4] See, for example: https://www.ecosystemmarketplace.com/articles/why-denver-spends-water-fees-on-trees/
[5] See, for example: https://www.usda.gov/media/press-releases/2023/09/19/usda-renews-pioneering-partnership-coca-cola-company-restore
[6] See, for example: https://www.xerces.org/press/haagen-dazs-ice-cream-now-bee-better-certified

companies that aim to have a positive impact on biodiversity. Green bonds, for example, restrict the use of proceeds to green-eligible investments and measure the bond impacts against social and environmental criteria.

The funding sources and mechanisms described above are included in current global and national approaches to measuring private funding for biodiversity in the literature. As scaling funding for biodiversity and nature gains increasing importance to achieve biodiversity, climate, and other environmental and sustainability objectives, new and innovative mechanisms are being introduced to deploy financial resources that align with conservation objectives. For example, risk management mechanisms such as insurance products are being implemented in certain landscapes to mitigate livestock-wildlife conflict. These mechanisms, however, have generally not been included in current estimates of private funding for biodiversity.

The following section reviews recent global estimates of private financial flows to biodiversity aligning with the financial and policy mechanisms described above. It should be kept in mind that these assessments are not comprehensive and do not encompass all financial mechanisms deployed for private funding for biodiversity. Therefore, recognizing the lack of a standardized definition and taxonomy for private funding for biodiversity, national reporting requirements for this headline indicator should allow for flexibility and not constrain countries into reporting on only a limited number of financial mechanisms. While robust methodologies for measuring private financial flows across all financial mechanisms may not exist today, the reporting framework and any guidance given to countries should be flexible enough to allow for future developments in deploying and tracking innovative financial mechanisms.

• Section Four: Critical Gaps in Tracking Private Finance

Measuring and tracking private biodiversity finance is critical given the pivotal role the private sector can play in mitigating biodiversity loss and contributing to a nature-positive economy. However, there are several challenges to both identifying and tracking private financial flows, including a lack of standard definitions for private biodiversity finance, and a lack of reporting frameworks for companies and investors to disclose private finance for biodiversity. Financial flows across the private sector come from businesses, financial institutions, foundations, and nongovernmental organizations, compounding the complexity of robustly and methodically identifying and tracking these flows. In addition, traditionally, estimates of biodiversity investment from the private sector have focused more on corporate philanthropy and activities to comply with regulatory mandates such as offsetting environmental damages, and less so on core voluntary business operations (Seidl et al. 2023).

To-date, there is no robust methodology for identifying, reporting, and tracking all flows of private finance for biodiversity. This is likely due to the complexities in identifying private finance, particularly when that finance is not philanthropy-related with activities explicitly targeting conservation and land protection projects, and no centralized framework for private entities to adhere to. In addition, private companies may be investing in biodiversity in more indirect ways,

such as through sustainable commodity production or environmental markets such as forest carbon trading and mitigation banking, or through their capital investments such as through green bonds and private equity investments. There is, however, is a growing interest in nature-based solutions alongside increased recognition by private entities of their nature-related impacts, dependencies, risks, and opportunities. Concepts such as 'nature-positive' are gaining momentum as a way to target activities that not only achieve no net loss of biodiversity and ecosystems, but significantly improve the health, abundance, and resilience of biodiversity and ecosystems. Initiatives such as the Nature Positive Initiative, the Business for Nature coalition, and the World Business Council for Sustainable Development advocate for corporate action, develop frameworks, principles, and metrics, and provide research and insights into how businesses can integrate nature-positive practices into their strategies.

Regulatory requirements, investor pressure, and corporate reputation are pushing more companies to disclose climate, sustainability, and nature-related issues through corporate reporting frameworks. With a growing emphasis on environmental, social, and governance factors, companies are increasingly adopting recognized sustainability reporting and disclosure frameworks such as the Global Reporting Initiative, Sustainability Accounting Standards Board, or the recently launched Task Force on Nature-related Financial Disclosures. While these frameworks enable companies to disclose impacts to or dependencies on biodiversity, they do not require reporting on biodiversity expenditures. The Science Based Targets Network aims to support businesses in establishing science-based, measurable, actionable, time-bound targets for nature. Shifting investor pressure is also creating growing demand for investments that achieve not only financial returns but also positive outcomes for social and environmental goals as well.

While progress is being made to improve corporate reporting and target-setting related to biodiversity and nature-positive approaches, much work remains to adequately identify, and report on, private biodiversity-related investments and expenditures to meet country obligations to track and report on domestic and international private funding on conservation and sustainable use of biodiversity and ecosystems.

As discussed in Section Three, private finance for biodiversity is channeled through multiple actors across a multitude of financial and policy mechanisms. For some elements of the headline indicator, such as international private philanthropy, conservation NGOs, and private finance leveraged by official development finance, existing data and public reports may be suitable to monitor and report on these flows. For others, such as private investments in sustainable supply chains, biodiversity offsets, and payments for ecosystem services, there may not be available data suitable for tracking these flows to the level of granularity needed, such as whether financial flows are domestic or international, whether biodiversity is adequately defined, or whether the data is updated frequently enough to be useful to monitor trends over time. It may also not be possible to disaggregate biodiversity expenditures from broader environment-related expenditures, such as in national statistical accounts and green financial products. In such cases, this work has assessed possible modifications and capacity building needs to develop suitable reporting mechanisms that meet the needs of headline indicator D3.

Most of the current estimates of private finance rely on top-down global estimates drawing from numerous sources. National reporting to the CBD under the KMGBF monitoring framework, however, requires bottom-up estimates that include private finance from the business, financial, and non-governmental sectors that contribute to biodiversity conservation and sustainable use. This is no small task given the number of policy and finance mechanisms that channel funding through several actors and instruments for biodiversity. The following sections will explore these global, top-down estimates to determine whether the methodology and data sources lend themselves to a bottom-up, country-level estimation approach; one that can be used for national reporting to the CBD.

Although scaling private funding for biodiversity is critical to implementing the Kunming-Montreal Global Biodiversity Framework, equally important is having the enabling environment and incentives in place to mobilize and scale private financial flows. Although outside the scope of the headline indicator for Target 19 in private financial flows, other indicators under Target 19 aim to address this, including donor spending to support developing countries on enabling policy environments and developing capacities to engage with the private sector on biodiversity, which can be found in headline indicator D1. Other targets, such as Target 14 on mainstreaming biodiversity and its values into policies, regulations, planning and development processes, Target 15 on adopting measures to encourage and enable the business community to monitor, assess, and disclose their impacts and dependencies on biodiversity, and Target 18 on scaling positive incentives for biodiversity, also aim to promote an enabling environment and incentives to mobilize private financial flows to biodiversity.

Box 3. European Commission Biodiversity Financing and Tracking

In 2022, the European Commission commissioned a report to evaluate the biodiversity expenditure tracking methodology used by the Commission and estimate current levels of financial expenditures from the EU, including from private sources. Drawing on the classification of finance mechanisms in OECD (2020), the report estimates private spending from:

- philanthropic foundations;
- non-governmental organisations;
- contributions linked to financial flows for sustainable commodities; and
- private sector finance (green bonds, mobilized co-financing, and EGSS database)

Desk research revealed significant gaps and inconsistencies across the monitoring and tracking methodologies, stating that "data is currently of insufficient quality to justify its use in a quantitative assessment" (p. 99), resulting in a wide range of difficulties including double counting and inconsistencies across databases.

For philanthropic foundations, estimates were drawn from biennial/triennial reports made by the European Foundation Center (EFC), where foundation spending is classified by theme, four of which had biodiversity relevance. An attribution percentage of 40 was applied for themes that had biodiversity relevance but were not the primary purpose.

For non-governmental organisations, the authors draw from the same EFC report as well as publicly available national reports from the three largest NGOs with environmental and biodiversity objectives (Friends of Earth Europe, WWF Europe, and Rewilding Europe).

For sustainable commodities, authors drew data on EU total roundwood production from Eurostat and share of certified forest products (either FSC or PEFC) from UNECE, and applied the same methodology as OECD (2020) and Deutz et al. (2020): it assumed that 1-1.5 percent of the sustainable market valuation is reinvested into biodiversity initiatives in that sector.

The study also provided high level estimates of private sector financing, including private co-financing leveraged by the European Investment Bank's European Fund for Strategic Investments. The study applied a proportion of total private finance to biodiversity based on reported themes of investment for environment, resource efficiency, and sustainable agriculture, forestry, fisheries, and aquaculture. Green bond financing of biodiversity in Europe was calculated using data from the Climate Bonds Interactive Data Platform for water and land use categories, applying a 40 percent attribution factor and isolating expenditures from the private sector. And finally, the report estimated output value of environmental goods and services using the Eurostat's EGSS database, applying 100 percent to CEPA 6 category of goods and services (protection of biodiversity and landscapes) and 40 percent to the CEPA 4 category (protection and remediation of soil, groundwater, and surface water).

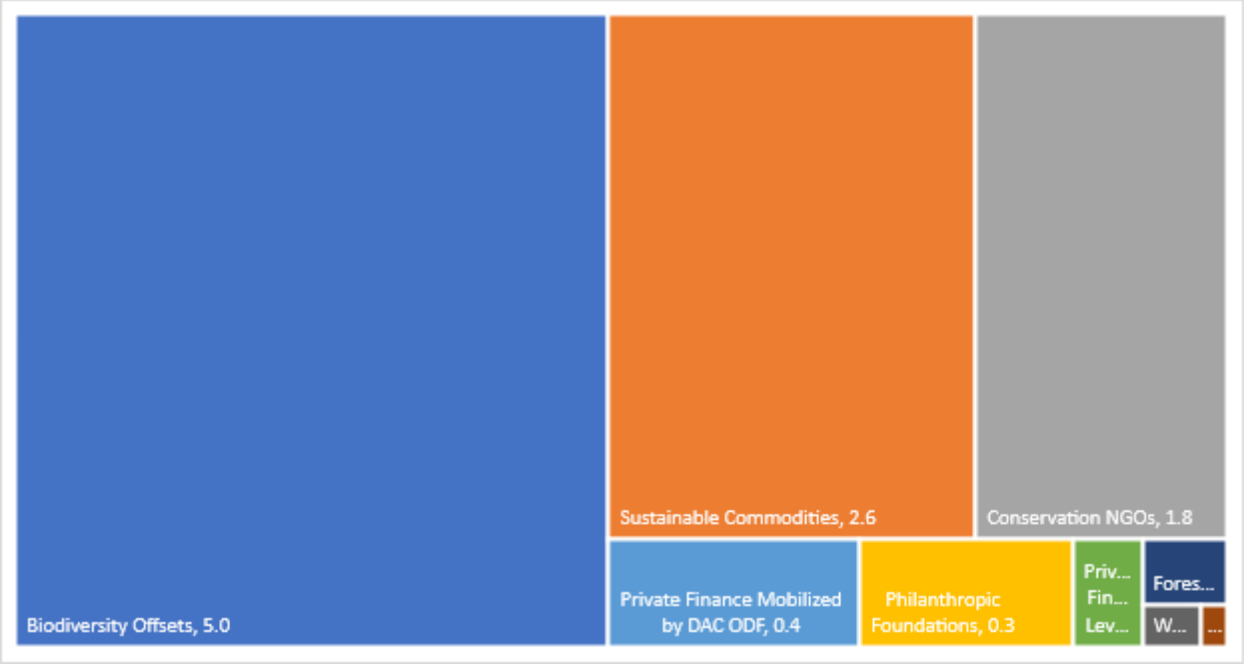
Source: Nesbit and Whiteoak (2022)

• Section Five: Current Estimates of Private Financial Flows to Biodiversity

Three recent global estimates provide information on the current state of private financial flows to biodiversity, drawing from a number of data sources and applying methodological approaches where necessary to quantify these financial flows from the private sector. This section will describe these three recent estimates and the data sources these estimates have drawn from. The following sections will apply assessment criteria to determine the suitability and feasibility of drawing on these same data sources and approaches for the purposes of country reporting to the CBD for Headline indicator D.3.

In 2020, the OECD estimated global biodiversity finance at USD 78-91 billion per year, covering domestic, international, public and private financial flows (OECD, 2020). It drew on data publicly available and reported for the 2016-2017 timeframe. Of this, *private finance* was estimated at USD 6.6-13.6 billion per year (lower and upper estimates), or 9-15 percent of total financial flows for biodiversity. Of the total private financial flows for biodiversity, biodiversity offsets accounted for one-half of funds, sustainable commodities one-quarter, and conservation NGOs nearly one-fifth. While philanthropic foundations' international contributions only amounted to around USD 0.3 billion in 2016, more recent assessments by the OECD estimate such contributions had grown to nearly USD 1 billion by 2021 (OECD, 2023). Similarly, private finance mobilized by activities of DAC countries' public official flows has grown since these 2016 estimates of USD 0.5 billion (including bilateral flows and flows leveraged by GEF) to nearly 0.8 billion in 2021.

Figure 2 2016 Private Financial Flows for Biodiversity by Instrument Type (OECD estimates)

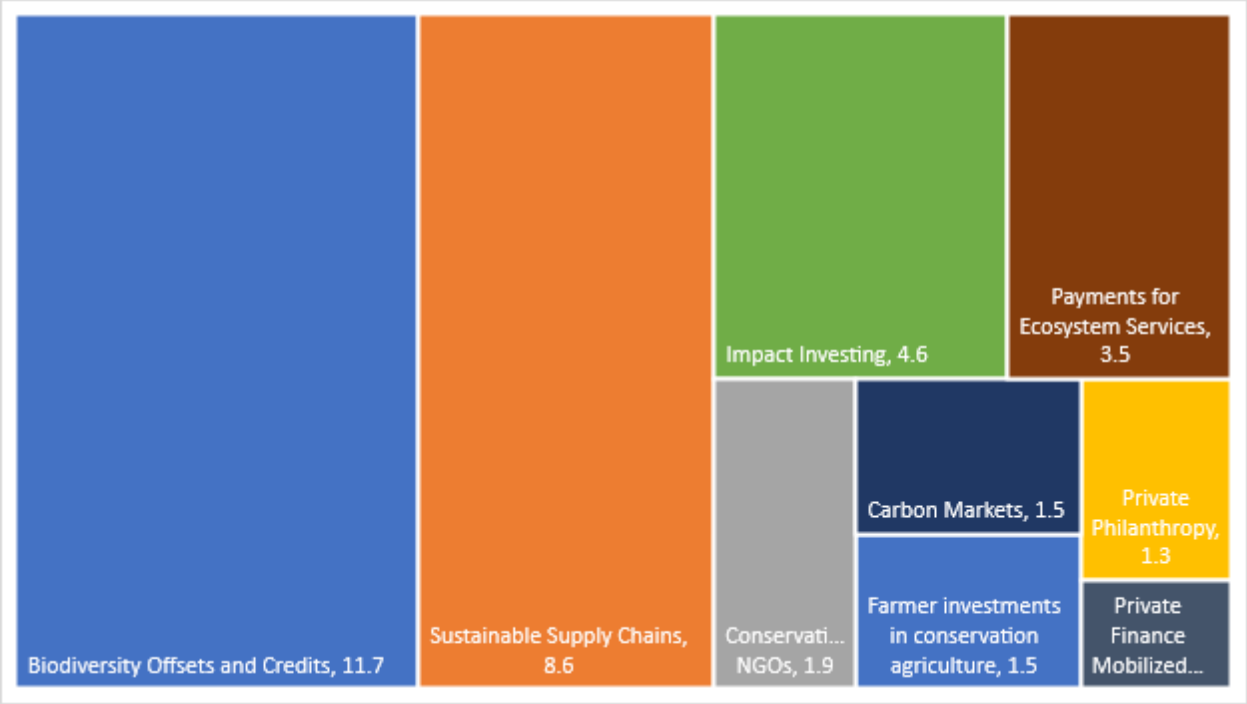


Source: OECD (2020). Figures represent median estimates.

A more recent report by the United Nations Environment Programme (UNEP, 2023) estimates the finance flows to nature-based solutions as part of its annual State of Finance for Nature. The report defines nature-based solutions (NbS) using the definition agreed at the United Nations Environment Assembly 5 (UNEA 2022) as actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal, and marine ecosystems, which address social, economic and environmental challenged effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits. Activities are considered an NbS if it positively contributes to biodiversity and/or sequesters/stores greenhouse gases (GHGs) and/or restores degraded land and seascapes. This definition thus encompasses a broad range of activities that may or may not have direct benefits to biodiversity, for example a tree farm used to sequester and store GHGs that does not use native vegetation may have little to no benefit to biodiversity. However, the report provides insights into available data sources to capture biodiversity spending more broadly.

The report estimated private finance for NbS USD 35 billion in 2023, or 18 percent of total finance flows to NbS. More than one-half is channeled through biodiversity offsets, biodiversity credits, and sustainable supply chains.

Figure 3 2023 Private Financial Flows for Biodiversity by Instrument Type (UNEP estimates)



Source (UNEP, 2023).

Another estimate produced in 2020 (Deutz et al. 2020), which includes additional private and public-private finance mechanisms, and extrapolations for missing data, estimates global biodiversity-related funding ranged from USD 124-143 billion per year, also covering domestic,

international, public, and private finance across nine financial and policy mechanisms. Because this report did not disaggregate public versus private financial flows for all finance and policy instruments, a breakdown of financial estimates is not provided here. This report however considers the data sources and methodologies used in the report as possible approaches to measuring private financial flows to biodiversity for the purposes of tracking progress towards Target 19/Indicator D.3.

Data and sources for the private finance estimates, which cover domestic and international flows, from these three reports on biodiversity finance estimates that include private finance are reflected below. Note that because the Deutz et al. (2020) report does not disaggregate private from public flows across all instruments, these estimates are not summed. Nonetheless, understanding the source of financial estimates is useful in assessing approaches to measure private finance for biodiversity for the purpose of reporting under the KMGBF monitoring framework.

Box 2. Estimating Private Financial Flows to Biodiversity in the Netherlands

In 2021, Climate Risk Services, an advisory firm in the Netherlands, conducted an analysis to map and estimate private financial flows to biodiversity from Dutch financial institutions.
The report estimates financial flows from Dutch Financial institutions by:

- Analyzing annual reports and websites of financial institutions
- Developing and distributing a questionnaire to 15 financial institutions (including the top 10 asset owners and top 5 banks)
- Consulting the Bloomberg and Refinitiv (Thomas Reuters) databases
- Consulting the Climate Bonds Initiative databased
- Approaching 40 biodiversity-related private equity funds on whether they have Dutch investors

Based on this methodology, the report estimates that Dutch financial institutions directed between EUR 302 and 536 million in private financing to biodiversity in 2020. This estimate includes EUR 155-310 million in green bonds (the report applies a 0.5-1.0 percent range to estimate biodiversity-related investments), EUR 68-88 million in biodiversity-related private equity funds (funds dedicated to projects that benefit nature and biodiversity), sustainability-linked loans (no estimate provided), and EUR 3 million in investments in sustainable forestry (the report applies a 1.0 percent attribution to the total investment of EUR 300 million).

The report acknowledges that these estimates are based on assumptions related to the share of green bonds that is spent on biodiversity. Lacking more detailed and transparent information on the 'use of proceeds', and on the environmental impacts realized through the use of these proceeds, it is not possible to determine whether these financing instruments have positive outcomes on biodiversity. New regulations in the EU such as the Sustainable Finance Disclosure Regulation and EU Taxonomy Regulation will improve the tracking and reporting by financial market participants and companies by requiring that they assess whether their economic activities are 'sustainable' according to technical screening criteria in development. See Box 4 for more information on the EU Taxonomy Regulation.

Source: Mulder, G. 2021. Mapping Dutch Financial Flows to Biodiversity.

Table 2 Data Sources from Estimates of Private Financial Flows to Biodiversity

	OECD (2020)		Deutz et al. (2020)		UNEP (2023)	
Financial or Policy Instrument	**Finance Mobilized (year) - USD**	**Source**	**Finance Mobilized - 2019 USD**	**Source**	**Finance Mobilized - 2023 USD**	**Source**
Sustainable Supply Chains	2.3-2.8 billion (2016)	Author estimates for forestry FSC/PEFC certification only, based on studies (Breukink et al., 2015; FAO, 2018; Levin, 2012). The study quantifies mobilized finance by multipying the marginal post-certification costs from the Breukink et al. study by the volume of certified wood products under the two certification schemes.	5.5-8.2 billion	Author estimates for sustainable forestry, agriculture, fisheries and seafood, and palm oil products based on assumption that 1% (lower estimate) to 1.5% (upper estimate) of market is reinvested into biodiversity conservation. (Percent allocation drawn from OECD study on forestrey, market value obtained from various sources (BIOFIN, FAO, etc.)	8.6 billion	Report follows approach outlined in Deutz et al. (2020), based on market values obtained from various sources for certified forestry, agriculture, palm oil, seafood, soy, coffee, and cocoa products.
Biodiversity Offsets	2.6-7.3 billion (2016)	Data on offset programmes in 33 countries from study (Bennett et al., 2017)	6-9 billion (includes public funds)	Country-specific reports/studies on five countries to meet national policy requirements (Brazil, Australia, Germany, Mexico, USA)	11.7 billion (includes biodiversity offsets and credits)	Same as OECD for 2016 figures. Projected 2022 figures from study estimating CAGR growth rate (28% by 2028)
Biodiversity Credits	Not estimated.		Not estimated.			Bloomberg NEF 2023 and World Economic Forum 2022
Impact Investing	Not estimated.		1.6-3.3 billion for green debt (considered public-private flows) 2.3-3.0 billion for private equity investments	Lower private equity estimate from State of Private Investment in Conservation (SOPIC) report; Upper private equity estimate from GINN Survey plus other relevant funds. Author applied allocation formula. Author does not differentiate between private versus public green bonds.	4.6 billion	Same as Deutz et al.

	OECD (2020)		Deutz et al. (2020)		UNEP (2023)	
Financial or Policy Instrument	**Finance Mobilized (year) - USD**	**Source**	**Finance Mobilized - 2019 USD**	**Source**	**Finance Mobilized - 2023 USD**	**Source**
Private Philanthropy	0.2-0.4 billion (2017)	OECD CRS	0.2-0.4 billion	Same as OECD, but adjusts 2017 data to 2019 prices.	1.3 billion	Same as OECD, but with additional sources (Bezos Earth Fund, Funding the Ocean, Our Shared Seas)
Conservation NGOs	1.2-2.3 billion (2017)	Author estimates based on five conservation NGO public annual reports (CI, RSPB, TNC, WCS, and WWF). Upper estimate includes revenues from governments and philanthropic foundations. Lower estimate excludes those revenues.	1.2-2.3 billion	Same as OECD.	1.9 billion	Same as OECD.
Carbon Markets	0.03-0.116 billion (2016)	Forest Trends' Ecosystem Marketplace, 2019; Hamrick and Gallant, 2017. Includes transactions in voluntary carbon markets only.	0.8-1.4 billion	Same source as OECD, but combines public and private finance, and compliance and voluntary markets. Also includes additional REDD+ initiatives as reported by the GCF.	1.5 billion	Same as OECD, but includes investments in REDD programmes in addition to voluntary carbon markets.
Private Finance Mobilized by DAC, GEF, GCF	0.241-0.665 billion (2018 for DAC, average annual 2015-2017 for GEF)	OECD Creditor Reporting System for DAC, GEF Portal for GEF	0.241-0.665 billion	Same as OECD.	0.7 billion	Same as OECD.
Payments for Ecosystem Services	.015 billion (2016)	Estimate from study (Bennett and Ruef, 2016)	27 billion (includes public funds)	Same as OECD but combines public and private financial flows.	3.5 billion (includes both PES and WQT)	Based on OECD PINE database, downscaled for private investments only based on estimates from Salzman et al. (2018).
Water quality trading and offsets	.032 billion (2016)	Estimate from study (Bennett and Ruef, 2016)		Likely included in broader 'natural infrastructure' figures, which do not disaggregate public from private investment.		Included in PES estimate.
Farmer investments in conservation agriculture	Not estimated.		Not estimated		1.5 billion	Kassam et al. 2019, Elwin et al. 2023

	OECD (2020)		Deutz et al. (2020)		UNEP (2023)	
Financial or Policy Instrument	**Finance Mobilized (year) - USD**	**Source**	**Finance Mobilized - 2019 USD**	**Source**	**Finance Mobilized - 2023 USD**	**Source**
TOTAL	**USD 6.6-13.6 billion**		Not estimated due to risk of double counting.		**USD 35.3 billion**	

Section Six: Assessment Criteria for Existing Data Sources

To accurately collect, report, and monitor trends in biodiversity-related private funding, it is first important that **biodiversity-related funding is** clearly defined. Biodiversity-related funding can generally include finance solutions with the purpose of having a positive impact on, or reducing or eliminating a negative pressure on, biodiversity and ecosystems. Specifically, biodiversity-related funding should include expenditures with the explicit purpose of contributing, or intending to contribute, to the conservation, sustainable use, and restoration of biodiversity. This definition aligns with the UNDP's Biodiversity Finance Initiative (BIOFIN) definition of a biodiversity expenditure. The Organization for Economic Cooperation and Development (OECD) similarly defines and tracks biodiversity activities and expenditures in development finance statistics as those activities whose policy objectives, whether principal or significant, align with the Convention on Biological Diversity's objectives using Rio markers. Any efforts by countries to identify, collect, and report on private funding must therefore be grounded on a clear, transparent, and robust definition of private biodiversity-related funding.

The next section of this report assesses the measurement approaches used in the three recent global estimates from select financial and policy mechanisms (as discussed in the previous section). Efforts have been made recently to develop a global taxonomy for conservation finance mechanisms that go beyond those included in existing global estimates. For example, the Conservation Finance Alliance proposes a taxonomy of conservation finance mechanisms and strategies that encompass all known mechanisms.

Table 3 A Taxonomy of Conservation Finance Mechanisms

Strategy	Mechanism
Return-Based Investments	Microfinance Peer-to-Peer (P2P) Investing and Crowdfunding Angel Investing, Incubators and Venture Capital Private Equity Debt: Leasing, Bank Loans, Notes, and Trade Finance Capital Markets Sustainable Investment Strategies
Economic Instruments	Environmentally Related Taxes Fees and Charges Tradable Resource Use Permits Fines and Penalties Compensation and Offsets Deposit-refund Schemes Environmentally Motivated Subsidies
	Official Development Assistance (ODA)

Strategy	Mechanism
Grants and Other Transfers	Private and Corporate Philanthropy Remittances Conservation Trust Funds / Environmental Fund
Business and Markets	Supply Chain Resilience Conservation Businesses Corporate Social Responsibility and Sustainability Voluntary Offsets
Public Financial Management	Public Fiscal Planning, Budgeting and Disbursement Fiscal Transfers Government Grants Reforming Harmful Subsidies Earmarking Revenues for Nature
Risk Management	Insurance Products Pay for Success Blended Finance
Financial Efficiency	Management Effectiveness Public Private Partnerships Integrated Accounting Mainstreaming Biodiversity in Development

Source: Meyers, D., Bohorquez, J., Cumming, T., Emerton, L., Heuvel, O.v.d., Riva, M., and Victurine, R Conservation Finance: A Framework, Conservation Finance Alliance, 2020, www.cfalliance.org

Current estimates of global finance for biodiversity include only those finance and policy mechanisms where sufficient data was available to draw quantitative estimates. Deutz et al. (2020) for example, identified investment risk management as a finance category critical for biodiversity impact, but due to data and information limitation, they were unable to determine either current or future estimates for this category. In addition, the OECD (2020) report recognizes additional biodiversity finance categories beyond those included in their global estimates, such as green bonds and impact investing, but excludes those mechanisms from private funding estimates to avoid potential double counting.

The below criteria were also applied for each finance mechanism included in the three global estimates to determine the feasibility of applying a comparable approach in national reporting.

- Does the data source adequately define biodiversity funding to ensure only those funding sources that align with the CBD objectives are included?
- Is the data publicly available?
- Does the data capture a significant share of the funding mechanism? Of total private finance?

- Is the data updated at least every five years?
- Can the data be disaggregated down to the national level?
- Can the data be disaggregated between domestic and international flows?
- Does the data disaggregate international flows by source and recipient country?
- Is there a risk of double counting with other possible indicators?
- Does the data capture funding expenditures (versus pledges)?
- Are there modifications/disaggregations that could enable a more robust indicators?

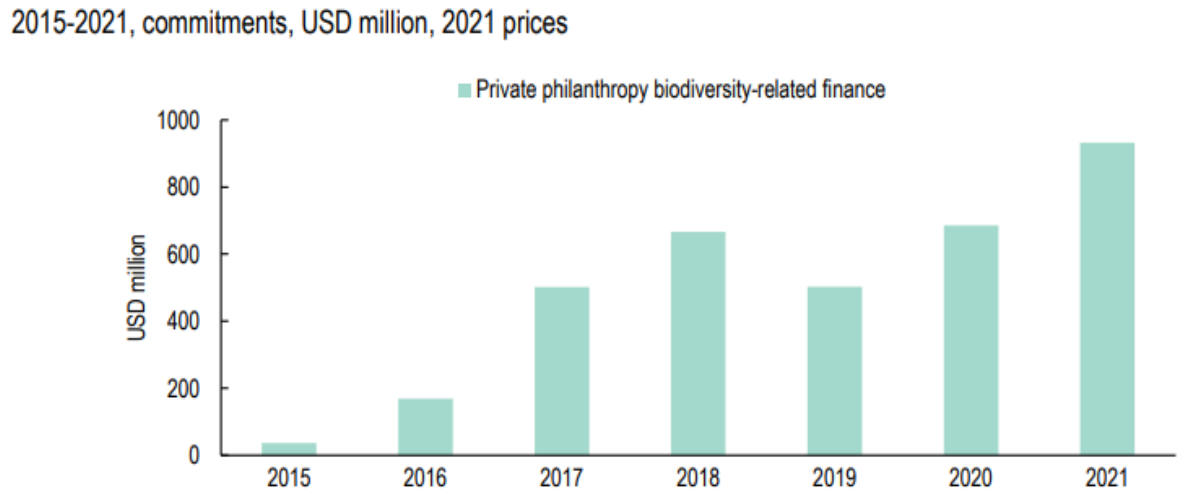
• Section Seven: Current Approaches to Measuring Private Finance for Biodiversity

This section explores existing approaches used in the literature to measure private domestic and international finance for biodiversity and their feasibility in contributing to the D.3 headline indicator under Target 19. It provides a description of each approach, associated with specific financial/policy instruments outlined in Section Three, and the feasibility of using these approaches to support national reporting to the CBD under headline indicator D.3. These approaches have been assessed against the criteria established in the previous section. Possible modifications to the underlying dataset to better enable tracking of private funding for biodiversity have also been explored, along with possible options for additional survey/reporting requirements for private entities.

OECD CRS – International Private Philanthropy

The OECD collects and publicly reports activity-level data on private philanthropy for development. The data is embedded in the Development Assistance Community's (DAC) statistics, and adheres to the same methods, standards, and definitions as other data reported in the DAC statistics. Biodiversity-related activities are tracked based on the Rio markers, with additional information available through the SDG goals 14 and 15, the sector/purpose codes related to biodiversity, and keyword searches. Data is collected directly from philanthropic foundations and validated annually by the OECD DAC Secretariat. The Rio Marker is used to tag whether biodiversity was a principal or significant objective of the funding. Foundations are defined as institutionalized philanthropic organizations that are providers of funds. This definition does not include certain foundations that channel contributions of other private and official providers, or individuals as they are not institutions. Out of the 46 foundations that voluntarily reported to the OECD in 2021, 40 report supporting biodiversity-related activities. This is an increase from 2017, where 14 out of the 26 philanthropic foundations that reported to the OECD reported biodiversity-related activities. According to (OECD, 2023), biodiversity-related international development finance by private philanthropy is on the rise, growing from around USD 500 million in 2017 to nearly USD 1 billion in 2021, reflective of enhanced reporting coverage by philanthropic foundations.

Figure 4 Biodiversity-related finance by international private philanthropy for development



Notes: Out of the 46 foundations that have reported to the OECD, 40 supported biodiversity-related activities.
Source: OECD (2023). Estimates based on OECD DAC statistics from the OECD, Creditor Reporting System.

Given the granularity and broad coverage of this data, this dataset may be suitable as an indicator for Parties to report country-level data on international private philanthropic flows. The OECD estimates that the data currently accounts for around 80-90 percent of international development-related private philanthropy flows to biodiversity, with only a few key actors not reporting. This data does not track domestic biodiversity flows from private philanthropy, nor does it track flows that target developed countries.

A methodology for countries to adhere to could be developed in the metadata factsheet, and could follow similar guidance as the metadata factsheet for Indicator 19.1 on international public funding, including Official Development Assistance, for conservation and sustainable use of biodiversity and ecosystems.

Limitations and critical gaps. The OECD CRS provides the most comprehensive data on biodiversity-related private international philanthropic flows for development available at the national level. According to recent estimates of total private financial flows for biodiversity, philanthropic flows account for only around 3-4 percent of total private flows, representing only a small fraction of the private funding for biodiversity. In addition, the data does not capture domestic philanthropic funding. Thus, while this data could be useful to comprehensively report on international philanthropic flows, it would not serve as a robust indicator to monitor total private financial flows for biodiversity.

It is also important to note that over three-quarters of philanthropic contributions are implemented through NGOs and civil society organisations such as the World Wide Fund for Nature, ClimateWorks Foundation, The Nature Conservancy, and Flora and Fauna International, with nearly all of the remainder implemented through academic or research institutions (OECD,

2023). Thus, any additional reporting that countries would like to make on funding from NGOs, academic, and research institutions should reduce the risk of double counting by subtracting philanthropic foundation funding to these implementers.

In addition, guidance must be given for countries to follow on how to report on this data. For example, should countries report based on the *source country* of funding from philanthropic foundations, or should countries report based on the *recipient country* of this funding?

Capacity building needs. The OECD supports development providers in reporting their development finance statistics by conducting quality reviews and control of reported data, conducting dialogue with donors, statistical peer reviews, and preparing guidance for statistical reporters. The OECD began a work programme in 2024 to improve reporting of the Rio marker for biodiversity and is producing a guidebook on the use of the marker. The OECD aims to enhance the scope of the biodiversity Rio marker to all countries and institutions engaged in development finance, and could provide support and guidance to foundations, corporations, and investors reporting on disbursements of their nature-related pledges (related to the section below).

OECD CRS –Private finance mobilized by official development finance

In addition to collecting data on private philanthropy, the OECD has been collecting information on private sector finance mobilization (e.g. through the use of guarantees or other forms of finance, including blended finance) as reported by DAC members and other providers since 2012 and integrated into regular CRS reporting in 2017. The data collected from DAC members includes only private finance mobilized by DAC country development finance institutions and banks. While data from multilateral development banks is not available at the same level of disaggregation due to confidentiality constraints, some multilateral data, e.g. from the GEF, is available. Private finance is marked with a Rio marker if the DAC member activity that was responsible for mobilizing the private finance was marked with the Rio marker applying the 'principal' and 'significant' Rio marker methodology. As estimated by the OECD, private finance mobilized by official providers more than quadrupled in 2020, from USD 165 million in 2020 to USD 750 million in 2021.

Opportunity for reporting. OECD member countries may draw on the data used to report to the OECD DAC for reporting private finance mobilized by bilateral development finance institutions.

Critical gaps. While the data may capture those projects/interventions with an explicit objective of biodiversity conservation (i.e. aligning with the Principal Rio marker) it may not adequately capture financial flows to projects/interventions where biodiversity may not have been the primary objective, such as investments in agriculture, but have a significant biodiversity benefit. Due to confidentiality concerns, not all of the data on private finance mobilized by official providers is publicly available. In addition, countries that are not OECD member countries will need to rely on other sources of information for reporting.

For non-OECD countries, 'on-the-ground' information could be collected for development finance institutions that do not report to the OECD's Creditor Reporting System and reported directly to the CBD.

Conservation NGOs

Recent assessments of private finance for biodiversity from conservation NGOs draws on data provided in publicly available annual financial reports. Revenues from the public sector and philanthropic foundations are subtracted to avoid double counting. Expenditures from these NGOs are not disaggregated at the national level, and instead provides a global estimate of expenditures.

Opportunity for reporting. Since data on conservation NGOs is readily available through public annual financial reports, countries may be able to conduct desk research to identify the programme expenditures for conservation NGOs registered in their country. For conservation NGOs that operate solely within the boundaries of a reporting country, this expenditure data can be reported as domestic expenditures provided that any public revenue is subtracted to eliminate double counting with public expenditures. For conservation NGOs that operate internationally, countries would need to subtract the revenue these conservation NGOs receive from foundations that may be reporting to the OECD as well as from public entities, if the country elects to draw from the OECD CRS to report international development-related philanthropic finance. Otherwise, the country can decide whether to report finance channeled through conservation NGOs in aggregate, or separately.

Biodiversity Offsets

Biodiversity offsets and compensation mechanisms can be implemented in response to regulatory requirements, financial performance requirements (i.e. safeguards), and voluntary corporate policies. According to the IUCN's Global Inventory of Biodiversity Offsets Policies (GIBOP), a global database of biodiversity compensation policies including offset policies, 42 countries currently have regulatory requirements for biodiversity offsets, 66 countries have established provisions to enable and facilitate voluntary offsets, and 29 countries have undertaken initial explorations of offset policy options. The remaining 59 countries tracked in the database, largely low- and middle- income countries, have no identified provisions for biodiversity offsets. Of the 42 countries with regulatory requirements, 33 countries have only implemented a limited number of offsets, or no offsets at all (Deutz et al., 2020).

Under regulatory frameworks, biodiversity offsets can be implemented either through permittee-responsible projects, where the project proponent (i.e. the permittee or project developer) is responsible for the offset project, or third-party offset projects, where the permittee or developer either purchases a 'credit' from a mitigation 'bank' that has been

established by an independent third party, or pays into a compensation fund (also known as in-lieu fee programme).

Expenditures for biodiversity offsets under financial performance standards and voluntary corporate policies are not known. Reports indicate that a few offset projects have been implemented to meet financial performance standards and voluntary corporate policy objectives, however, with only 22 offsets implemented to meet financial performance standards and 20 implemented as voluntary corporate policy initiatives, as of 2018 (Bull and Strange, 2018).

Deutz et al. (2020) estimated the annual offset expenditure in five of the nine countries with regulatory requirements that are actively implementing offsets (estimates were not readily available for Canada, France, Spain, and the Netherlands). These estimates draw from a variety of studies and government reports, and the report's authors acknowledge that data is incomplete, with estimates extrapolated from available data. These expenditures are reflected in the table below. It is important to note, however, that these expenditures are classified as public-private financial flows and thus contain expenditures by public entities as well as private entities.

Table 4 Current State of Biodiversity Offsets and Expenditures (2019)

Country and Year of Estimate	Annual Offset Expenditure (USD /year, adjusted to 2019)
Australia (2017)	7 million
Brazil (2016)	4 million
Germany (2010)	1400-4400 million
Mexico (2011)	80 million
United States (2007, 2017)	4,800 million
Total	**6.3-9.2 billion**

Source: Deutz et al. (2020)

In 2017, Ecosystem Marketplace, an initiative of the nonprofit Forest Trends, released a report on the State of Biodiversity Mitigation: Markets and Compensation for Global Infrastructure Development, based on information supplied by participants in a market survey (Bennett et al., 2017). The report estimates that the global value of compliance and voluntary projects for biodiversity offsets and compensation activity amounted to USD 2.6 and 7.3 billion in 2016. This figure, however, accounts for both private and public sector expenditures in offsets and compensatory mitigation. The report estimates that nearly two-thirds (63 percent) of the costs of these conservation efforts were paid by the private sector, with the remaining from the public sector. The top buyers were transportation and shipping (public sector), property and real estate developers, energy developers (both production, generation, and distribution), and mining and materials. The private sector plays an important role on both the demand side (through regulatory requirements), and the supply side, as mitigation banking investors.

This report provides estimates of compensatory mitigation by third parties, including through financial compensation and mitigation banking. Information on permittee-responsible offsets is lacking yet comprise a vast majority of the overall global compensatory mitigation activity (above 90 percent). While public registries tracking project data and transactions for third party mitigation are now largely available for compliance mitigation banking and financial compensation systems, permittee-responsible offsets operate with less public transparency and transactions are simply unavailable. In addition, the report cites that while financial compensation funds *collected* over USD 1 billion in 2016, data on compensation fund expenditures was difficult to obtain, and a number of these funds have yet to spend the funds collected, despite the negative impacts to biodiversity having already occurred., (Bennet et all, 2017, p. 19).

In addition to these reports that draw on survey data, there are efforts underway at the OECD to expand reporting to the Policy Instruments for the Environment (PINE) database. The OECD has recently introduced the option for national governments to report on whether they have a regulatory framework in place for biodiversity offsets domestically. In 2020/21, the OECD disseminated a survey to around 50 countries to collect data on biodiversity offsets for the first time, with 25 countries responding. The PINE database will soon be updated with this information, but very few countries provided data on the finance mobilized by these biodiversity offset policies. Should reporting improve, the OECD PINE database may be a source of information for countries to draw from to report on this policy instrument.

For countries with regulated compensatory mitigation programs, particularly those with financial compensation as an allowable form of offsetting, information may be readily available on revenues collected into these managed funds. Countries could, in theory, report information on private revenue collected into the fund.

Limitations. No public dataset exists to measure expenditures on biodiversity offsets and compensatory mitigation programs at the national level, and due to confidentiality concern with market participants, it is unlikely that market participants would be willing to provide that information. In addition, while a number of these programmes are national, the remainder operate a the regional, state, provincial, or community level. Thus, establishing a national reporting framework that collects all expenditures in these national and subnational programmes may be challenging. In addition, both the public and private sector participate in these markets as infrastructure developers, and any data collection on transaction values would need to be disaggregated to avoid double counting. In addition, for countries with funds for financial compensation, caution must be exercised to avoid double counting with public expenditures of these funds.

Forest and Land Use Carbon Finance

Recent estimates of biodiversity-related climate finance have drawn from studies by Ecosystem Marketplace that assess the market value of forest and land use projects (sometimes referred to as nature-based climate solutions) in voluntary and compliance markets, along with disbursements for non-market REDD+ funding (reducing emissions from deforestation and forest degradation).

For nearly 20 years, Ecosystem Marketplace, a non-profit initiative of Forest Trends, has been conducting an annual assessment of voluntary carbon markets through a standardized reporting and transparency platform, with data disclosed by a growing network of project developers, investors, and intermediaries across the globe. EM's flagship report, the State of the Voluntary Carbon Markets, reports on carbon credit trends including pricing, volumes, project types, buyers and sellers. EM maintains a database of voluntary disclosures from over 270 respondents with both nature-based and technological carbon projects in over 100 countries. Information on project registrations, credit issuances and retirements come from the major registries including ACR, Clean Development Mechanism, Climate Action Reserve, Gold Standard, Verra's Verified Carbon Standard, and other registries (Forest Trends' Ecosystem Marketplace, 2023)

The annual survey monitors trends in VCM transactions for credits that have been certified with "beyond-carbon" environmental and social benefits associated with the VCM project. A number of carbon credit standards are responding to buyer interest in forest and landscape carbon credits that provide these co-benefits and align with the Sustainable Development Goals and are willing to pay a premium on the marketplace. Verra's VCS credits, for example, can be certified with the Climate, Community, and Biodiversity Standards (CCB), SD VISta, and Social Carbon, and fetched a premium of up to 78 percent in 2022. The table below reflects trends in credit transactions with and without these co-benefits.

Table 5 Volumes, value, and prices for Voluntary Carbon Market Transactions, with and without co-benefits (2023-2023)

	2021			2022			2023 (YTD)
CO-BENEFIT STATUS	VOLUME ($MtCO_2e$)	VALUE (USD)	PRICE (USD)	VOLUME ($MtCO_2e$)	VALUE (USD)	PRICE (USD)	PRICE (USD)
ALL VCM	260.2	$1.15Bn	$4.41	121.5	$988M	$8.13	$7.59
NO CO-BENEFITS	97.1	$327M	$3.37	66.2	393M	$5.94	$6.07
HAS CO-BENEFITS	163.1	$819M	$5.02	55.4	587M	$10.60	$10.08
ALL VCS TRANSACTIONS	203.8	945M	$4.64	79.3	725M	$9.14	$9.06
NO CO-BENEFITS	42.1	126M	$2.99	24.1	133M	$5.52	$5.63
HAS CO-BENEFITS	161.7	816M	$5.05	55.1	586	$10.62	$10.08

Source: Forest Trends' Ecosystem Marketplace (2023). Reflects all VCM transactions, not only from forest and land use projects.

This annual data on VCM transactions of forest and land use carbon finance with co-benefit certifications could serve as a useful global indicator to measure and monitor private finance for biodiversity in global voluntary carbon markets.

In addition, the EM report on the State of Forest Carbon Finance, released in 2017 and again in 2021, provide broad insights into the global voluntary and compliance forest carbon markets and REDD+ finance and could serve as a global indicator for forest carbon finance more broadly, but it is unknown whether data exists that would be granular enough to allow quantifying national-level private finance for forest carbon credits with biodiversity co-benefits.

Limitations. The data in the publicly available annual report is not disaggregated by public versus private buyers. Private sector companies however account for a vast majority of the purchases of forest and land-use credits, above 96 percent according to recent estimates (Forest Trends' Ecosystem Marketplace, 2021). In addition, this data is not disaggregated at the national level except for countries with compliance markets such as the United States (i.e. California) and Australia. Therefore, this data may not be suitable for countries to draw from to report under the CBD's national reporting tool.

Sustainable Supply Chains

The OECD (2020) report drew on data from the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC) to estimate expenditures on sustainable supply chains. They were the two largest forest certifications schemes that have explicit objectives on biodiversity. Investments in sustainable forestry were estimated to be USD

2.3 - 2.8 billion per year. The Deutz et al. report (2020) estimated expenditures in sustainable supply chains by applying an assumed proportion of the market value was used to finance biodiversity-related conservation measures (e.g. 1-1.5 percent of market value), based on OECD's report, to additional sectors such as sustainable palm oil and fisheries. A similar methodology was applied by the UNEP (2023) study on financial flows for nature-based solutions to estimate finance for sustainable supply chains. The study included additional natural resource-based markets such as palm oil, soy, coffee, and cocoa products.

Limitations. Current estimates of private expenditures in sustainable supply chains have depended on crude measurements drawing from global market value estimates. Given the number of certification standards that cover a wide range of issues such as water protection, soil conservation, community rights, and worker safety, alongside biodiversity objectives, it is difficult to know whether and to what extent investments in obtaining and maintaining sustainability certification actually benefit biodiversity. In addition, there is no centralized data source to monitor and track investments across the multitude of natural resource-based supply chains. Several studies have conducted global estimates that may prove valuable to monitoring trends in sustainable commodities over time, but these studies do not lend themselves to a national or global indicator that can be tracked on a regular basis.

Opportunity for reporting. As shown in private finance estimates for biodiversity in the European Union (see Box 3), the methodology used in the OECD (2020) and Deutz et al. (2020) estimates could be applied at the national level using available data on the market value of sustainable commodities from national statistical offices and the share of certified commodities. Although the information available may not be inclusive of all natural, resource-based commodities, countries could report information as a case study that captures a portion of these commodities, for instance those that are most relevant to a country's economy.

Green Financial Products

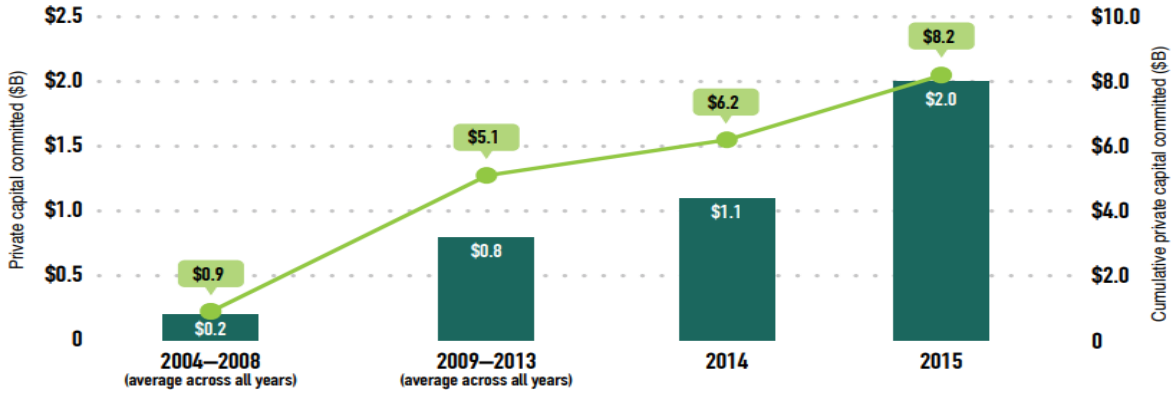
State of Private Investment in Conservation (SOPIC) Report – Ecosystem Marketplace

Impact investing has been gaining momentum as investors increasingly seek ways to align financial goals with environmental and social outcomes. Recent estimates by Ecosystem Marketplace, through their State of Private Investment in Conservation (SOPIC) report, suggest that investments in conservation is growing, with total committed private capital as of 2016 climbing to USD 8.2 billion in tracked capital from 2004 to 2015, an increase of 62 percent from estimates as of 2014 (Hamrick, 2016). This total amounted to committed capital of USD 1.6 billion per year in 2014 and 2015. This estimate was drawn from a survey of 128 banks, companies, fund managers, family offices, foundations, and NGOs directly investing in conservation. The report defines conservation investments as investments intended to return principal or generate profit while also intentionally resulting in a positive impact on natural resources and ecosystems. The survey focused on three groups of conservation-oriented investments: sustainable food and fiber production, habitat conservation, as well as water quality and quantity protection.

A bulk of investments (over two-thirds) are accounted for by the top 10 investors, with a majority of commitments (over three-quarters) directed towards sustainable forestry and sustainable agriculture investments. Only a small fraction (one-sixth) of capital was directed towards habitat conservation, largely in the United States, with the remainder targeted towards water quality and quantity investments.

A number of investments identified through this survey relied on blended public-private finance for the up-front costs of an investment. The capital structure of a fund could blend private investor equity, philanthropic debt capital, and tax equity capital from public tax credit programmes.

Figure 5 Private Capital Committed to Conservation Investments Across All Tracked Years, 2004-2015



Note: Based on responses by 98 private organizations that reported making conservation commitments out of the total 128 organizations responding to the survey.

Source: Hamrick, 2016.

Survey respondents include funding flows from philanthropic donors, thus using this data to monitor trends in private investment in conservation may double count the data reported to the OECD through the CRS for international development related private philanthropy. To correct for this, Deutz et al. (2020) applied a proportion of this global estimate to isolate private equity investments, based on the ratio of respondents who were private investors (56 percent of survey respondents), which amounted to a lower estimate of private equity impact investing of USD 2.3 billion in 2019.

Global Impact Investing Network (GINN)

The Global Impact Investing Network (GIIN) is a US-based nonprofit member organization whose mission is to improve the scale and effectiveness of impact investing. The GINN defines impact investing as investments made with the intention to generate positive, measurable social and environmental impacts alongside a financial return, acknowledging that due to the self-reporting

nature of their data, there is some subjectivity in how organizations classify their investments as impact investment (Mudaliar and Dithrich, 2020). The GINN estimates the overall size of the impact investing industry to be USD 502 billion as of the end of 2018 from a database of over 1,300 impact investor organizations.

The GINN produces an annual impact investor survey that, as of 2023, captures data from 294 of the world's leading impact investors, who collectively manage USD 404 billion of assets. The survey quantifies and assesses trends in assets under management (AUM) by, among other criteria, sector of investment. In the 2018 Annual Impact Investor survey, nearly USD 7 billion of AUM was allocated for conservation, or 3 percent of the total AUM of USD 228.1 billion in 2018, representing 16 percent of survey respondents.

Limitations. While both the SOPIC Report and the GINN Annual Investor Survey provide valuable information on the state and trends of the impact investment activity, information on biodiversity-related investment objectives is limited and not provided at the level of disaggregation needed for countries to draw on for national reporting. In addition, the GINN, as of 2020, no longer includes a distinct category of 'conservation' in its annual survey, further limiting its use (Hand et al., 2020).

Climate Bonds Initiative

The Climate Bonds Initiative (CBI) is an international organization that has developed a climate bond standard and certification scheme for the issuance of green debt. The CBI has developed a Taxonomy to screen bonds to determine whether assets or projects underlying an investment are eligible for green or climate finance, and thus eligible to be awarded a certification identifying the investment as such. The Taxonomy is a traffic light system that indicates to what extent an asset or project is aligned with a 1.5 degree decarbonization trajectory. Although this taxonomy and certification standard are climate-aligned, there are a number of eligible projects with biodiversity benefits such as nature-based water infrastructure (e.g. water storage from aquatic ecosystems, restoration of riparian wetlands, and water treatment by natural filtration systems), and land use and marine resources (e.g. natural ecosystem protection and restoration). Of the nearly $485 billion in green bonds issued in 2020, for example, USD 26 billion, or 5 percent of the total amount issued was for land use projects and USD 33 billion, or 7 percent of total amount issued, was for water projects.[7] It may be possible for countries to draw on this database to identify private issuers of certified green labeled bonds under the water and land use sectors as a proxy for green bond investments in biodiversity.

In addition to the green financial mechanisms included in current global estimates for private biodiversity funding, several other return-based investment mechanisms are being implemented to achieve both financial return and conservation objectives. These mechanisms, including microfinance institutions, peer-to-peer investing and crowdfunding, incubators and venture capital, may not be captured in the above approaches to tracking sustainable biodiversity finance.

[7] Access to the publicly-available CBI database can be found here: https://www.climatebonds.net/market/data/.

As the finance and investment sector evolves and expands its offerings of biodiversity-related sustainable finance mechanisms, countries could adapt their reporting to the CBD on the funding these mechanisms are generating.

Payments for Ecosystem Services and Water Quality Trading Mechanisms

Global estimates of private financial flows for payments for ecosystem services and water quality trading mechanisms, specifically payments for watershed services, rely on the literature. OECD (2020) drew from a 2016 Forest Trends Study (Bennett and Ruef, 2016), which estimated user-driven watershed investments from the private sector amounted to USD 15.4 million in 2015. These private investors include food and beverage companies, private water utilities, energy generation entities, and finance and insurance companies (120 buyers in total). This same study found that water quality trading and offset mechanisms fetched nearly USD 32 million in transaction value in 2015, which the OECD (2020) assumes is largely from the private sector.

There is, however, no global database that provides national-level information on transactions suitable to report on this financing instrument. For private entities engaging in these transactions, countries will be required to collect the information directly from those private entities, or private entities may chose to disclose this information in corporate sustainability reports which can be compiled by countries.

The OECD PINE database recently introduced the possibility of reporting on payments for ecosystem service programs. A survey was distributed in 2020/21 requesting data on these schemes. Across the ten countries that provided information, PES channeled USD 10.1 billion per year in 2017-2019, on average. To the extent that respondents provided information on private finance, this information could be useful to report on these private financial flows to the CBD (OECD, 2021).

• Section Eight: Evaluation of additional existing data to support national reporting

As highlighted in the above global assessments of private finance for biodiversity, very little data is available at the level of disaggregation needed for countries to draw from for national reporting. As noted in the literature, not all countries have programmes or policies in place to channel private finance for biodiversity, such as for biodiversity offsets, water quality trading, and other mechanisms that are largely regulatory-driven. In addition, some of the data, such as the OECD DAC statistics, are not available for all Parties to the CBD to draw from for national reporting. Because of this, there is likely not a 'one-size-fits-all' approach for Parties to report on progress indicator D.3 of the GBF monitoring framework. Instead, a menu of options may be more suitable for countries to select from, based on their national circumstances, and it may enable the most robust reporting of private finance for biodiversity. For example, Parties may elect to draw on the OECD's private philanthropy estimates for international private

philanthropic flows, unless perhaps that Party has participated in the UNDP's BIOFIN initiative and has collected information on private expenditures. Likewise, Parties that have established environmental protection expenditure accounting within their national statistical offices may want to draw on those accounts to report private domestic expenditures for biodiversity. These existing sources of data could serve as an initial reporting metric and be expanded over time to better capture all private domestic financial flows to biodiversity and are explored further below.

UNDP – BIOFIN Expenditure Review – Domestic/International Private Financial Flows

To date, over 30 developing countries have implemented UNDP's Biodiversity Finance Initiative (BIOFIN) to conduct national expenditure reviews. These expenditure reviews aim to understand how much the public and private sector is spending on biodiversity conservation, assess the financing gap to achieve biodiversity targets, and develop a finance plan to close their biodiversity financing gap.

The biodiversity expenditure review captures expenditures whose purpose is to have a positive impact or reduce or eliminate pressures on biodiversity. They include expenditures that have biodiversity as their 'primary purpose as well as secondary expenditures where biodiversity is clearly identifies as an objective, derived from the CBD definition and objectives. Expenditures are classified using the BIOFIN Workbook methodology and assigned an attribution factor for those activities with primary objectives other than biodiversity. While capturing expenditures from the private sector in a comprehensive manner is difficult, the data collection process is an opportunity for governments to engage with the private sector to begin collecting this information.

Some countries have estimated private financial flows through a biodiversity expenditure review, and some have institutionalized this practice into government processes. To the extent that biodiversity expenditure reviews in countries implementing the BIOFIN programme have quantified private sector expenditures for biodiversity protection, these measures could serve as a reporting mechanism for indicator D3. It is not known how frequently these expenditure reviews will be conducted, however. Thus, they may only provide a snapshot of private funding rather than trends over time. These estimates may also not be disaggregated by domestic/international flows of finance.

The BIOFIN Methodology is continuously improving over time and can serve as a platform for countries to identify, collect, and categorize private expenditures for biodiversity.

System of Environmental Economic Accounts – Environmental Activities

Under the System of Environmental-Economic Accounting – Central Framework (SEEA Central Framework)[8] adopted by the United Nations Statistical Commission in 2012, countries are requested to report on environmental economic activities, encompassing those economic

[8] SEEA-2012 Central Framework. Available at: https://seea.un.org/sites/seea.un.org/files/seea_cf_final_en.pdf.

activities whose primary purpose is to reduce or eliminate pressures on the environment or to make more efficient use of natural resources. Environmental protection activities include those activities whose primary purpose is to prevent, reduce, or eliminate pollution and other forms of degradation of the environment. Resource management activities include those activities whose primary purpose is preserving and maintaining the stock of natural resources, thereby safeguarding against resource depletion. While these resource management activities may result in secondary benefits to the environment, such as protecting wildlife and natural habitats, these activities are not classified as environmental protection because their primary purpose is one of resource efficiency.

These activities are classified in the SEEA-CF within the structure of the Classification of Environmental Activities (CEA). The CEA is a functional classification for environmental activities, products, expenditures, and other transactions. Figure 4 below describes the broad structure for the CEA both for environmental protection (EP) and resource management (RM) activities. Detailed classes and definitions for EP activities are consistent with the Classification of Environmental Protection Activities (CEPA 2000).[9] Classifications of RM activities, the Classification of Resource Management Activities (CReMA), which is not an international statistical classification, is used in the EU to complement CEPA and was established in 2008.

Figure 6 SEEA-CF

Classification of Environmental Activities: overview of groups and classes

Group	Classes
I: Environmental protection (EP)	1 Protection of ambient air and climate
	2 Wastewater management
	3 Waste management
	4 Protection and remediation of soil, groundwater and surface water
	5 Noise and vibration abatement (excluding workplace protection)
	6 Protection of biodiversity and landscapes
	7 Protection against radiation (excluding external safety)
	8 Research and development for environmental protection
	9 Other environmental protection activities
II: Resource management (RM)	10 Management of mineral and energy resources
	11 Management of timber resources
	12 Management of aquatic resources
	13 Management of other biological resources (excluding timber and aquatic resources)
	14 Management of water resources
	15 Research and development activities for resource management
	16 Other resource management activities

[9] CEPA 2000 is a functional, international statistical classification used to classify activities, products, expenditures, and other transactions whose primary purpose is environmental protection. Eurostat is the custodian agency for CEPA 2000. More information can be found at: https://unstats.un.org/unsd/classifications/Meetings/UNCEISC2023/6-1-Classification-of-environmental-purposes-cover-documents.pdf.

Source: https://seea.un.org/sites/seea.un.org/files/seea_cf_final_en.pdf

Under the CEPA classification, protection of biodiversity and landscapes (CEPA 6) refers to measures and activities aimed at the protection and rehabilitation of fauna and flora species, ecosystems and habitats as well as the protection and rehabilitation of natural and semi-natural landscapes. The classification acknowledges that it is not always practical to separate 'biodiversity' from 'landscape protection', as both have clear linkages to biodiversity preservation. This classification excludes expenditures on historic monuments or built landscapes, weed control on agricultural land, certain forest fire prevention activities, and establishing and maintaining green space along roads and recreational structures. Specific activities and measures covered under CEPA Class 6 on protection of biodiversity and landscape includes:

- **Protection and rehabilitation of species and habitats** (for example: reintroducing/repopulating species, creating gene banks, conserving genetic heritage, controlling invasive alien species, renaturalisation of riverbanks, producing fishing nets with reduced by-catch)
- **Protection of natural and semi-natural landscapes** (for example: preserving legally protected natural objects, environmental rehabilitation of abandoned mining sites, burying electricity lines, maintaining traditional agricultural landscapes, renaturation of artificial lakes and bogs)
- **Measurement, control, laboratories and the like** (for example: censuses, inventories, and databases of flora and fauna)
- **Other activities aimed at protecting biodiversity and landscapes** (for example: education, training, information provision and general administration activities

Under the Classification of Resource Management Activities (CReMA), all actions and activities aimed at preserving and maintaining the stock of natural resources, and hence safeguarding against depletion, are included. These activities, for example, could include the reduction of the intake through in-process modifications (e.g. efficiency improvements), the use of alternative resources, replenishment of stocks, and measurement and monitoring activities for effective natural resource management. These activities support the more sustainable use of biodiversity generally, which may have positive impacts on biodiversity through reducing pressures related to biodiversity depletion and landscape degradation.

Environmental Protection Expenditure Accounts are presented in a number of tables, including national expenditures by users and type of product. Users are defined as industry users (specialist, non-specialist, and other industry producers of environmental protection specific services), households, general government, and non-profit institutions serving households. These expenditure accounts within national statistical accounts theoretically account for all financial flows for environmental protection within an economy.

Opportunities and limitations for reporting. It is estimated that 92 countries implement SEEA accounts, with 52 implementing EPEA accounts. However, the level of detail in these accounts varies, and information on expenditures for biodiversity and landscape protection may not be available, or not for all actors. For those more advanced countries already compiling environmental economic accounts, statistics from environmental protection expenditure and resource management accounts could be drawn from for reporting to the CBD. Specifically, countries could report on expenditures by industry users classified under CEPA 6 for biodiversity and landscape protection.

There are, however, a few challenges with using these accounts to measure and monitor private finance for biodiversity. The scope of the biodiversity and landscape protection class is quite narrow and will likely significantly underreport expenditures on biodiversity by the private sector. Further, while reporting under the CEPA class six of the EP group may capture expenditures whose primary purpose is biodiversity and landscape protection, it does not represent expenditures with secondary purposes related to biodiversity, such as expenditures for the sustainable use of biodiversity resources, which are classified under a separate system, the CReMA. Despite this limitation and given the lack of available data to support reporting on these expenditures, the EPEA accounts could serve as a starting point for countries to begin reporting private expenditure data to the CBD.

Efforts are underway to update and merge CEPA and CReMA into one integrated classification of environmental-economic accounts.[10] Eurostat, the European Union's statistical division and custodian of CEPA, has been leading work on a new classification system, the Classification of Environmental Purposes (CEP), with the goal of obtaining adoption as an international statistical classification by the UN Statistical Commission in 2024. The scope of the classification of environmental activities are defined on the basis of SEEA-CF (chapter IV) and takes into account advancements since its adoption in 2012. This updated classification introduces the concept of 'characteristic environmental activities' and 'non-characteristic environmental activities'. Characteristic activities represent those whose primary purpose is environmental protection or the efficient use of natural resources. Non-characteristic activities are those which do not directly serve an environmental purpose, but whose use provides an environmental benefit. The classification of non-characteristic activities enables those activities with secondary objectives to be represented in environmental protection accounts. As the UN Statistics Division aims to provide more granular data on financial flows that are relevant for biodiversity, these accounts may allow for more comprehensive reporting on private biodiversity financial flows in the future.

In addition, policies in some jurisdictions, such as the EU (Regulation (EU) 691/2011), establish a legal framework for compiling environmental economic accounts. Whether a country has established a legal framework for establishing these accounts could serve as a complementary indicator to monitor progress towards identifying and tracking private financial flows (see Section Nine).

[10] See: BG-4e-CEP-E.pdf (un.org).

• Section Nine: Possible Work Programmes to enhance national reporting

While existing data is insufficient to comprehensively report on private finance for biodiversity at the national level, several work programme could be designed to enable countries and private entities to collect this information in the future.

As discussed, there remain critical gaps in identifying, monitoring, and reporting on private finance for biodiversity, both for domestic and international flows. This is part due to a lack of formal reporting frameworks and standards. For example, corporate disclosure frameworks, national statistical accounts, and biodiversity expenditure frameworks collect important information on biodiversity-related activities; however, they do not collect granular information on biodiversity expenditures to adequately account for all biodiversity-related expenditures and funding. In the near term, there are some reporting and data collection efforts that will enable countries to report, at least in part, on private finance for biodiversity, including from the OECD's Creditor Reporting System, from publicly available annual reports, and from national statistical accounts. In the long term, however, countries will need to establish and/or strengthen reporting requirements for private entities and to develop and implement policies requiring reporting on private finance. Companies will also need to develop the skills, organizational processes, and corporate policies to identify and report private finance for biodiversity. This will require detailed frameworks and guidance to enable consistent and transparent reporting.

This next section explores possible work programmes that could eventually enable countries to enhance tracking and reporting of private finance for biodiversity.

Establish national biodiversity-related sustainable taxonomies to align investments in biodiversity

Investor demands, regulatory compliance, corporate sustainability objectives, and other drivers are increasing corporate disclosure requirements of environment, social, and governance (ESG) related risks, impacts, and dependencies. Disclosing a company's performance against ESG metrics creates transparency and accountability of companies to customers, employees, policy makers, and investors. Some of the most prominent voluntary ESG disclosure frameworks and standards include the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the Task force on Climate-related Financial Disclosures (TCFD), as well as investor-aligned frameworks such as the United Nations Principles for Responsible Investment.

In addition to these voluntary reporting frameworks, several mandatory reporting requirements for companies are emerging around the globe. The European Union's Corporate Sustainability Reporting Directive (CSRD), for example, requires large companies to report on their social and environmental impacts according to the European Sustainability Reporting Standards (ESRS). The EU's Sustainable Finance Disclosure Regulation (SFRD) in turn requires financial market participants and financial advisors to disclose how they manage negative environmental and

social impacts and risks of their investments. The anticipated United States Securities and Exchange Commission climate disclosure rules will require companies to disclose climate-related risks based, in part, on recommendations from the TCFD. The three leading Chinese Stock Exchanges recently announced mandatory sustainability reporting requirements on climate and nature related topics with reporting starting in 2026. Other reporting jurisdictions include Australia, Brazil, Singapore, and the United Kingdom. Although companies are generally not required to report on *expenditures and investments* through these frameworks, the frameworks allow companies to identify and assess the impacts, dependencies, and risks of activities on biodiversity and may support the future quantification of biodiversity aligned expenditures and investments.

To further enhance transparency and alignment with biodiversity objectives, some countries are developing national sustainable finance taxonomies, or a classification system defining which economic activities are considered environmentally sustainable. The objective of a sustainable finance taxonomy aims to guide investors, financial institutions, and businesses in understanding what activities contribute to environmental objectives such as biodiversity or climate change. Countries that undertake this exercise can outline the country-specific criteria and conditions they deem are suitable to align investments with activities that meet a country's development, environmental and social goals.

Sustainable finance taxonomies can enable the tracking of biodiversity-relevant private financial flows by:

- Identifying biodiversity-positive activities, such as investments in habitat restoration, sustainable forestry and agriculture practices, or pollution reduction technologies,
- Tracking and reporting on biodiversity investments to measure progress and provide transparency to investors and stakeholders on environmental activities,
- Providing a common language to classify biodiversity-related activities, which allows for comparison and mitigates uncertainty and risk for investors.

Existing examples of taxonomies that have been developed include the EU Taxonomy (see Box 4), the China Green Bond Guidelines, Colombia's Green Taxonomy, South African Green Taxonomy, and the United Kingdom's Green Taxonomy.[11] Other countries have taxonomies under development. Future work could provide resources and technical expertise towards a unifying platform for countries establishing and implementing biodiversity-related taxonomy frameworks.

Recognizing the importance of developing a clear definition and taxonomy to identify and classify private investments in biodiversity, **a complementary indicator on private funding for**

[11] See for example, EU's Taxonomy for sustainable activities: https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en; China's Green Bond Guidelines: https://www.greenfinanceplatform.org/policies-and-regulations/green-bond-guidelines-issued-chinas-national-development-and-reform.

biodiversity could ask countries whether they have developed or begun to develop, a biodiversity-related sustainable finance taxonomy.

Box 4. The EU's Sustainable Finance Agenda and Taxonomy Regulation

The European Union's Sustainable Finance Agenda (SFA) aims to mobilize private finance to support the European Green Deal, a roadmap to achieve climate neutrality by 2050 among other environmental objectives. A core component of the SFA includes the EU Taxonomy Regulation (EU) 2020/852, which establishes a classification system for environmentally sustainable economic activities that align with the EU's net zero trajectory and other environmental goals. In addition, the taxonomy enables increased transparency for investors, facilitates sustainable investment, and prevents companies from 'greenwashing'. The Corporate Sustainability Reporting Directive (CSRD) establishes mandatory reporting rules for certain companies operating in the EU to report on their environmental and social impact, providing transparency and accountability for investors and other stakeholders. The EU Taxonomy Regulation provides criteria for companies reporting under the CSRD for identifying sustainability activities.

The six environmental objectives the EU Taxonomy Regulation covers are:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

In addition, economic activities must meet additional overarching conditions:

1. Make a substantial contribution to at least one of the six environmental objectives
2. Do no significant harm to any of the other five environmental objectives
3. Comply with minimum safeguards
4. Comply with the applicable technical screening criteria.

While early efforts focused on technical screening criteria for climate change mitigation and adaptation objectives, criteria for other environmental objectives such as biodiversity were recently published.

Reference: EU taxonomy for sustainable activities - European Commission (europa.eu)

Develop global indicators collated from responses to national reporting template

Additional complementary indicators could be developed to assess whether countries have programmes and policies in place to incentivize private investment in biodiversity and enhance

tracking and reporting of biodiversity-related investments. These indicators could build on the indicators for Target 18 related to scaling positive incentives for biodiversity by explicitly collecting information on those policies that are known to drive private sector investments in biodiversity (e.g. sustainable commodities and biodiversity offsets). These indicators could also collect additional information on how countries are creating an enabling environment for identifying, tracking, and reporting private funding for biodiversity, which could enhance quantitative reporting in the future.

1. Does your country have a national or sub-national regulatory framework for compensatory mitigation?

2. Has your country established a legal framework for developing and maintaining environmental economic accounts for environmental purposes?

3. Has your country regulated financial institutions to create investment obligations for biodiversity-relevant financial products?

5. Are policies in place to encourage companies to develop and implement biodiversity-relevant procurement policies and standards?

6. Has your country developed, or begun the process of developing a biodiversity-relevant sustainable finance taxonomy to identify, mobilize, and report on economic activities that contribute to achieving your environmental objectives and commitments?[12]

7. Does your country have legislation enacted that requires the development of national statistical accounts for environmental protection activities?

8. Does your country have regulations in place that establish mandatory disclosure rules for financial market and non-financial participants?

Enhance voluntary reporting on private sector biodiversity pledges

Campaign for Nature Pledge Tracker – International Private Philanthropy

A group of NGOs, led by the Campaign for Nature and the World Wildlife Fund, have developed a first-of-its kind comprehensive tracker of publicly announced international biodiversity finance commitments since 2020 (“pledge tracker”). These commitments have been made by governments, philanthropies, companies and investors aimed at reaching the Target 19 goal of increasing total biodiversity related international financial resources from developed countries to developing countries by at least USD 20 billion per year by 2025, and by at least USD 30 billion per year by 2030. While governments account for the majority of the commitments (over 80

[12] This question is also proposed as a complementary indicator in the section above on establishing biodiversity-relevant sustainable finance taxonomies.

percent of the annual commitment amount), pledges have also been made by philanthropies, corporations, and investors. Combined, these pledges represent approximately USD 8 billion per year, with annual estimates calculated by translating aggregate commitments into average annual amounts during the term of the KMGBF.

The below table provides information on the philanthropic, investor and corporate commitments that have been publicly announced for international biodiversity finance, as reported in the pledge tracker.

Table 6 Summary of Public Pledges from Philanthropies and Corporate and Investor Commitments from the Campaign for Nature Pledge Tracker

Actor	Commitment	Annual (USD MM)	Total (USD MM)
Donors			
Bezos Earth Fund	Restore nature, protect food systems	200	2,000
Group of 11 Foundations	Protecting our Planet Challenge	500	5,000
Group of 13 Climate Philanthropies	Forests, People, Climate collaborative	156	780
Donor Total		**856**	**7,780**
Company/Investor			
Apple	Expanded Restore Fund	57	400
Astra Zeneca	AZ Forest tree planting program	57	400
Climate Asset Management	Natural Capital and Nature Based Carbon Strategies	130	650
Kering and L'OCCITANE	Climate Fund for Nature	30	150
Kering	Regenerative Fund for Nature	1	5
L'Oreal	L'Oreal Fund for Nature Regeneration	5	53
Mirova	LDN, ASO, AGRI3 Funds	84	420
New Forests	African Forestry Impact Platform	40	200
Sky	Sky Ocean Ventures Fund	6	31
SWEN Capital Partners	Blue Ocean Fund	32	160
Unilever	Climate and Nature Fund	100	1,000
Various[1]	Barbados $150 MM Debt Conversion	2	40

Various[1]	Belize $553 MM Debt Conversion	4	107
Various[1]	Ecuador $1.6 B Debt Conversion	12	323
Various[1]	Gabon $500 MM Debt Conversion	5	125
Various[2]	8 biodiversity credit schemes	1	8
Company/Investor Total		**567**	**4,073**
Joint Mechanisms and Initiatives			
Mechanism/Initiative	**Funders**	**Annual (USD MM)**	**Total (USD MM)**
Climate Investment Funds' Nature, Climate & People Investment Platform	Italy, Spain, Sweden, UK	70	350
Community Land Rights and Conservation Finance Initiative (CLARIFI)	Bezos Earth Fund, Germany	3	30
Global Forest Finance Pledge[3]	12 gov'ts, 30 private sector	3,840	19,200
Congo Basin Pledge[4]	11 gov'ts, Bezos, CAFI, &Green	300	1,500
IPLC Pledge[4]	5 gov'ts, 17 foundations	340	1,700
Global Fund for Coral Reefs	GCF, 4 gov'ts, 2 foundations	15	150
IFACC Initiative[5]	13 companies	840	4,200
LEAF Coalition	4 gov'ts, over 25 companies	300	1,500
Legacy Landscapes Fund	2 gov'ts, 4 foundations	14	285
Nature+ Accelerator Fund	GEF	1	8
Mechanism/Initiative Total		**5,083**	**25,723**

[1] Annual amounts for debt conversions include amounts available to fund conservation over the term of the debt and do not include contributions to endowments intended to provide annual funding beyond the term of the debt.
[2] Status and terms of pledges are undisclosed and uncertain. Annual amount estimated based on total disclosed.
[3] $12 billion from gov't and $7.2 billion from private sector
[4] Congo Basin Pledge and IPLC Pledge amounts included in the Global Forest Finance Pledge
[5] Annual amount assumes total pledge is disbursed over five years.

Source: https://www.naturefinance.info/ , excludes government commitments.

There is some overlap between the foundations captured in this pledge tracker and the foundations that voluntarily report to the OECD, such as the Bezos Earth Fund. As such, adding up the estimates across this source and the OECD CRS data on private international philanthropy would lead to issues of double counting. Also, the pledge tracker is designed specifically to

capture international commitments and does not include pledges for finance at the domestic level. This pledge tracker, however, could be used to enhance voluntarily reporting to the OECD to expand the information available in the CRS. Reporting to the OECD could then track actual disbursements against publicly announced pledges, and activities could then be screened for the Rio marker using the same methodology as currently employed, for both philanthropies and for corporate and investor entities with biodiversity pledges.

It is important to note that some of the corporate commitments appear geared more toward investments in nature-based climate solutions (e.g. to generate carbon credits) that may not have a clear, direct link to biodiversity. Apple, for example, has pledged up to USD 400 million to scale natural carbon removal solutions, such as through sustainably managed forests that optimize for both carbon and wood production to create revenue from the sale of timber and carbon credits. Without transparency into the types of carbon removal projects Apple is investing in, and whether environmental co-benefits are associated with these projects, it is not known if and how these investments will result in positive biodiversity outcomes. Considering this without a transparent lens into the activities financed by each of these pledge funds, it is unclear to what extent these pledges will result in positive biodiversity outcomes.

Limitations. While this pledge tracker may be suitable to monitor pledges at the global level, it does not provide granular information at the national level and therefore may not be suitable for national reporting. The tracker is also limited to only those pledges that have been publicly announced and will not track the fulfillment of these pledges. It also does not track domestic funding pledges. This pledge tracker, could, however, be used to encourage philanthropies who are not currently reporting to the OECD, as well as investors and corporations with public commitments, to begin voluntarily reporting to the OECD or directly to the country where the entity is established to monitor how these entities are fulfilling their pledges. A similar methodology of applying the Rio markers through the CRS could thus be used to enhance private philanthropic finance captured in the database.

Finance for Biodiversity Pledge – Domestic/International Green Financial Products

In 2020, a group of 26 financial institutions launched the Finance for Biodiversity Pledge, which now has 163 signatories from 25 countries with over USD 22 trillion in combined assets. The pledge calls on global leaders to finance activities and investments directed toward protecting and restoring biodiversity, and to set targets to analyze exposure to nature-related impacts, dependencies, risks, and opportunities, and to take action to reduce the material drivers of biodiversity loss in priority sectors. Specifically, the goals of the pledge are to:

- Advocate for action by calling on global leaders to prioritize reversing biodiversity loss.
- Shifting financial practices by mainstreaming biodiversity into decision-making and investments.
- Promoting transparency and accountability by publicly reporting on progress towards protecting and restoring biodiversity through investment decision-making.

Signatories have committed to collaborating and sharing knowledge, engaging with companies to encourage best practices for biodiversity, assess the biodiversity impacts of their financial activities and investments, set targets for measurable biodiversity outcomes, and publicly report on their commitments. The framework currently focuses on equity and corporate bond asset classes but will incorporate additional asset classes in the future. and to report publicly before 2025 on setting targets, assessing impacts, and collaborating and sharing knowledge with companies.

Although still the early stages of implementation, this pledge commits asset owners and asset managers to redirect their financial flows away from nature-negative impacts towards nature-positive outcomes and establish targets to achieve this goal. Once investors begin to set and report progress towards targets, this pledge could be tracked to ensure investors meet the targets they have committed to.

Limitations and opportunity for future reporting. Although in the too early stages of development and implementation at this point, the Finance for Biodiversity Pledge may be suitable to monitor trends on biodiversity integration in financial markets in the future. While other data sources up until this point of the report have focused on investments in biodiversity through economic markets, equally important is tracking progress towards the integration of biodiversity into private financial markets. This may be suitable for a work programme that coordinates with signatories to the pledge to align their efforts such that they deliver on the KNGBF resource mobilization goals.

Establish voluntary reporting guidelines for signatories to the Principles for Responsible Banking

The UNEP Finance Initiative (UNEP-FI) works with the banking community to align their strategies, decision-making, lending, and investments such that they adhere to a set of established principles for responsible banking (PRB) that align with social and environmental goals. The principles address aligning business strategies, setting targets to have meaningful social and environmental impacts, working with clients and customers to encourage sustainable business practices, consulting with stakeholders, effectively govern responsible banking, and act in a transparent and accountable way. To date, 342 signatories, representing over USD 98 trillion in assets, or roughly half of global assets, have committed to the PBR. The UNEP-FI has recently launched updated guiding principles for banks to categorize their portfolios into three broad themes: “seek out” or projects/clients that offer nature-positive opportunities, “phase out/avoid” or projects/clients that are identified as nature-negative, and “transition” projects/clients, where financing is directed toward activities that shift away from harmful activities to improve biodiversity outcomes. Banks may then set targets for ‘nature positive’ finance, building on sustainable finance taxonomies such as the EU Taxonomy, where available, to screen investment activities. Although not a requirement of the initiative, the UNEP-FI could issue a call for voluntary reporting, requesting that signatories report on their targets using a

traffic light like categorization (i.e. green for nature-positive activities, yellow for transition activities, and red for phase out/avoid activities).

Design a survey for countries to begin collecting information from private businesses and financial institutions

An alternative approach to using existing available data on private sector biodiversity expenditures for national reporting is for countries to collect data directly from a representative sample of private entities doing business in their jurisdiction. A survey instrument could be developed to serve as a template for countries to begin to use to collect information. The survey could define eligible biodiversity funding (see section on sustainable taxonomy), drawing from the identified financial and policy instruments as reported in OECD (2020) and Deutz et al. (2020) global estimates.

Countries could target a number of different businesses and financial institutions, either:

- Entities that have disclosed using the TNFD or other sustainability framework
- Entities that operate in certain business sectors with known biodiversity impacts and dependencies (e.g. agriculture, forestry, mining, transportation, and fisheries)
- Financial institutions that offer biodiversity-related investment products such as green or sustainability linked bonds, impact investment funds, etc.

The questions could be geared towards collecting information on the ways in which entities invest in biodiversity (e.g. biodiversity offsets/credits, contributions to philanthropic organizations, greening supply chains, etc.), whether they have established any targets or commitments to being a nature-positive business entity (perhaps disclosed through TNFD or publicly).

1. Does your organization incorporate biodiversity into its mission, vision, and strategy?
2. Has your organization set a corporate biodiversity-positive commitment?
3. Does your organization publicly disclose its nature-related impacts and dependencies, such as by utilizing the Task Force for Nature-Related Disclosures framework?
4. What are the top five financial mechanisms your organization uses to invest in biodiversity (e.g. biodiversity offsets, sustainable commodities, natural infrastructure investments, nature-based carbon credits, etc.)?
5. Does your organization track expenditures/investments on biodiversity?
6. Does your organization offset its biodiversity footprint?
7. Does your organization have procurement policies aimed at sustainable supply chains (e.g. certified harvested wood products and sustainable agricultural products)?

In its assessment of investments in biodiversity-related activities from financial institutions, the Netherlands developed a survey and distributed it to the largest financial institutions in the country to assess the level of investments, loans, and biodiversity-related conservation measures

for each institution. See Annex III of their report for the questionnaire that was distributed, which could serve as a model for other countries to develop: Mapping Dutch Financial Flows to Biodiversity | Report | Government.nl

In addition to collecting quantitative information of private funding for biodiversity, this approach would serve to build the capacity of countries and private organizations to begin defining, identifying, collecting, and reporting on private investments in biodiversity.

Conduct a global assessment of private finance for biodiversity

While this report focused on approached for countries to measure private financial flows at the national level, given the complexity of developing such estimates, and the risk of inconsistencies between countries' various approaches, an alternative approach to measuring private finance is for the Secretariat, or an organization acting on its behalf, to conduct a periodic global assessment of private funding for biodiversity. Such a global assessment could be consistent with and build on methodologies from previous assessments, as reviewed in this report, and draw on improved data sources as they become available in the future. Global assessments could also incorporate other sources and mechanisms of private funding as the landscape of conservation finance evolves.

• Conclusion

This report draws on recent global and national assessments of private financial flows to biodiversity to identify and assess approaches for countries to report on private financial flows under the KMGBF monitoring framework. As discussed, there is no robust methodology or data source for countries to apply that would capture *all* private financial flows to biodiversity. Rather, a flexible approach may be necessary to provide countries with a set of options, based on their national circumstances, to begin reporting on available data for biodiversity-relevant financial flows, and building capacity to work with the private sector to develop more robust, consistent measurements in the future.

Current assessments have relied on both top-down approaches to measuring financial flows, drawing on existing databases and research, and bottom-up approaches that rely on conducting targeted surveys to collect specific information on biodiversity investments. For example, global databases such as the OECD CRS and global estimates of the value of sustainable supply chains allows for the quantification for select biodiversity-related funding mechanisms such as private philanthropy, blended finance, and investments in sustainable supply chains. These estimates are augmented with bottom-up approaches, primarily using surveys, where global datasets do not exist, and have been applied to estimate private financial flows through other biodiversity-related mechanisms such as biodiversity offsets, PES, and green financial products. Thus, it is recommended to employ a similar hybrid approach for national reporting to capture more comprehensive private financial flows.

Given the challenges in identifying and reporting on biodiversity-relevant private funding, countries may need to enact regulations and develop frameworks such as a biodiversity-relevant sustainable finance taxonomy that clearly defines biodiversity expenditures and investments, and to build the capacity of private organizations to not only disclose their impacts and dependencies on biodiversity, but to begin tracking expenditures and investments in biodiversity-related activities.

Based on this assessment, existing data sources and methodologies countries could draw on for national reporting include the following:

- OECD CRS for international private philanthropy for development
- OECD CRS for private funding mobilized by official development finance (bilateral and limited multilateral partners)
- OECD PINE database for biodiversity offsets and payments for ecosystem services (assuming private funding can be separated from public funding)
- UNDP BIOFIN Expenditure Review (assuming countries have collected private funding in addition to public expenditures)
- National Statistical Accounts following the SEEA-CF framework for environmental protection expenditures (utilizing the classes of environmental protection suitable to the unique country conditions)
- Public reporting of conservation non-governmental organizations and civil society organizations
- National information on other biodiversity-relevant instruments from additional sources including financial institutions, corporation, and businesses

A final consideration when establishing approaches to measuring private financial flows to biodiversity is geographic representation. Many of the organizations investing in biodiversity are multinational and internationally funded and may be legally registered in one country but obtain funding from outside sources. This may be addressed by establishing clear and consistent reporting approaches that reduce the risk of double counting, leveraging international frameworks such as the OECD CRS.

The following table outlines the recommended suite of indicators to report on Headline Indicator D.3 for private funding for biodiversity, drawing on the various data and approaches available, and offering the opportunity for countries to propose their own methodology for collecting and reporting. It is hoped that this flexible approach will afford countries the greatest opportunity to begin partnering with their private sector to develop a framework that enables greater transparency into expenditures and investments that align with biodiversity objectives, and ultimately phase our or eliminate those that cause harm.

Table 7 Proposed approach to reporting on Headline Indicator D.3

Headline Indicator: D.3. Private funding (domestic and international) on conservation and sustainable use of biodiversity and ecosystems.

Proposed Approach	Proposed Methodology
Option 1: Disaggregation of private funding by instrument type	
• International Private Philanthropy for Development	OECD-CRS
• Private finance mobilized by ODF for biodiversity	OECD-CRS
• Biodiversity offsets	OECD-PINE (or alternative approach)
• Payments for Ecosystem Services	OECD-PINE (or alternative approach)
• Domestic Private Donations	Publicly available information and surveys
• Sustainable Commodities	Countries may establish their own methodology for relevant commodities. The metadata factsheet offers one such methodology used in global estimates.
• Private benefit sharing scheme[1]	Countries may rely on existing information or bottom-up approaches to collect this information.
• Other instruments (e.g. Biodiversity-relevant Bonds, Biodiversity-relevant impact investing, biodiversity-relevant credit markets, biodiversity-relevant insurance products, etc.)	Countries may establish their own bottom-up methodology for biodiversity-relevant instruments that is transparent, consistent, and robust.
Option 2: Utilize existing national statistical accounts	
Countries may report on private domestic funding from established statistical accounts on environmental activities. These accounts may either provide an *additional* level of disaggregation if no risk of double counting exists or provide an *alternative* approach of reporting private funding in lieu of the disaggregation approach.	Countries with System of Environmental Economic Accounts (SEEA) -Environmental Protection Expenditure Accounts (EPEA) may report on private funding from biodiversity-relevant statistical classifications. Possible Classifications: • biodiversity and landscape protection • protection and remediation of soil, groundwater, and surface water
Option 3: Biodiversity Expenditure Review	
Countries may report on private funding collected through an existing biodiversity expenditure review process. Caution should be exercised not to double count with the disaggregated indicators, or otherwise be reported in lieu of the disaggregated indicators.	BIOFIN Methodology

[1] *Although not discussed in this report and not included in existing global estimates that were reviewed, the Technical Expert Group on Financial Reporting proposed adding private benefit sharing schemes to the disaggregation for the D.3 headline indicator. Private benefit sharing schemes refer to programs that channel private funding from the users of genetic resources to the people and communities providing the genetic resources. While estimates and methodologies for calculating private benefit sharing scheme funding are not known to exist, countries may have information available to them to report on this disaggregation.*

In addition, a complementary indicator is recommended to ask countries if they **have developed or begun to develop a biodiversity-related sustainable finance taxonomy**. As discussed, the creation of a sustainable finance taxonomy can act as a powerful tool to track private financial flows for biodiversity by standardizing the definition and classification of economic activities that align with biodiversity objectives, enhancing transparency in reporting on biodiversity-related investments, identifying funding gaps, and facilitating risk assessments by financial institutions when evaluating investment opportunities related to biodiversity.

Since the drafting of the first version of this report, the Technical Expert Group on Financial Reporting met in Istanbul from February 25th through March 1st, 2024 to advance the work on the headline indicators for Targets 18 and 19 of the KMGBF. At this meeting, a metadata factsheet for headline indicator D.3 was produced that integrated the findings and recommendations of the report.[13]

[13] See document CBD/SBSTTA/26/INF/14 .

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• Appendix 1. Members of the TEG on Financial Reporting: Sub-group on D3

Party/Organization	Name
Colombia	Mr. Juan Camilo Pinto Ojeda
Switzerland	Ms. Lucretia Landmann
France	Ms. Alexandra Matascalderon
World Benchmarking Alliance	Mr. Nick Sauviat
Cornell University	Mr. John Tobin de la Puenta
Organization for Economic Cooperation and Development	Mr. Edward Perry
Organization for Economic Cooperation and Development	Mr. Juan Casado-Asensio

Appendix 2. Monitoring Framework and Indicators for the KMGBF

To monitor progress towards the KMGBF, the COP-15 adopted decision 15/5[14] which established a monitoring framework for countries to report against an agreed upon set of indicators. The monitoring framework is comprised of four types of indicators, as outlined below.

- **Headline indicators.** Represent a minimum set of high-level indicators that capture the overall scope of the goals and targets to plan and monitor progress. They are nationally, regionally, and globally relevant indicators validated by Parties and can be used for communication purposes.
- **Global-level "binary" indicators**. These indicators will be collated from "yes/no" responses to binary questions to be included in the national reporting template. They will provide a count of the number of countries that have undertaken specified activities.
- **Component indicators**. These indicators are optional indicators which, together with the headline indicators, will cover all components of the goals and targets of the Framework, and may be applicable at the global, regional, national, and subnational levels.
- **Complementary indicators**. These indicators are optional indicators for the thematic or in-depth analysis of each goal and target. They may be applicable at the global, regional, national, and subnational levels.

Headline indicators use methodologies that are calculated at the national level, but may draw on global datasets. In lieu of national indicators, the use of global indicators at the national level may be necessary, but must be validated by appropriate national mechanisms. Decision 15/5 recognizes that headline indicators may not capture all components of a goal or a target, and may be complemented by component and complementary indicators as needed. Indicators must meet, or must be able to meet, the following criteria by 2025:

- Data and metadata related to the indicator is publicly available
- The methodology underpinning the indicator is either published in a peer-reviewed academic journal or has gone through a scientific peer-review process and has been validated for national use
- The data sources and indicators are regularly updated no less than every five years, if possible
- There is an existing mechanism for maintaining the indicator methodology
- Indicators must be able to detect trends related to the KMGBF goals and targets
- Where possible, indicators are aligned with existing intergovernmental processes under the Statistical Commission

[14] CBD/COP/DEC/15/5. Available at: https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-05-en.pdf