

Response to CBD Questionnaire on Resource Mobilization

Submitted by: Conservation Finance Alliance

Date: 5 Dec 2019

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Annex I

Questionnaire

- (a) Please provide your evaluation of the structure, content and effectiveness of the Strategy for Resource Mobilization adopted by decision [IX/11](#),¹ indicating as much as possible the gaps in meeting the targets.
- (b) Please provide a summary of your experiences in achieving Aichi Biodiversity Target 20 and implementing the Strategy for Resource Mobilization, and their adequacy, and your views on the need for appropriate further action.

You may wish to structure your replies to questions (a) and (b) above in accordance with the goals of the Strategy for Resource Mobilization, namely:

Goal 1: Improve information base on funding needs, gaps and priorities

The BIOFIN methodology and process seems the most effective to do this at the national level – highly recommend a detailed realistic budgeting and cost comparison element to be added directly to the NBSAP preparation process.

Goal 2: Strengthen national capacity for resource utilization and mobilize domestic financial resources for the Convention's three objectives

National budgets are by far the largest single source of finance for biodiversity globally and this goal is of extreme importance. That said, excluding the efforts of BIOFIN, there has been very little advancement on this goal over the last 10 years except in developed countries.

Substantial resources for national capacity development do not exist. This is perhaps the largest effectiveness and efficiency gain that can be achieved as all national capacity work will lead to enhanced resources for biodiversity in the short and long term. Conservation Trust Funds (Environmental Funds) are emerging as key sources of biodiversity finance knowledge and expertise and could be better integrated into the CBD process around Resource Mobilisation.

Goal 3: Strengthen existing financial institutions and, promote replication and scaling-up of successful financial mechanisms and instruments

Some efforts have been made but this should be enhanced – great opportunities exist at the multi-lateral and regional development bank level where some innovation is occurring but should be scaled. Example IADB Natural Capital Lab.

¹ <https://www.cbd.int/doc/decisions/cop-09/cop-09-dec-11-en.pdf>

Goal 4: Explore new and innovative financial mechanisms at all levels with a view to increasing funding to support the three objectives of the Convention

This is based on international and national capacity which faces the same problems as described above. The Conservation Finance Alliance has its mission to promote awareness, expertise, and innovation in conservation finance globally – with a focus on developing and emerging economies. The CFA would be eager to support this goal and is launching an incubator for conservation finance to address this issue.

Goal 5: Mainstream biological diversity and its associated ecosystem services in development cooperation plans and priorities including the linkage between Convention's work programmes and Millennium Development Goals

Goal 6: Build capacity for resource mobilization and utilization and promote South-South cooperation as a complement to necessary North-South cooperation

Goal 7 Enhancing implementation of access and benefit-sharing initiatives and mechanisms in support of resource mobilization

Goal 8: Enhance the global engagement for resource mobilization in support of the achievement of the Convention's three objectives

The problem of global engagement for resource mobilisation is a red herring as the problem is the massive amounts of global finance (ODA, DFI, private finance, infrastructure, etc.) that are financing the loss of nature (see NY Declaration on Forests for example) dwarf the amount of ODA and other assistance going towards maintaining biodiversity. The entire global financial system needs to better integrate natural capital, risk, and future generational equity issues into all finance decisions, better use a systems thinking approach, and greatly improve the design and implementation of their safeguards tools in order to have the kind of impact that will be meaningful for nature.

- (c) Please provide any relevant information that would support the estimation of the resources from all sources needed for different scenarios of the implementation of the post-2020 framework;

See BIOFIN work

- (d) Please provide your views on the possible structure and content of a draft resource mobilization component of the post-2020 biodiversity framework, as a follow-up to the current Strategy for Resource Mobilization;

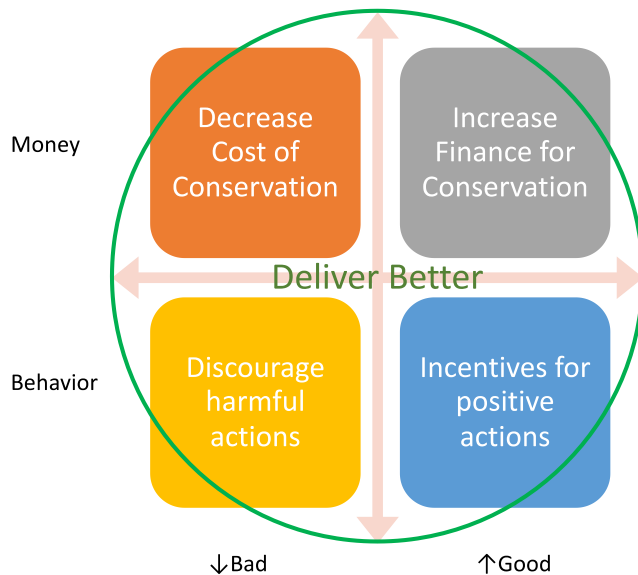
See CFA/BIOFIN submission to CBD earlier (in Annex)

- (e) Please provide your views and any relevant information concerning options and approaches for mobilizing and providing additional resources from all sources;

The CFA strongly urges the parties to expand the scope of “resource mobilization” to include all elements of biodiversity finance as is somewhat indicated with the Goals listed above in combination with Target 3 on Subsidies. However, the importance of developing a comprehensive strategy to address biodiversity finance “issues” at the national and subnational level cannot be understated. If the focus remains – generating revenues – our targets will never be achieved because with continuing levels of subsidies and investments in activities that degrade and destroy ecosystems, there is no amount of revenue generation that will compensate for the damages or restore the lost ecosystems in the face of such pressure. Thus, in addition to the crosscutting concept of “deliver better” (efficiency and effectiveness), it is essential to realign expenditures and look at costs in the present compared to future potential damages and costs.

The CFA has been developing another concept with perhaps a more straightforward message as captured in the graphic here.

Intervention Objectives



The concept is that finance solutions work on both issues around financial flows (money) and incentives (behavior). The current concept of resource mobilisation is almost entirely focused on the top right box – revenue generation. Decreasing the costs of conservation through a range of approaches is actually much more efficient and can have longer term impacts than just adding money to budgets to increase certain activities. The bottom half of the graph (focused on behavior) is similar in that the lower left – Discourage harmful actions is likely to be the most cost effective approach in that it may only require improved regulations, oversight, and enforcement (basic government operations) and can potentially eliminate most of the drivers of cost for conservation. Imagine how inexpensive it would be to manage ocean ecosystems

with only sustainable fisheries, no plastic pollution, no global warming etc. Addressing the underlying drivers of costs for sustainable biodiversity management is where the leverage is in the system.

- (f) Please provide your views and any relevant information on possible ways to strengthen the engagement of a wider range of financial and private institutions, at all levels and from all sources, to support the implementation of the post-2020 framework;

Private companies don't intentionally set out to destroy nature and augment the cost of conservation and sustainable use. The harmful impacts that companies have on nature are almost always unintentional – it is not the purpose of their business nor is it often beneficial to their business. Building corporate awareness is an essential step (and much progress has been made among large companies) but there are severe limitations to this. First, many of the world's largest companies who have significant reputational risk associated with their negative impacts on nature, have very complex and often opaque supply chains. This complexity requires industry wide initiatives such as roundtables and what is termed "pre-competitive" efforts to reduce impacts. Any commitment to reduce impacts such as "zero deforestation" soy will be undermined by actors who are willing to buy the rest of the soy produced. As such there will always be market demand for "deforestation" soy and other products. The only solution for comprehensive private sector commitment to conservation actions and investment is regulatory – establishing an even playing field – with rules and enforcement.

Secondly, business was not designed for internalizing all "externalities" and many business leaders need to build their understanding of how their business impacts with nature (both in terms of dependencies and impacts). The Natural Capital Coalition and other groups are seeking means of bringing this insight to business decision makers through the integration of natural capital (stocks and flows) into corporate "accounting." Again, this could be supported by governments or stock markets requiring at least disclosure on impacts and dependencies.

Thirdly, most business activity is done by small and medium sized enterprises (SME) globally and these businesses are pretty much excluded from discussions on sustainability. A big push will be needed to offer services to these companies on sustainability including biodiversity.

Finally, the banks and financial sector could drive significant change and they are looking for leadership in this domain. There are a range of groups seeking to develop good indicators for biodiversity impact (both positive and negative) and support to the development of simple indicators that banks and other finance institutions can use would be helpful.

- (g) Please provide your views and any relevant information on possible ways to further mainstream biodiversity into national economic budgets and development plans, including key productive sectors;

See BIOFIN

- (h) Please provide your views and any relevant information on possible ways to improve the readiness and capacity of Parties to access and utilize financial resources in support of the implementation of the post-2020 framework.

We do recommend that each country go through a BIOFIN type process to understand the main biodiversity finance issues and to develop a clear Biodiversity Finance Plan that identifies 5-15 key opportunities for the next 5-10 years. Similar processes can and should be implemented on a provincial and local scale (i.e. Protected Areas networks). Building the capacity of countries to implement both the BIOFIN process and the implement a Biodiversity Finance Plan will require input from a large number of global experts and trainers on biodiversity finance. There is currently no budget for capacity development of this kind (BIOFIN being one of a very few such projects). Perhaps the GCF and GEF could create a window for fellowships, capacity development, and integration of biodiversity finance into college and graduate curricula. The GCF could focus capacity development on project design and implementation and this would support an increase in GCF funds towards adaptation and nature-based solutions. (The Green Climate Fund should create a small grants program to address adaptation and nature-based solutions – the scale of GCF investments and the accreditation requirement are blocking enormous opportunities.)

Annex

Response to CBD Notification 2019-008: “Initial discussion document on the post-2020 global biodiversity framework”

Submitted by: Conservation Finance Alliance and the Biodiversity Finance Initiative - BIOFIN
Date: 15 April 2019

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Summary / Recommendations

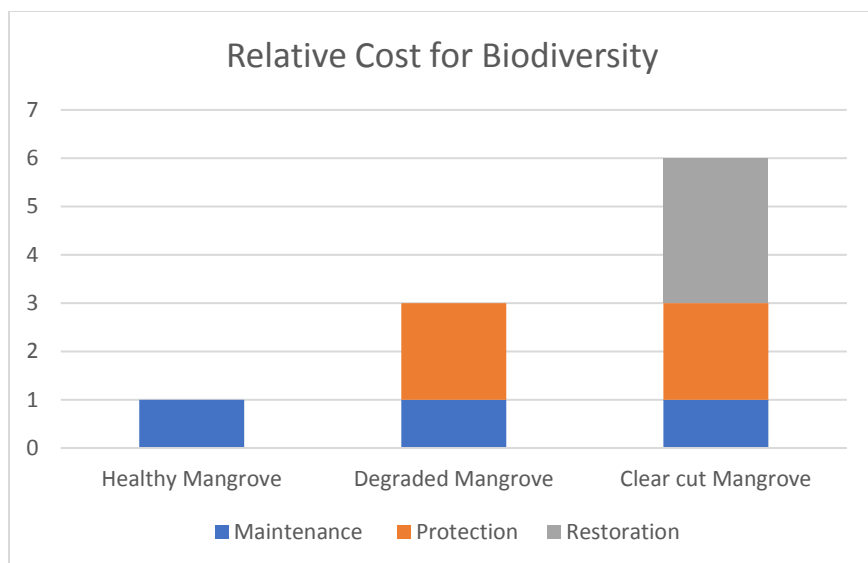
- Finance is an essential foundational element to the CBD agenda and a holistic systems-thinking based approach is required for the post 2020 Agenda to achieve its goals
- The concept of “Resource Mobilization” could be elaborated and replaced by the more comprehensive concept of “Biodiversity Finance” to capture the actual breadth of options available, including the four results of biodiversity finance as outlined by BIOFIN: 1) Avoid future expenditures, 2) Deliver better, 3) Generate revenues, and 4) Realign expenditures.
- Biodiversity Finance Plans have proven to be an effective strategic planning tool and should be encouraged at national and sectoral levels.

- The NBSAPs should include biodiversity finance into their design and implementation.

Finance and economic issues, either implicitly or explicitly, run through all of the current 20 Aichi targets and should be recognized as an important overarching element of the post 2020 Agenda. Although only Targets 3 and 20 address finance issues directly, the underlying drivers of costs and opportunities for all of the other targets are influenced by finance: national budgets, subsidies, economic instruments (fees, taxes, penalties), fiscal policy, market drivers, corporate decision making, natural resource use rights, etc. From our work and observations of biodiversity finance (also termed “conservation finance”), it is clear that achieving ambitious biodiversity targets in the post 2020 Agenda is heavily dependent upon taking more of a systemic and comprehensive approach to finance and economics issues.

Part of the challenge and opportunity derives from the historic approach to conservation finance as a means to secure a greater quantity, more predictable flow, or longer-term sources of financing for biodiversity activities. Long term and substantially higher (an order of magnitude) financing is needed for activities such as protected areas, watershed protection, coastal zone management, as well as punctual financial needs such as alien invasive species eradication, ecosystem restoration, PA expansion and more. However, the work spearheaded by UNDP-BIOFIN, the CFA, the GEF, various NGOs, MDBs, and many countries indicate that this incremental financing for nature is only one essential element in our finance toolbox and that without a wholistic approach to biodiversity finance, more money cannot compete with the challenges faced by increasing pressures on nature and ecosystem services.

While the ever-elusive “Funding Gap” is real, this gap is only part of the full picture and focusing Target 20 solely on “resource mobilization” may limit the power of the CBD and the post 2020 agenda to achieve its objectives. As an example, take the case of mangrove conservation. The cost to restore an existing healthy mangrove is zero, the costs to restore a degraded mangrove is low (protection is enough), while the cost to restore a mangrove that has been totally eliminated is high (replanting plus protection). Keeping existing mangroves, and other natural infrastructure intact is by far the most cost-effective option and may not require substantial additional finance. It does require an understanding of the financial and economic drivers of mangrove loss and the capacity to establish and enforce management systems including aligning public and private incentives (regulations, fees, fines, etc.) Although implicit in many Aichi targets, efforts to influence the economic and financial incentives to maintain functioning ecosystems, such as mangroves, should be explicitly stated as key elements of any finance strategy for the post 2020 Agenda.



What would a more wholistic approach to finance and economics for nature look like in the post 2020 Agenda?

The BIOFIN/UNDP methodology² identified four desired results from biodiversity finance solutions.

Avoid future expenditures - measures that can prevent or reduce the need to undertake a future investment. This means eliminating or amending existing counterproductive policies and expenditures (e.g. increasing taxes on sugar content or tobacco), investing in preventative actions and infrastructure (green infrastructure, prevention of invasive alien species), or aligning business and livelihood practices with sustainable development.

Deliver better - measures that can enhance cost-effectiveness and efficiency in budget execution, achieve synergies, align incentives, and favour a more equitable distribution of resources.

Generate revenues - measures that can generate or leverage financial resources allocated to biodiversity. This is what traditionally is seen as “resource mobilization”.

Realign expenditures - measures that reorient existing financial flows towards improved biodiversity management. Main options include reducing, redirecting or eliminating subsidies and other spending that harms biodiversity and increasing or redirecting financial flows towards biodiversity, or shifting budget allocations towards biodiversity.

These outcomes are ways of thinking about solving biodiversity finance challenges with the full array of options – leading to the choice of options that are the most effective and efficient.

² BIOFIN 2018 Workbook, UNDP <https://www.biodiversityfinance.net/>

For the post 2020 Agenda, a wholistic or systems-thinking based approach to biodiversity finance should include multiple elements:

- Improved integration of biodiversity in National Budgets and applying results-based approaches;
- Natural Capital Accounting integrated into the System of National Accounts (Achi Target 2)
- Fiscal Policy – green taxes, subsidy reform, positive subsidies (Achi Target 3 and more)
- Corporate and market incentives – regulatory policy, environmental impact study standards (including enforcement and offsets), voluntary certification and corporate policies (such as no deforestation commitments), and other supply chain reforms. (Target 4+)
- Enhancement of finance sector safeguards and transparency – including but not limited to bi-lateral and multilateral development finance institutions.
- Protected Area Finance – retention of user fees, rethinking entrance fees, business planning, concessions, etc. (Target 11)
- Effective integration of climate finance – mitigation and ecosystem-based adaption (Target 15)
- Building a national coalition of partners anchored in strengthened cooperation across line ministries (Finance, Planning and Environment)
- Increased engagement by the private sector through a broad-based awareness raising and capacity development process.

One tool that can be effective at integrating these multiple areas of biodiversity finance is the BIOFIN methodology's Biodiversity Finance Plan (BFP). With BIOFIN, the BFPs are developed based on detailed quantitative research and a process that aims to design the most appropriate approach for each country. BFPs are written at the national level and are focused on 5 years of actions with impacts over 10 years – easily adaptable to 2030 targets. Adaptations of the concept and methodology could be effective for sector specific plans – fisheries, agriculture, forestry, protected areas, watershed management either at the country level or at a subnational (e.g. provincial) level.

Another important innovation that the BIOFIN programme has developed involve enhancement to the NBSAPs. The enhancements include four key elements: 1) clearly defining quantitative outcomes or outputs for each NBSAP target; 2) realistic and consultative cost estimates; 3) using initial cost elements to determine the most cost-effective actions, and; 4) linking the NBSAP costs to existing and viable future finance tools (through the Biodiversity Finance Plan).

To create the highest chances for success for the entire set of post 2020 targets requires developing and enhancing the capacity to identify and implement a diverse set of finance solutions in all countries. Building capacity for conservation finance and economics in high biodiversity countries will complement international finance flows. In-country capacity will enable source countries to harness financial flows from nature, capture and effectively deploy compensation for planned or unplanned damage to ecosystems, and can leverage the full range

of existing fiscal, regulatory and economic tools to align public and private interests and assure sustainable development.

Most of Strategic Goal A: “Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society” – implies strong elements of biodiversity finance but these are not pulled together in a coherent strategy to advance the field either internationally or within key countries. Establishing a clear focus on identifying, prioritizing, and implementing comprehensive conservation finance solutions will strengthen the post 2020 Agenda and greatly increase its likelihood of success.