IUCN Response to the Questionnaire for the CBD Resource Mobilization Annex

(a) Please provide your evaluation of the structure, content and effectiveness (the degree to which something is successful in producing a desired result) of the Strategy for Resource Mobilization adopted by decision IX/11, 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.

The existing strategy underestimates the potential role of non-state actors, and in particular of the private sector, in resource mobilization of biodiversity conservation. The updated strategy should more carefully consider:
(i) the impact of the size of finance gap to adequate resource allocation to biodiversity conservation,
(ii) the importance of innovative use of public finance to leverage private investment in conservation (e.g., public-private partnerships, blended finance),
(iii) opportunities for strategic collaboration of the Secretariat with private investment finance while ensuring transparency adequate metrics for measuring positive impacts, and
(iv) leverage of global stakeholder platforms to foster cooperation and bring innovative solutions for conservation finance to scale.

In addition to SDG, the strategy should carefully consider the synergies with climate finance and win-win strategy for both – for example nature-based solutions are able to address both climate risks and threats to biodiversity while more efficiently using scarce public finance.

(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;

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) are currently substantially underfunded. The global bill for implementing the SDGs is estimated at USD 5 to 7 trillion per year yet official development assistance reached a mere USD 146.6 billion in 2017. It is estimated that the cost of conserving nature to reach the respective targets will require around USD 300-400 billion of capital per year. At the moment, only a fraction of that, estimated to be around USD 50 billion of capital per year, is actually being deployed, leaving a gap of USD 250-350 billion. (Credit Suisse, WWF, & McKinsey & Company, 2014).

(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;

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

The vast majority of current funding dedicated to conserving nature stems from public and philanthropic sources. Only a negligible amount of (< USD 1 billion) is currently derived from the private sector. The Coalition for Private Investment in Conservation (CPIC) suggested that private investors (wealthy individuals, pension funds, institutional investors and mainstream retail investors) could meet the deficit by supplying up to USD 200-300 billion of capital per year.

The current global context shows that now is the time to further harness this interest in investment in conservation. First, the current low-interest environment is likely here to stay, at least in the medium term. Investors—particularly institutional investors—are searching for a positive yield at this point. They welcome any new opportunities with reasonable risk-return profiles and no or little correlation to traditional equity markets. Conservation assets have generally exhibited lower correlation to other asset classes, since natural resources, such as forests or fresh water, are usually independent from macroeconomic developments, such as inflation. In this regard, conservation investments in the current environment offer comparatively attractive financial returns and at the same time allow for diversification into traditional stock or bond portfolios.

The huge difference that exists between potential and actual investment by the private sector can be explained by the many obstacles faced by the private sector. The main reason for not seeing more capital flow towards reaching the SDGs and conservation is the unattractive risk-return profile associated with such projects. Although a lack of transparency and/or bankable pipelines, lack of viable funding models, inadequate risk-adjusted returns, and uncertain or unfavourable regulations and policies also prove to be major barriers to private investors.

Second, the global impact investing market is now scaling at double-digit rates as investors have become more comfortable with its products. Increasingly, investors also target environmental conservation within their impact investing activities. The conservation investment market, as a sub-sector of impact investing, has been growing faster than the broader impact market, albeit from a low starting position. Over the last decade, private investment in conservation has more than doubled, with sustainable forestry and agriculture investments as main drivers of growth. This market is offering the opportunity to further redirect financing from more traditional investment actors.

One means of attracting private investment in nature conservation is a blended finance approach, whereby government funds are used to address the primary risks involved with nature based investment deals in order to improve the risk-return profile of high, positive impacts projects, showcase the viability of the project and build new markets that ultimately attract commercial capital.

Traditionally loans and grants are used to unlock further capital, now other instruments like use of guarantees, securitisation, currency hedging and political risk insurance is used. De-risking in a blended finance approach can happen in three main ways; (1) early-stage grant-making (done by non-profit actors to shield the for-profit investor from early risks); (2) donor guarantees (e.g. for a government agency to guarantee 50% loss of coverage or coverage up to a certain amount), and (3) subordination of NGO and government investments relative to for-profit investments (e.g. junior, and equity).

Another challenge facing private investment concerns the lack of enforceable collateral in conservation projects. Blended finance transactions including the insurance industry can help overcome this problem, by leveraging the protective value of the services provided by an ecosystem. Transactions target revenue-generating activities that help pay a return to private sector participants, a sub-group around insurance companies actually focuses on future cost savings to ensure private sector engagement.

(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;

The current bottleneck reaching global biodiversity and climate targets build on biodiversity/NbS is not the lack of liquidity but the lack of investable resilient biodiversity/NbS assets. A strong private sector participation will be needed to reach address biodiversity and climate change at a large scale, as well as address many of the challenges and opportunities from other MEA process, including SGDs. This requires however an equal consideration of commercially viable with nature benefitting activities. There are few best practise examples on-the-ground and more focus needs to be put into creating a viable project pipeline that allows the creation of projects financed (pre-dominantly or blended) via private sector funds. Given the severe shortage of concrete climate resilient conservation projects in impact investor pipelines, the reality shows that there is strong need for initiatives like the Blue Natural Capital Financing Facility in the market.

The Parties to the convention and non-state actors also need to leverage global stakeholder platforms to foster cooperation and bring innovative solutions for conservation finance to scale, while learning from the ongoing partnerships that show the value of such collaboration and already mobilize resource for conservation. The Coalition of Private Investment in Conservation is an example of such a platform.

In order to fill the existing financing gap in conservation, a group of leading civil society organizations, private and public sector financial institutions, and academia have forged a partnership to deliver a material increase in private, return-seeking investment in conservation – Coalition for Private Investment in Conservation (CPIC, also Coalition), see http://cpicfinance.com. CPIC was launched at the IUCN World Conservation Congress in 2016 by founding partners Credit-Suisse, Cornell University, IUCN and TNC and now has around 100 coalition partners. The members of the coalition are engaged in a concentrated and systematic effort focused on creating investment products able to provide a conservation and financial bottom line for private investors.

The CPIC is developing new investment models and funding pipelines that will help close the current conservation funding gap and contribute to the global goals for biodiversity conservation and sustainable development. Conservation finance represents a massive, undeveloped private sector investment. To increase deal flow in conservation investment, the CPIC is developing replicable, scalable investment “blueprints”. Building on the expertise and experience of the various partners, CPIC serves as a hub, connecting investors and financial institutions with in-country partners, who can help develop and execute investable deals that eventually produce an environmental and financial return.

CPIC launched the Conservation Finance Initiative in the summer of 2019. With the GEF’s non-grant instrument (8M), supported by Rockefeller’s grant making mechanisms for investment deal development ($2M), CPIC will make blended grant and non-grant funding available to project developers to get conservation project ideas into investability. The Initiative will leverage the network of public and private financial agencies, philanthropic bodies, conservation organizations and expert advisors in CPIC to deliver a set of innovative conservation investment deals. It is expected that the project will leverage up to $100M in private sector investment and serve as a unique learning and knowledge building opportunity for conservation finance and the CPIC community.

(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;

(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.

Technical assistance (TA) facilities offer an excellent opportunity for Parties to access and utilize financial resource. They optimize investment impact and create an enabling investment environment, ultimately facilitating responsible, sustainable and innovative market development. They design, structure and manage successful blended finance and public-private partnership (PPP) mandates. Blending public -concessional and commercial- impact driven funding with commercial private capital results in catalytic layered fund structures where risk is distributed and mitigated for all investors. Public funds are then leveraged by attracting private investors' capital. This can accelerate expansion and scaling of impact initiatives that contribute directly to the SDGs, while allowing the private investors to benefit from publicly funded credit enhancements and junior investment tranches to offset private sector risk. TA Facilities are always customized to the objectives of each individual fund. Generally, TA funds are raised from international public and private donors in the form of grant funding. These grants are often allocated with cost sharing mechanisms at the investee level to ensure "buy in" and a strong incentive to collaborate towards the goal of improved operations and enhanced impact.

Experience from the BNCFF show that there is wide interest among project developers in designing bankability strategies for their project ideas. Requests for support are being requested for early project stages, to work on bankability concepts and project origination (often in collaboration with project developers and impact businesses). These deals may ultimately serve impact investors and other capital providers but are presently not developed enough to be considered by such funders. A majority of project developers is looking to receive support already at the project development stage. This space needs to be filled by dedicated project preparation facilities, able to support in country/ on the ground technical assistance.

In addition to technical assistance and capacity building for incubating investment deals, it is desirable to include financial structuring assistance and opportunities in order to reduce risk and bring in concessional finance to the conservation investment space that currently is only able to attract investors with a high risk appetite.