



Convention on Biological Diversity

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OPEN-ENDED WORKING GROUP
ON THE POST-2020 GLOBAL
BIODIVERSITY FRAMEWORK
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Agenda item 4

SYNTHESIS OF THE WORKSHOP ON ALIGNING FINANCIAL FLOWS WITH THE POST-2020 GLOBAL BIODIVERSITY FRAMEWORK, 9 DECEMBER 2021

Note by the Executive Secretary

I. INTRODUCTION

1. Our global economy is highly dependent on nature. Biodiversity loss and climate change represent significant risks to corporate and financial stability. The risks of inaction are immense. In its 2021 Global Risks report, the World Economic Forum highlights that the three most severe risks at a global scale over the next 10 years are climate action failure, extreme weather, and biodiversity loss, and the five most menacing long-term threats are all environmental. But the opportunities from action are equally huge.
2. The Conference of the Parties, in decision [14/34](#), urged Parties and invited other Governments and stakeholders, including the finance community, to actively engage and contribute to the process of developing a robust post-2020 global biodiversity framework in order to foster strong ownership of the framework to be agreed and strong support for its immediate implementation and to facilitate dialogues on the post-2020 global biodiversity framework and to make the results of these dialogues available through appropriate means.
3. A first workshop with the financial sector, held on 17 and 18 June 2021, explored how the financial sector can most effectively contribute to the post-2020 global biodiversity framework and its implementation, making proposals for the global biodiversity framework, such as the concept of aligning financial flows with biodiversity objectives and identifying possible priority actions by Parties and financial institutions to this effect.
4. This workshop was convened by the Secretariat of the Convention on Biological Diversity, under the guidance of the Co-Chairs of the Open-ended Working Group on the Post-2020 Global Biodiversity Framework, with a view to facilitating exchange among the different players of the finance community, representatives of Parties to the Convention, and interested stakeholders. The programme is contained in annex I below.
5. The post-2020 global biodiversity framework has the potential to promote the transformative changes in global finance necessary to achieve the 2050 vision for biodiversity. In this regard, this follow-up workshop provided more information specifically on the concept of aligning financial flows with the objectives of the global biodiversity framework and how it can be operationalized, by sharing concrete projects supported by public and private financial institutions. It linked these actions to the needs of Parties in mobilizing resources from all sources, including through biodiversity finance plans. It also clarified the

role of the regulatory and policy framework to provide an enabling environment for the private financial sector to align its flows.

6. It supported the adoption of a post-2020 global biodiversity framework that can be translated in concrete and practical action by the global financial sector.

7. The present note provides a synthesis of the presentations on the following two topics:

(a) What does the concept of “aligning financial flows with the post-2020 global biodiversity framework” mean?

(b) How is this concept being operationalized by public and private financial institutions and key partners?

8. The outputs of the workshop will be brought to the attention of the resumed third meeting of the Open-ended Working Group in March 2022, where the first draft of the post-2020 global biodiversity framework will be negotiated by Parties.

II. CONTEXT

9. In her introductory speech, Ms. Elizabeth Maruma Mrema, Executive Secretary of the Convention on Biological Diversity, recognized the fundamental role of public and private financial institutions, beyond governments, business and civil society, in developed and emerging markets, to address the global climate and biodiversity crises. She recalled that the alignment of financial flows with climate goals was included as one of the three goals set out by the Paris Agreement at the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) (COP 21). She noted that achieving support from the financial sector in the lead-up to the Paris Agreement was key, as was the Agreement’s clear mandate for the financial sector to play a role. Alignment of financial flows with global biodiversity goals was going to be equally important to the success of the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity and the effective implementation of the post-2020 global biodiversity framework.

10. In her keynote speech, Ms. Inger Andersen, Executive Director of the United Nations Environment Programme (UNEP), spoke about how to unlock biodiversity financing and solutions. She mentioned that governments could put more funding into biodiversity, but that this would not be the main solution. Rather, changes must occur in financial and regulatory frameworks, food and agricultural policies and incentives, tax policies, urban planning policies and trade. Focusing on net-zero, no-net-loss and biodiversity-positive agriculture, forestry and fisheries, etc. could go a long way towards achieving the post-2020 goals. Negotiators would need to strengthen the language in the first draft, which mentioned a dedicated goal of finance. It was necessary to learn from the climate space to align policies with the outcomes sought.

III. ALIGNMENT OF FINANCIAL FLOWS: THE LESSONS FROM THE CLIMATE JOURNEY

11. The first panel stressed that there is much to learn from the climate journey, from UNFCCC COP 21 in Paris to COP 26 in Glasgow. The language of Article 2, paragraph 1(c) of the Paris Agreement, on the alignment of financial flows, was adequately vague. It allowed a shift from a project-by-project approach to a systemic approach of the financial system and a recalibration of the entire financial system around the risks associated with holding carbon assets in portfolios.

12. Subsequently, public and private climate finance has evolved significantly, driven by the understanding of macro-prudential risks, the creation of the Task Force on Climate-related Financial Disclosures, the promotion by public figures (Mr. Mark Carney), regulation (promoted at COP 26), concrete and precise targets (45 per cent reduction in emissions by 2030, net zero by 2050), and pressure from civil society. This has put significant pressure on the boards and senior management of companies and financial institutions.

IV. THE FINANCE FOR BIODIVERSITY/NATURE LANDSCAPE

13. There has been an extraordinary and positive development, over the past two years, in the way nature has been brought into the mainstream considerations on aligning global finance with sustainability goals:

(a) Financial institutions have started to commit to protect and restore biodiversity. A total of 84 of the largest private financial institutions worldwide with over 12 trillion euros in assets have signed the Finance for Biodiversity Pledge.¹ A total of 78 institutions with US\$ 10 trillion in assets signed the statement that they explicitly want an ambitious post-2020 global biodiversity framework and call for the alignment of financial flows;

(b) The Taskforce on Nature-related Financial Disclosures, TNFD,² is developing a framework. It will help corporates and financial institutions to understand, identify and manage the risks (physical and transition risks) associated with their dependencies and impacts on nature, and also the opportunities, in order to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes;

(c) The Network for Greening the Financial System (NGFS),³ 90 central banks and financial regulators, is beginning to shift its focus from climate or even carbon emissions, to biodiversity as a financial stability issue;

(d) Some countries have already set up legislative frameworks, as for example France, where financial institutions are now asked, through the 2021 implementing decree of Article 29 of the energy-climate law, to report on their climate, biodiversity and ESG risk management;

(e) Some countries have developed tools or road maps to align their finance, such as the Sri Lanka's sustainable finance strategy led by the central bank with the support of the Biodiversity Finance Initiative (BIOFIN);⁴

(f) A wide range of innovations is beginning to emerge in the financial system in sovereign debt markets and in bank lending;

(g) The digitalization of fintech is playing an important role in helping to bring in nature not only as a risk but also as an opportunity.

14. To scale up this development, the financial sector needs support from governments, regulators and the public finance to create the demand and to channel its capital into good practices and opportunities.

15. The issue of alignment requires multidimensional approaches, looking at both the positive and negative flows and multi-stakeholder approaches involving the public and private sector with the environment and finance communities. At the national level, planning, development plans, nationally determined contributions (NDCs) (aligned with the goals of the post-2020 global biodiversity framework), adequate budget, national biodiversity finance plans and targets are required.

V. WHAT DOES THE CONCEPT OF “ALIGNING FINANCIAL FLOWS WITH THE POST-2020 GLOBAL BIODIVERSITY FRAMEWORK” CONCRETELY MEAN?

16. The second panel explained its concrete vision of the alignment of financial flows.

17. The multilateral development banks launched a joint nature statement: Nature, People and Planet⁵ at COP 26. They are currently working together to develop common methodologies and metrics to implement

¹ Finance for Biodiversity Pledge: <https://www.financeforbiodiversity.org/>.

² TNFD: <https://tnfd.global/>.

³ NGFS: <https://www.ngfs.net/en>.

⁴ BIOFIN: <https://www.biofin.org/>.

⁵ <https://ukcop26.org/mdb-joint-statement/>.

this statement. The Asian Development Bank is very committed to the implementation of this joint statement by:

- (a) Developing a nature-positive investment road map to provide strategic direction to better value and integrate nature into development operations with local social benefits:
 - (i) A plan for healthy ocean and sustainable economies (a US\$5 billion programme);
 - (ii) Wetlands restoration in East Asia and Australia;
 - (iii) An innovative natural capital financing facility to transform the agricultural and food system in Asia;
- (b) Providing guidance on mainstreaming biodiversity and nature-based solutions into investments in infrastructure projects, including transport, ports, energy, cities (sponge cities);
- (c) Monitoring and reporting on nature-positive investments;
- (d) Mitigating financial risks of biodiversity loss, providing compensation for payment of ecosystem services, moving away from harmful subsidies, etc.

18. For public development banks, which represent 10 per cent of global finance, aligning financial institutions with the objectives of the Convention on Biological Diversity means ensuring that their activity produces positive gains for biodiversity. The International Development Finance Club – IDFC (26 bilateral development banks, including the French Development Agency – AFD) is developing a toolkit with the following building blocks that constitute what it considers to be the basis for the alignment of their financial flows:

- (a) Biodiversity strategy: development of bank-wide strategies with quantified targets on biodiversity (AFD for example: funding of 1 billion euros per year for biodiversity-positive projects by 2025 and allocating 30 per cent of its climate finance to biodiversity);
- (b) New and innovative financing and solutions: how to respond to countries' requests by promoting nature-based solutions wherever it makes sense in terms of economics, bankability and social issues (water sanitation, coastal management, green cities, agroecology, sustainable management of resources, ecosystem restoration);
- (c) Reporting: implementing a more precise tracking of biodiversity finance (conservation and mainstreaming);
- (d) Managing risks and dependencies:
 - (i) Strengthening the safeguards (applying the performance standards of the International Finance Corporation, IFC), and more importantly ensuring that critical habitats are not damaged, no risk of deforestation;
 - (ii) Proactively engaging in the double materiality of biodiversity financial risk, i.e. both impacts and dependencies.

19. For the private financial sector, which represents 80 per cent of global finance, the biodiversity agenda has been kept (somewhat) behind the climate agenda. Ambition on the nature topic has to be strengthened. The Banorte Group, the second largest bank in Mexico, is part of the Net Zero Banking Alliance. In order to manage the issues of the interconnected crisis of climate change, biodiversity loss and inequalities in human development, the Group wants to include its nature-positive commitments alongside its net zero commitments by integrating targets, commitments and strategy in or alongside its climate strategy or ESG strategy. As a signatory to the Equator Principles, the Group manages the biodiversity risks and impacts of its largest projects by applying internationally recognized safeguards, including IFC performance standard 6. To go further, the Group plans to:

- (a) Increase its financing of nature-positive projects and develop market pipelines that lead to initiatives such as incubators, pilots, accelerator funds or seed funding;
 - (b) Develop appropriate financial innovations such as green bonds, blended finance and new asset classes;
 - (c) Allocate a percentage of its climate finance to biodiversity financing;
 - (d) Measure, report and disclose nature related risks, impacts, dependencies and is therefore one of the members of the TNFD;
 - (e) Keep working on conducting stress tests on the portfolio, not only on the climate side but also on the biodiversity side.
20. Further information on concrete projects supported by financial institutions is contained in annex II.

In conclusion,

For public and private financial institutions, aligning financial flows with the post-2020 global biodiversity framework goals means:

- (a) Developing a Biodiversity/Nature strategy, integrated or strongly related to the climate and/or ESG strategy, with quantified targets and goals to be achieved, in line with the global policies;
- (b) Mobilizing finance for nature-positive projects, nature-based solutions, and developing adequate financial mechanisms such as blended finance (financing green) to meet clients' requests and directing them towards new and innovative solutions by mainstreaming biodiversity in all investments (financing green);
- (c) Allocating a substantive part of climate finance to biodiversity projects;
- (d) Managing nature-related risks, impacts and dependencies of their investments through recognized standards, such as IFC performance standard 6 and others, and at portfolio level through stress tests, and integrating these nature-related risks in their financial decisions (greening finance);
- (e) Measuring, reporting on and disclosing their nature-related risks, impacts, dependencies and opportunities, through relevant frameworks such as the Taskforce on Nature-related Financial Disclosures - TNFD.

21. To align its financial flows with biodiversity, the financial sector faces several challenges, needs and expectations:

- (a) Lack of in-house expertise on biodiversity: while public development banks in some cases have such expertise, the private sector representative deplored the lack of in-house capacity on biodiversity risks, impacts and dependencies, as well as opportunities for new nature-positive products and services, and how to link them to the current climate strategy. External partnerships with environmental NGOs can sometimes compensate this gap;
- (b) Data availability: Private financial institutions regularly mention the lack of data on nature as a constraint to their actions. Public development banks are encouraged to share the data generated by their biodiversity impact assessments with the Global Biodiversity Information Facility (GBIF) so that it is accessible to all;
- (c) The development of public-private partnerships and the de-risking of private investment through blended funding;
- (d) Future demands from central banks and regulators on the private sector. For example, the Mexican central bank has defined a set of specific recommendations for financial institutions, created a green finance council and is developing new regulations such as requiring investors to formally include environmental and social risks in their decisions;

(e) Raising awareness among clients, including governments, about the benefits of integrating biodiversity into the economy.

VI. THE TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES: A WAY FOR THE FINANCIAL SECTOR TO MANAGE AND DISCLOSE ITS NATURE-RELATED RISKS AND OPPORTUNITIES

22. The Taskforce on Nature-related Financial Disclosures (TNFD) aims to support this shift in global financial flows, both public and private, from activities that harm nature to those that help nature thrive, by developing a risk management and disclosure framework for organizations and financial institutions to report and act on the evolving risks that arise from nature loss.

23. The framework should be aligned with goals and targets of the Convention on Biological Diversity, and both frameworks, TNFD and the post-2020 global biodiversity framework, will be complementary and interconnected.

24. It will develop a set of disclosure requirements that are aligned with the Task Force on Climate-related Financial Disclosures .

25. It will be a practical framework on how to manage nature-related risks and opportunities and inform decision-making. It aims to establish and promote the adoption of an integrated risk management framework and its disclosure recommendations and will build on the best existing tools, data platforms and relevant metrics.

26. The TNFD has been endorsed by G7 finance ministers and referred to by G20 climate and environment ministers.

27. A first beta version of the framework will be launched in the first quarter of 2022. The final version will be released at the end of 2023.

28. It is absolutely critical to set clear goals and targets in the post-2020 global biodiversity framework that can galvanize what needs to be done and provide a framework for the TNFD. In the meantime, the Convention on Biological Diversity needs the TNFD as one of its tools to enable public and private financial flows to have clear standards, metrics and data, to manage the risks that emerge from nature loss, as a way to operationalize the objectives of the Convention and contribute to their achievement.

VII. CONCLUSION AND KEY MESSAGES

29. There is currently a **unique opportunity** for the Convention on Biological Diversity to provide a kind of access road for finance to flow to what biodiversity needs.

30. Build, regulate, govern **for tomorrow's world**, not the past and work with all partners, including the financial sector, finance ministries, central banks and regulators. New technologies offer extraordinary opportunities with digital, fintech companies, artificial intelligence, etc.

31. Currently **two bodies of rules and actors** co-exist with different languages causing misunderstanding: the post-2020 global biodiversity framework carried by the Convention community and the emerging body of rules and tools around financial markets. There is an **urgent need to build a bridge** between these communities and strengthen their capacity to understand and work together.

32. **Recognition of the role of the private financial sector** in the post-2020 global biodiversity framework is fundamental. But there is a need to create a simple narrative on a complex issue. The **complementary role of the public and private finance sectors** is key and the role of public development banks in guiding private investment should also be recognized.

33. **Mobilizing resources is good, but aligning financial flows is better:** Aligning public and private financial flows involves a much larger volume of resources, about \$400 trillion, spread over financial and capital markets. Most global financial capital moves with little recognition of its impact or dependence on nature. Alignment of flows is in fact a macro approach to resource mobilization, aiming to move much larger

volumes of money and support a redirection of these global financial flows from nature-negative outcomes to nature-positive outcomes. How can we consider not only mobilizing public and private sector resources, but also addressing existing harmful financial flows? **An ambitious high-level goal in the text should clearly mention the alignment of all financial flows with the targets of the post-2020 global biodiversity framework.**

34. Just as Article 2, paragraph 1(c) of the Paris Agreement gave **a clear and strong signal** on climate, financial institutions, but also public budget makers, need a similar signal for nature in the global framework for biodiversity, **ambitious and clear**, promoting credibility, integrity, transparency and accountability.

35. **Relationship between climate and nature:** need for coordination of resources and alignment of financial flows. The link to livelihoods, poverty reduction and the One Health approach should not be forgotten. A clear example is the food system.

36. To intensify this development, the financial sector needs the development of **enabling conditions** as well as **tools and data**, as was the case for climate:

- (a) Putting a price on externalities;
- (b) Establishing an innovative regulatory framework that creates this sense of urgency;
- (c) Obtaining adequate data (especially from governments or multinational institutions) to make the process more transparent and make it easier for the private sector to demonstrate that it is not destroying biodiversity, there is no deforestation, or that it can measure the improvement of biodiversity;
- (d) Pricing natural assets, capital and risk. Development of financial rules, actions by regulators is needed in relation to the Convention on Biological Diversity and the critical role of negotiators;
- (e) Developing a framework (**TNFD**), to manage and disclose nature-related financial risks;
- (f) Increasing political awareness.

37. A project to create a hotline to address the need for Parties and other stakeholders to build capacity, share knowledge, and understand how to align financial flows with the post-2020 global biodiversity framework is being considered by the Dutch Government and the Interface Finance and Biodiversity Dialogue (IDFB).

*Annex I***WORKSHOP PROGRAMME**

8 a.m. EST	<p>Welcome and opening statements</p> <ul style="list-style-type: none"> • Ms. Elizabeth Maruma Mrema, Executive Secretary of the Convention on Biological Diversity • Ms. Inger Andersen, Executive Director of UNEP
8.10 a.m. EST	<p>Panel 1: What does the concept of “aligning financial flows with the post-2020 global biodiversity framework” mean?</p> <p>Moderator: Mr. Simon Zadek, Chair of Finance for Biodiversity Initiative</p> <ul style="list-style-type: none"> • Ms. Sylvie Lemmet, French Ambassador for the Environment • Mr. Jan-Erik Saugestad, CEO of Storebrand Asset Management • Ms. Rachel Kyte, Dean, The Fletcher School, Tufts University • Mr. Onno van den Heuvel, Global Manager, UNDP Biodiversity Finance Initiative
8.50 a.m. EST	<p>Panel 2: How can this concept be operationalized? Concrete examples and projects supported by public and private financial institutions and key partners</p> <p>Moderator: Ms. Odile Conchou, Financial Sector Focal Point, Secretariat of the Convention on Biological Diversity</p> <ul style="list-style-type: none"> • Ms. Mariuz Calvet, Director Sustainability and Responsible Investment, Grupo Financiero Banorte, Mexico • Ms. Emily McKenzie, Technical director, Taskforce on Nature-related Financial Disclosures - TNFD • Mr. Gilles Kleitz, Head of Ecological Transitions Department, French Development Agency- AFD • Mr. Qingfeng Zhang, Officer-in-Charge, Environment Thematic Group and Chief, Rural Development and Food Security Thematic Group, Asian Development Bank
9.35 a.m. EST	<p>Q&A session</p>
9.55 a.m. EST	<p>Conclusion by Mr. Basile van Havre and Mr. Francis Ogwal, Co-Chairs of the Open-ended Working Group on the Post-2020 Global Biodiversity Framework</p>

*Annex II***THE OPERATIONALIZATION OF THE CONCEPT: CONCRETE PROJECTS SUPPORTED BY PUBLIC AND PRIVATE FINANCIAL INSTITUTIONS AND KEY PARTNERS**

1. The Banorte Group has developed, with the help of The Nature Conservancy, a new insurance product (parametric insurance), to cover risks related to weather-related events, such as a hurricane, on the Mexican coast and on coral reefs. This new approach is managed by a technical committee including the ministries of finance and natural resources.
2. The Asian Development Bank in partnership with other development banks (AFD, IDB...) has mobilized about US\$ 3 billion for investments to protect, maintain and restore (mainly coastal) wetlands in East Asia and South-East Asia.
3. The Asian Development Bank financed a wetland protection project along the Yangtze River, with a US\$ 37 million loan and a US\$ 2.5 million facility grant to support the restoration of this wetland by:
 - (a) Supporting ecological farming by reducing the use of chemicals in the agricultural area;
 - (b) Wetland rehabilitation and restoration;
 - (c) Control of invasive species;
 - (d) Piloting and demonstrating ecological compensation and sustainable use of ecosystem services;
 - (e) Developing ecotourism.

This project has ensured a balance between ecological protection and livelihoods of local population and introduced a sustainable financing mechanism to make this type of investment bankable.

4. The French Development Agency (AFD) promotes nature-based solutions when responding to requests from governments, to transform biodiversity-neutral or biodiversity-negative projects into bankable biodiversity-positive activities that produce co-benefits for biodiversity and local communities.
 - (a) In the Mekong Delta in Viet Nam, where coastal erosion due to rising sea levels and more frequent extreme weather events is a serious issue, the proposal was to transform a grey infrastructure classical answer by a more integrated response with the restoration of mangroves and coastal ecosystems. Local communities have been involved in the management of the project, thus ensuring ecological and social resilience;
 - (b) The suburbs of Dakar in Senegal face a huge problem of very low water tables due to intense use. Rather than just building dams and artificial infrastructures, AFD has also invested in the restoration of forest and savannah ecosystems to promote natural infiltration and replenishment of the water table. The management and control of the use of these water tables is based on local organization.
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