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Financial incentives for a biodiversity- friendly future – is green recovery a catalyzer?

One
World
One
Health

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White paper

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The importance of financial incentives for a biodiversity-friendly future

None of the Aichi Biodiversity Targets for 2020 have been completely achieved, as recently confirmed by Global Biodiversity Outlook 5. International attention has now turned to the global biodiversity agenda for 2020 onwards. In order to successfully implement the Post-2020 Biodiversity Framework, a number of priorities will have to change. Financing mechanisms will be needed for investment in biodiversity, in the same way that mainstream finance drives the rest of the economy. Promising trends towards sustainable finance, impact investment and responsible consumption and production must be strengthened to bring them out of niche activities and make a significant impact. It will also be necessary to customize and redesign financial instruments to ensure that investment plans are evaluated for their potential risk to nature, and to create incentives for biodiversity-friendly investment into value chains.

Photo by Maria Elena Cruz/GIZ

Biodiversity from a finance institution's perspective

Financial institutions show a growing commitment for the conservation and sustainable use of biodiversity, as evidenced by the "Finance for Biodiversity Pledge" led by 26 financial institutions at the Biodiversity Summit of the United Nations General Assembly in September 2020.

Financial institutions are starting to integrate biodiversity aspects into their products, as the loss of biodiversity and ecosystem services also poses significant risks for them. In addition to loss of reputation and legal risks associated with investments in companies that damage biodiversity, there are also credit and yield losses when economically important ecosystem services are no longer sufficiently available:

- More than three-quarters of the most important plants for food production are at least partially dependent on animal pollination (IPBES, 2016).
- 26% of all newly registered drugs in 1981-2010 are natural products or dependent on nature (Newmann and Cragg, 2012).
- The global cost of invasive insects is estimated to be at least USD 70 billion annually (Bradshaw et al., 2016).

Financial institutions can reduce the above-mentioned risks and at the same time make an important contribution to preserving biodiversity by taking greater account of biodiversity criteria in investment decisions and lending. In addition, they can specifically promote companies that operate in a biodiversity-friendly manner and offer investment products with a positive impact on biodiversity (impact investment).



COVID-19 changed the setting

The conditions for mainstreaming biodiversity into the finance sector have changed, as the COVID-19 crisis – and the worldwide call for transforming our societies and economies through green recovery and green reconstruction – changed the setting. There is a risk that the challenges faced by economies and societies, as they recover from COVID-19, will lead to reduced attention towards biodiversity by the government and to reduced spending for environmental topics due to lower state revenues. However, there are also positive examples of governments that have committed to “build forward better”. With the “One Health” approach, COVID-19 has brought attention to the linkages between biodiversity, health and human wellbeing. For a sustainable recovery, it is crucial to mainstream biodiversity into the financial sector and to link COVID-19 response measures to financial incentives for a biodiversity-friendly future.

Photo by Neil Palmer/CIAT



Findings and observations

Financing instruments and investment decisions should reflect social environmental costs transparently, especially with regard to biodiversity and ecosystem services. Approaches for the valuation of biodiversity and ecosystem services are supporting decision makers in politics and business to recognize the true value of nature, and consider the external costs of its destruction.

Financial players all over the world should have clear environmental requirements for financial products and become even more involved in initiatives on the topic of biodiversity, in order to implement the goals of the Convention on Biological Diversity (CBD). However, voluntary commitments by financial actors and companies are not enough: to protect biodiversity, support is needed on the political level through more regulation and incentives.

COVID-19 response programs have the potential to accelerate movement towards fiscal reform that ends or fixes perverse subsidies (such as those that favor Monocrops); to redefine how government budgets are allocated to include biodiversity criteria; to develop positive tax incentives; and to address taxing activities that harm biodiversity and earmark revenues towards conservation goals. They also offer an opportunity to create the conditions for public goods such as biodiversity to thrive and, in the process, de-risk private investments in activities that are good for biodiversity.

Partners

This paper was jointly developed by several projects of the International Climate Initiative. The experts and project leaders gratefully acknowledge the leadership and support of the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety.

- [Private Business Action for Biodiversity](#) (implemented by GIZ)
- [Harnessing the Potential of Trees on Farms for Meeting National and Global Biodiversity Targets](#) (implemented by World Agroforestry)
- [Biodiversity and Ecosystem Services in Agrarian landscapes](#) (implemented by GIZ)
- [Impact Investments for the sustainable use of biodiversity in Peru](#) (implemented by GIZ)

Other partners involved include Global Nature Fund and the International Union for Conservation of Nature (IUCN).

Further links

Biodiversity friendly production and commercialization ([paper](#))
Finance that Works for Biodiversity ([workshop report](#))
On the Way to Forest Landscape Restoration. Financing, Implementation and Recommendation. ([publication](#))
Private capital for nature conservation: Could impact investments be a solution? ([publication](#))

Participating organizations

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Global Landscapes Forum

The **Global Landscapes Forum** (GLF) is the world's largest knowledge-led platform on integrated land use, dedicated to achieving the Sustainable Development Goals and Paris Climate Agreement. The Forum takes a holistic approach to create sustainable landscapes that are productive, prosperous, equitable and resilient and considers five cohesive themes of food and livelihood, landscape restoration, rights, finance and measuring progress. It is led by the Center for International Forestry Research (CIFOR), in collaboration with its co-founders UN Environment Programme and the World Bank and Charter Members.

Charter Members: CIAT, CIFOR, CIRAD, Climate Focus, Conservation International, Crop Trust, EcoAgriculture Partners, EFI, Evergreen Agriculture, FSC, GEF, GIZ, ICIMOD, IFOAM - Organics International, ILRI, INBAR, IPMG, IUFRO, Rainforest Alliance, Rare, RRI, SAN, UN Environment Programme, Wageningen Centre for Development Innovation, part of Wageningen Research, WFO, World Agroforestry, World Bank Group, WRI, WWF International, Youth in Landscapes Initiative.



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