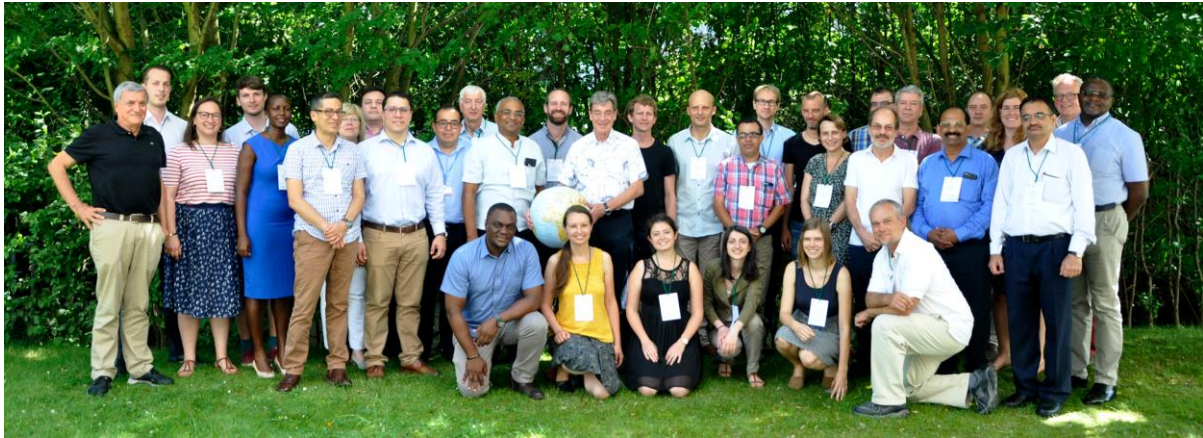


Finance that works for biodiversity – workshop report

On 24–25 June 2019 in Bonn, Germany, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and World Agroforestry (ICRAF) brought together financing experts from six projects funded by the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety through its International Climate Initiative for a global learning and knowledge-exchange event. Public- and private-sector experts from Africa, Asia, Europe and Latin America shared their experience of directing investments into biodiversity-friendly food production.



Objective

Foster a knowledge exchange on financial incentive measures (mechanisms and instruments) for biodiversity mainstreaming between experts from public and private sector.

Importance of biodiversity funding

We will end the year 2019 without having completely achieved any of the Aichi Biodiversity Targets for 2020. International attention has already turned to the global biodiversity agenda for 2020 onwards. An important lesson from the previous decade is that conserving biodiversity costs money. Certainly, OECD donors have been very generous in funding biodiversity projects, and some countries have invested heavily in establishing new protected areas, but project funding is by its very nature short-term. Long-term budgets for biodiversity conservation are inadequate around the world and new sources of funding are scarce. Biodiversity remains an economic externality — outside of the mainstream economy — and as such, it attracts only small amounts of special funding. As a recent IPBES report points out, there has been significant progress regarding policies and strategies but implementation is lacking, calling for more political effort and work on the ground. Lack of adequate finance is a major set-back.

‘Countries spend only 0.14–4.6% of public budgets on biodiversity’, noted Philip Dobie, research fellow at World Agroforestry and one of the authors of this story. ‘Financing needs to grow by 20–30 times to achieve the Aichi Targets. The massive challenge is to bring in other financing rather than relying on donor funding’.

If the biodiversity agenda after 2020 is to have any hope of success, much more effort will have to be put into mainstreaming biodiversity, bringing its costs and benefits into general spending. Financing mechanisms will be needed for investment in biodiversity in exactly the same way that mainstream finance drives the rest of the economy. Promising trends towards sustainable finance, impact investment and responsible consumption and production have to be strengthened to bring them out of niche activities and make a significant impact.

Three important and relevant reports were released in 2018 and 2019: [Global Assessment Report on Biodiversity and Ecosystem Services](#) by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES); [Living Planet Report](#) by WWF; and [Food in the Anthropocene: the EAT–Lancet Commission on Healthy Diets from Sustainable Food Systems](#). These reports have drawn attention to the critical and increasing loss of biodiversity around the world and the urgency of changing agricultural production and patterns of food consumption to conserve biodiversity while feeding an expanding population. An agricultural transformation is needed to shift production to a model that embraces biodiversity-friendly approaches. This transformation is predicated on successful models of biodiversity inclusive financing.

Setting the tone and identifying the challenges

During the course of the workshop, the participants introduced financing tools, mechanisms and ideas from their areas of expertise. Summaries and reflections on those presentation and the discussions that followed are highlighted in the following sections. To begin, let us examine a few of the key observations, which set the tone for the workshop:

- The experts argued that the private sector and, often, governments, will implement the necessary transformation of agriculture if investment leads to improved incomes, livelihoods and nutrition.
- It is the role of the research community to demonstrate that investment into biodiversity supports governments to reach their ambitious development goals while de-risking supply chains for the private sector.
- ‘Biodiversity conservation and biodiversity-rich landscapes require two different streams of finance’, said Peter Minang, leader of the Greening Tree Crop Landscapes research unit at World Agroforestry. ‘We have to be innovative to bring private-sector money into sustainable land uses. We have to establish a business case to interest them’.
- It is widely assumed by land users and decision makers that the most profitable use of forest land is to ultimately transform it into monocultures and commodity plantations, to the detriment of local food production and sustainable forest management. Usually, the relative success of conventional farming is the result of complex financial incentives and technical training that focuses on maximizing yields rather than optimizing the long-term, sustainable use of land and reducing the vulnerabilities of producers. We need to demonstrate that this isn’t the case, and present biodiversity inclusive alternatives.
- Finance experts at the workshop emphasized that there are sources of funding for biodiversity conservation, much in the form of commercial bank loans; and examples have been established around the world for schemes that ‘soften’ the terms of investment in biodiversity conservation, often as a result of government support in the form of guarantees. They also pointed to tremendous scope for blending funds from public and private sources

The challenges

The main challenge is to design more and more diverse investment proposals, which are attractive and profitable for private investment and reflect unique national, and landscape, conditions. One of the major revelations from the workshop was that private money is available, meaning investors are looking for opportunities in ‘green’ projects. The obstacle is a disconnection between the different actors:

- The governments that are tasked to provide services to smallholders, farmers’ cooperatives and businesses but which do not necessarily understand the need for, and benefits of, diversified, biodiversity-friendly production systems and diversified food value-chains;
- The technical advisors who would like to drive change but are looking for public funds to be paid for their services; and
- The financial experts who have the job of adapting investment schemes to the reality of producers in emerging economies and who need technical advice.

Unless international public funds are used to demonstrate the value of investing in biodiversity-friendly agriculture, the trend will continue to destroy biodiversity and manage land unsustainably, despite much effort to halt this. Restoration and biodiversity conservation need the input of public funding; political frameworks and incentives need to be adjusted in favour of biodiversity.

Pablo Pena from Global Green Growth Institute (GGGI) in Peru offered, '*The reason why government funding is lacking in the global south is that nature conservation is still seen as low return on investment, relative to other sectors and priorities.*' Some of the main issues to overcome are filling the information gap (i.e. having concrete projects, costed/measurable needs), ensuring proper financial administration mechanisms are in place (with sound fiduciary instruments in place that are trusted by funding sources), political will, and looking into public funds that can be realigned towards biodiversity goals (i.e. subnational government budgets, and agricultural investment/extension financing). There is also a big potential in fiscal reform that ends or fixes perverse subsidies (i.e. monocrops), redefines how government budgets are allocated to include biodiversity criteria, develops positive tax incentives, and addresses taxing activities that harm biodiversity and earmark revenues towards conservation goals. Ultimately, the role of the public sector is 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.

Summaries of the instruments/funds discussed at the workshop

The experts discussed existing instruments and finance products that are intended to promote biodiversity-friendly production including:

- **A Biodiversity Action Plan (BAP)** is a strategic tool to improve biodiversity on farm level. It helps advisors and farmers to bundle activities for promoting biodiversity. By defining a baseline, the BAP is a good basis regarding the improvement of the quality and effectiveness of biodiversity measures. The BAP focuses on reducing the negative impacts of agricultural activities on flora and fauna as well as the creation and the protection of habitats on the farm and in its surroundings.

The BAP highlights the principle of continuous improvement and helps to roll out best agricultural practices. As such, the plan is adaptable to all countries and cropping systems, creating added value in conventional as well as organic farming. A three step monitoring approach is inherent to the plan, giving farmers and food companies the possibilities to track the development of biodiversity measures on the farm and the impacts on biodiversity.

- **OroVerde –the Tropical Forest Foundation** presented an analysis of forest landscape restoration initiatives and their ecological and social effects based on case studies in Kenya, Peru and the Dominican Republic. The study provided an overview of the existing landscape restoration initiatives and financial vehicles that focus on forests, their objectives and the stakeholders involved.

It was clearly stated that in order to meet the national promises made toward the [Bonn Challenge](#), there is a risk that this could lead to the creation of large-scale monoculture plantations instead of species-rich ecosystems. There is a significant lack of criteria, which can be applied to ensure the ecologically and socially compatible implementation of financing biodiversity and forest regeneration. The case study of a gold mine in Dominican Republic showed the importance of involving local communities into decision-making and improving clear land tenure are important aspects as well as monitoring of ecological variables. Furthermore, the Peru case study on Althelia Climate Fund in Madre de Dios highlighted that farmers should not take the financial risks on large-scale investments. Publications on this study will be released soon.

For more information:

<https://www.regenwald-schuetzen.org/unsere-projekte/forschung-und-studien/impact-investment/information-about-impact-investments/>

<https://www.globalnature.org/en/forest-landscape-restoration>

- **United Nations Development Programme's [Biodiversity Finance Initiative in Peru](#)**, has prioritized several mechanisms within government to support both public and private sectors in biodiversity. These include the: (1) Sustainable, Inclusive and Competitive Forest Development Program in the Peruvian Amazon aimed at "Recovery and Conservation of Amazonian Forests" through conservation and forestry governance; (2) Investment Program for the Promotion and Sustainable Management of Forest Production in Peru aimed at improving sustainable, commercial and heritage forest production; (3) Other mechanisms like development of the Promotion and Competitiveness Module of the National Forest and Wildlife Information System (MPC - SNIFFS); promotion of the "Vicuña Perú" and "Vicuña Perú – Artesanía" Brand; promotion of financing alternatives and access to financial mechanisms such as Forest Insurance and Forest Mortgage; and (4) Corporate Ecosystem Services. The company CELEPSA has integrated ecosystem services in its business strategy. In this framework, it has been financing the conservation of ecosystems that provide water for the operation of the El Platanal hydroelectric power plant. In addition to direct financing of conservation and ecosystem recovery measures in the upper basin, CELEPSA actively supports the implementation of the Master Plan of the Nor Yauyos Cochas Landscape Reserve, through a non-profit civil association.
- **[mByom Consultancy's digital solutions in Kerala](#)**, India provides smallholding farmers with assistance in procurement, farm-gate supply and services, and a transparent e-payment system. The "Farmer First" Aggregation Model of farm produce is being developed for small spice and coffee farmers in ecologically vulnerable regions in the state of Kerala, India. The aHOPE mobile application allows for the Aggregation of "Small Quantities of Diverse Produce" with a transparent Online Payment mechanism that links Small Farmers, Farm Gate Pickup Vehicles and Aggregators.

The Tree Mortgage program promotes endemic tree canopy creation through silviculture on small farms. The program recognizes that small farmers cannot wait for money. The farmer receives up to 60% of the value of the tree in a staggered manner before felling. The stakeholders involved are the farmer, local community (Participatory Guarantee Systems . PGS), Bank (lien on the mortgage), Insurance and the Buyers. Geo-tagging, drone technology and the aHOPE mobile application are deployed. Sustainability and biodiversity favouring choices by small farmers are encouraged by the model design.

- Created in 2007 with support of the United Nations to promote business engagement in BioTrade, the **Union for Ethical Biotrade (UEBT)**'s mission is to support and validate best practices of companies committed to ethical sourcing and innovation of natural ingredients for the benefit of people and biodiversity.

To promote biodiversity through biodiversity friendly businesses practices, UEBT uses three tools:

1. **[UEBT standard](#)**. Principles one and two include requirements for conservation and sustainable use of biodiversity. Business that are members of UEBT have to comply with the requirements. Meaning they have to:
 - Identify areas of biodiversity importance
 - Identify opportunities and threats
 - Set relevant actions for
 - ✓ protection of ecosystems,
 - ✓ creation of priority areas for biodiversity
 - ✓ promotion of landscape connectivity
 - Sustainably use wild collected and cultivated species
 - Prevent or mitigate negative impacts of farming and wild collection on other species and natural resources

2. UEBT training material. It includes guidelines and e-trainings for businesses to develop and implement Biodiversity Action Plans and, in turn, comply with the requirements of conserving and sustainable use of biodiversity.
 3. Partnerships with Ethical funds. UEBT/EcoEnterprises Fund partnership aims at supporting investment in small businesses working with UEBT and who actively contribute to conserving biodiversity and improving livelihoods for local communities.
- **Uganda's blends traditional funding** from the central government with donors with innovative financing mechanisms, including payment for ecosystem services, biodiversity offsets, trust funds and markets for certified products in the agriculture, tourism and mining sectors. Uganda's experience in financing biodiversity highlighted the current financing for biodiversity by government and the opportunities that civil society organizations and the private sector have undertaken to support biodiversity conservation and management. The country has institutionalized biodiversity conservation through mainstreaming biodiversity, ensuring that biodiversity related activities such as restoration to reduce biodiversity loss and further degradation, and community engagement to increase public education and awareness are integrated into the annual plans and budgets.

In addition, projects supported by development partners such as UNEP, UNDP, UNEP-WCMC and other UN agencies and international non-governmental organizations like GIZ, ICRAF, WWF, IUCN among others; have led to key outputs that highlight key areas of how to mobilize additional financing for biodiversity. A key project that has provided financing solutions for biodiversity conservation and management in Uganda is the Biodiversity Finance Initiative (BIOFIN). It has identified eight financing solutions that Uganda can use to finance biodiversity conservation through government programs, civil society and private sector support.

- **East African Development Bank (EADB) Biodiversity Investment Fund (BIF)** – attractive loans are offered to the private sector in return for a biodiversity impact. The target sectors are organic or climate/smart agriculture, tourism, forestry (including Non-timber forest product), fisheries/aquaculture, renewable energy and wildlife-based enterprises. The BIF methodology is based on three pillars: (1) greening operations, (2) inclusive business, and (3) conserving and restoring natural habitat. Companies applying to BIF need to implement actions based on three pillars to create a biodiversity impact. Biodiversity is also promoted to companies as a climate change adaption measure, especially application from the agricultural sector.

The private sector (mainly small and medium sized enterprises) in Uganda has shown an interest in applying to the BIF for a loan, mainly due to its more flexible terms compared to commercial banks. Many companies applying to BIF have little or no experience in biodiversity conservation but are open to create a biodiversity impact through their operations and investment. Applicants rely heavily on the technical assistance provided by the BIF team to create a biodiversity impact.

Conservation Enterprise Hub (in prep.) – technical assistance and wide array of investment financing will be provided to small and medium sized enterprises (SMEs) to help them create biodiversity impact and help them transition to become biodiversity-friendly companies. The Conservation Enterprise Hub is envisioned to overcome the lack of the private sector ability to both raise suitable finance for their business and to conserve biodiversity. SMEs applying to the hub will be able to access various financing in the form of equity, loans, asset-based finance or similar; and they will be taught how to become biodiversity-friendly. The hub will function as a “business incubator” and advise them on improving their business management and delivering on biodiversity impact. After 2 to 4 years, these companies can apply to additional funding through e.g. private equity and commercial banks. Traditional SME incubators do not provide such a complete service, this offers everything in one shop would deliver the needed impact.

Climate-proofing Financial Sector Lending and Investment Practices (in prep.) – technical assistance to financial institutions to transform their existing environmental and social governance (ESG) frameworks. Biodiversity friendly commercial banks and institutional

investors often have environmental and social governance frameworks, which mainly focus on avoiding pollution. Instead of raising new funding for biodiversity-friendly investments, current ESG framework can be adapted to promote biodiversity. Promoting biodiversity-based climate change adaptation strategies is a way to mainstream biodiversity in the financial sector. Some banks especially those with an agricultural portfolio are slowly realizing their investments are exposed to climate risk from extreme weather events and gradual change. Banks and investors could adopt climate-proofing measures and practices through conserving and restoring biodiversity as part of their due diligence and investment guidelines.

- **The National Bank for Agriculture and Rural Development ([NABARD](#))** is the apex developmental bank of India with the mandate and mission to promote sustainable and inclusive development. Mitigating rural distress has become a national priority in India. Nearly three quarters of India's poor live in rural areas, primarily relying on agriculture and natural resources for their subsistence. Immense resources are required for the expansion of public Natural Resource Management (NRM) programmes. India will find it difficult to provide these resources - estimated at over € 13 billion up to 2022 - needed to achieve the projected target for NRM financing.

Umbrella Programme for Natural Resource Management ([UPNRM](#)) is a unique form of blended financing product involving loan and grant support in Natural Resource Management (NRM) sphere. The programme started in the year 2008-09 with Financial cooperation from KfW and Technical Cooperation from GIZ. This is a development initiative with a hypothesis to examine the viability of loan-cum-grant based community managed NRM approaches instead of pure grants. The programme followed a 'credit Plus' Approach by way of grant assistance, wherein the capacity of the Channel partners and end users are focused for proper channelization and utilization of the loan.

NABARD has been able to successfully demonstrate the business angle in a few of the initiatives like System of Rice Intensification (SRI), Sustainable Sugarcane Initiative (SSI), Better Cotton Initiative (BCI) with drip irrigation, Integrated Bio Gas model, Ecotourism, sustainable agricultural practices, cultivation of medicinal plants with primary processing, soil and water conservation measures in tank-based irrigation in dry-land areas, community drinking water, and installation of automatic weather stations.

Further examples of innovations in biodiversity-friendly value chains include: (1) [ForestFinest Impact Land Use Consulting](#)'s work with investors on land use, carbon trading and corporate social responsibility; (2) Forest Stewardship Council's [Ecosystem Services Procedure](#) that can be used by businesses and governments to demonstrate the impact of their purchases, payments and investments on ecosystem services; and (3) WWF's [Sustainable Consumption and Production project](#) that is establishing low-carbon production and consumption.

Recommendations

The workshop participants called for new financial incentives for a transformative model of agriculture that is friendly to biodiversity and provides nutrition throughout the year for agricultural communities and people who buy their products. Such a transformation will blend agriculture with conservation and contribute to the United Nations Decade on Ecosystem Restoration.

Most importantly, countries need to view biodiversity as an economic asset. They can use existing innovative models, such as payment for ecosystem services, green funds, public-private partnerships, royalties, biodiversity offsets, debt-for-nature swaps, collection of fees, tax breaks, carbon banks and many more to catalyse the involvement of the private sector in biodiversity financing. Some are already making progress but more needs to be done. More options need to be packaged and available, adapted to specific needs.

The expert group called for:

- Governments to take the lead on ensuring that biodiversity is protected and recognized as a true asset, through various mechanisms;

- National finance and policy working groups to lead integration of biodiversity goals and agricultural financing mechanisms;
- Public investment into mixed, mosaic landscapes — for example, through enhanced support to agricultural extension and rural advisory services, upgrading value chains, improving seed and seedling systems for indigenous trees and underused crops — to de-risk farm and forest-community enterprises;
- Engagement with the private sector to develop principles and standards for inclusive and biodiversity-friendly value chains to help companies commit and diversify; and
- Research studies to quantify the effect of investment on biodiversity, restoration of ecosystem services and nutritious food.

Key reflections from the group

At the end of each session during the workshop, participants were asked to reveal what they understood as key actions/issues. They identified the need to:

- Work within existing financial instruments to include biodiversity.
- Do not go to finance (other government) minister and talk about investing in biodiversity. Talk instead about helping them achieve goals (climate change, Aichi, national targets, etc.)
- Speak the right language. Frame your argument with government and investors around the language that they use. For example, discuss de-risking investment.
- Talk to investors and producers about the benefits of biodiversity certification schemes.
- Be clear that we are discussing two different streams. One for conservation and one for sustainable land use.
- Establish the quantifiable values of resources, which is necessary to identify business opportunities for win-win situations. Tools for modelling the return on investment exist and can help with demonstrating biodiversity's contribution to various sectors (tourism, water etc.) and special conservation programs.
- Understand that biodiversity and economic growth are facing similar problems, but climate change forms alliances. Work through mechanisms like climate change to positively include biodiversity.
- Also use a common language around biodiversity with small farmers, for example. They are conserving on their land but they do not speak the same language as governments and donors. Benefits will be realized when this happens.
- Approach government with their needs in mind. Tell them how much we need to sufficiently increase biodiversity and explain how it contributes to the economy (this worked in Peru).
- Help lenders to understand that sustainable agriculture decreases risk (and increases social and ecological benefits). All the impacts should be involved is assessing risk for a loan.
- Help borrowers know what they can do to conserve and create a place for biodiversity. They may not know. If they know then they may be more appealing to lenders.
- Make use of existing markets like the carbon market to promote biodiversity. For many, biodiversity is a positive side effect.
- Utilize certification as a key in biodiversity investment.
- Put together the people who need financing and those who have money – we just need to put them together somehow.
- Convince businesses to pay attention to biodiversity to (1) avoid risks: operational, reputation loss, market related, regulation and law related, liability, financial, and (2) seize on opportunities: new markets, product innovation, transparency, attractiveness as responsible employer, additional income, license to operate.
- Provide help to identify where investors can make an impact in the supply chain. Must reduce their risk and ensure sustainability of their supply.
- Support certification schemes to show evidence of biodiversity achievements and increase awareness for the end user. There is also more of a need for a landscape approach in certification. Certification schemes should also set baselines (what happened before) and better incorporate M&E.

Key actions by region

Latin America

- Promote ideas of financial inclusion and the landscape approach to biodiversity.
- Will translate biodiversity concepts into financial terms.
- Will bring finance for biodiversity to upcoming Parks Congress in Peru as side event.
- Make sure that we include a wide group of stakeholders in biodiversity finance discussions.
- Branch out to many different ministries to promote the inclusion of biodiversity.
- Promote long-term investment projects instead of short cycle.
- Work on methods to include local knowledge/practices into biodiversity financing.
- Explore opportunities to use apps (such as aHope).
- Will examine risks for external funding since there is no direct/local funding available.

East Africa

- Follow up with financial institutions and the private sector – call for meeting with East Africa Development Bank to create awareness on biodiversity.
- aHOPE smallholders app will be explored for use in Ethiopian Commodity Exchange Programme and Brookside programme in Kenya.
- Look to GIZ programme for best practices on finance.
- CBD reporting the meeting with financial institutions will include our actions and opportunities on finance and biodiversity.

Asia

- Reduce barriers to entry and sharing information on biodiversity and financing, especially in a big country like India.
- Follow up on policy advocacy that actually includes biodiversity in India. There is one, but it is not commonly used in policy. May be possible to revive this older biodiversity policy document.
- Promotion of small farms and making finance available to all.

Participants

The expert group consisted of participants from the following institutions (In alphabetical order):

Agriculture and Finance Consultants (AFC); Centro Agronómico Tropical de Investigación y Enseñanza (CATIE); East Africa Development Bank; ForestFinest Consulting; Forest Stewardship Council; GIZ; Georg August Universität, Göttingen; Global Green Growth Institute; Global Nature Fund; International Union for Conservation of Nature; mByom; National Bank for Agriculture and Rural Development, India; National Environment Management Authority, Uganda; Oficina Presidencial Cambio Climático, Honduras; Oro Verde; Pontificia Universidad Católica, Peru; Servicio Nacional Forestal y de Fauna Silvestre, Peru; Union for Ethical BioTrade; Welthungerhilfe; WWF; World Agroforestry; Zukunft – Umwelt – Gesellschaft,.

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- [Harnessing the Potential of Trees on Farms for Meeting National and Global Biodiversity Targets](#) (implemented by World Agroforestry)
- [Private Business Action for Biodiversity](#) (implemented by GIZ)
- [Biodiversity and Ecosystem Services in Agrarian Landscapes](#) (implemented by GIZ)
- [International Forest-Related Climate Finance](#) (implemented by GIZ)
- [Mainstreaming Biodiversity into the Mexican Agricultural Sector](#) (implemented by GIZ)
- [Mainstreaming EbA: Strengthening Ecosystem-based Adaptation in Decision-making Processes](#) (implemented by GIZ)

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