



Biodiversity for Life 2.0 Facility

Components of an enabling framework for biodiversity finance

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I. Introduction

With the progressive crossing of multiple planetary boundaries¹, the world is facing a triple crisis related to climate change, environmental degradation and biodiversity loss. These are interlinked and represent global threats that affect every nation.

To address biodiversity loss, there needs to be a shift to embed nature and biodiversity into the economic decision-making process. This requires political will, public engagement, amended corporate decisions and individual actions, as well as considerable investment. Mobilising private capital is crucial, as neither public budgets nor development funding sources are sufficient to meet this demand.

This report outlines a comprehensive suite of measures aimed at establishing a supportive framework for biodiversity finance, broadly listed by order of priority. Such actions and strategies, even if only partially implemented by a country, would increase biodiversity finance, enhance funding mechanisms, incentivise conservation efforts, and integrate biodiversity considerations into national and global economic systems.

By way of reminder, biodiversity finance refers to the mobilisation of financial resources, from both public and private sectors, aimed at the conservation, sustainable use and restoration of biodiversity and ecosystems, as well as the protection of endangered species. It includes financial mechanisms such as grants, loans, equity investments and innovative tools like biodiversity offsets, biodiversity credits, green and blue bonds, payment for ecosystem services (PES), Debt-for-Nature Swaps, and conservation trust funds, as well as public instruments such as biodiversity-related subsidies, taxes and charges that channel funding towards initiatives designed to preserve natural habitats.

It is important to recognise that minimum preconditions must be met before implementing the measures outlined. Specifically, for a country to be able to

¹ <https://www.stockholmresilience.org/research/planetary-boundaries.html>

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adopt a proactive stance on biodiversity financing, it must already have in place a conducive political environment, well-governed and properly operating public institutions, legal framework and other complementary safeguards. However, this document does not provide a list of such starting conditions, as it focuses only on biodiversity finance.

II. International agreements and initiatives

The Kunming-Montreal Global Biodiversity Framework (GBF) estimates biodiversity finance needs as USD 700 billion² per year between 2023 and 2030. To close the gap, the framework calls for USD 500 billion per year in harmful public subsidies to be repurposed. The remaining USD 200 billion a year would have to be mobilised from all sources – public, private, domestic and international; meaning the private sector would have to play a substantial role. Bridging this gap and scaling up biodiversity finance is crucial to halt further biodiversity loss and restore degraded ecosystems. Furthermore, the GBF aims to accelerate the development of sustainable finance policy and regulation, including mandatory nature-related disclosure, increased nature-positive financial flows, and biodiversity risk management.

This section highlights the role of national biodiversity strategies and action plans (NBSAPs)³ and national biodiversity finance plans (NBFPs or BFPs)⁴ in achieving these goals. Implementing

strategies and plans aligned with the GBF ensures a coordinated national response to biodiversity challenges, facilitates the scaling up of biodiversity finance and supports the development of sustainable finance policies.

NBSAPs and NBFPs: as critical starting points, countries should develop and implement comprehensive NBSAPs aligned with the Global Biodiversity Framework (GBF). An NBSAP also includes a policy and institutional review (PIR) which aims to assess the adequacy of existing policies while identifying gaps in such policies. An NBSAP should also establish corresponding NBFPs to identify funding needs and strategies for resource mobilisation. In this context, it may be worth recalling that all 196 governments that signed the Global Biodiversity Framework (GBF) need to update their NBSAPs⁵ accordingly.

III. Regulatory frameworks

Regulatory frameworks are essential for directing investments toward biodiversity conservation. This section flags the importance of national sustainable finance taxonomies, legal conservation mechanisms, environmental impact assessments (EIAs) and biodiversity-net-gain regulations. Additional measures, such as certified products, benefit-sharing mechanisms and sustainable procurement policies, create a legal and economic environment that encourages biodiversity-positive investments and supports biodiversity finance.

² <https://www.ifc.org/en/stories/2023/biodiversity-finance-interview-with-irina-ikhachova#:~:text=The%20Global%20Biodiversity%20Framework%20estimates,per%20year%20in%20harmful%20subsidies.>

³ <https://www.cbd.int/nbsap>

⁴ <https://www.cbd.int/financial/t19.shtml>

⁵ Learning for Nature provides an online self-paced course regarding NBFP: <https://www.learningfornature.org/en/courses/biodiversity-finance/#learndash-course-content>

At the upstream level, drafting a sustainable finance strategy with specific pillars to address the overarching financial regulation is the starting point. The EU sustainable finance strategy is the main umbrella covering key initiatives: first of all, the Taxonomy, then Disclosure regulation and Green Bonds standard. Biodiversity considerations are indeed increasingly integrated into disclosure regulations, requiring companies to report on their impacts and dependencies on natural ecosystems, and making biodiversity an important aspect of corporate sustainability. Similarly, the Green Bonds standards include criteria that support biodiversity projects, thus leading green bond issuers to consider the importance of natural capital.

Sustainable finance frameworks and taxonomies, at a national or a regional level, and that include criteria for biodiversity investments, can enhance biodiversity finance by establishing clear definitions for what constitutes a biodiversity-supportive investment. Such a legal definition, ideally aligned with international best practices and rooted in a scientific approach, aids investors in directing capital into projects that contribute to biodiversity conservation and sustainable use of natural resources.

For example, the EU's Sustainable Finance Taxonomy⁶ established criteria for economic activities that significantly contribute to environmental objectives, including biodiversity conservation. By defining what qualifies as sustainable, the taxonomy helps channel private and public

investments into projects that support biodiversity. This ensures that financial flows are aligned with the EU's biodiversity goals, and promote activities such as habitat restoration, sustainable land-use, and conservation efforts, thereby enhancing biodiversity finance across the region. Other examples of frameworks of sustainable finance and taxonomies include South Africa's Green Finance Taxonomy⁷ and the Common Framework of Sustainable Finance Taxonomies for Latin America and the Caribbean⁸.

Conservation frameworks and land-use planning: Legal mechanisms for conservation can be put in place so that landowners are incentivised to preserve the ecological value of their land over the long term in exchange for tax benefits or other financial incentives. By providing such incentives and legal commitments, conservation legal frameworks make it financially viable for landowners to prioritise ecological preservation over environmentally damaging uses of their land. Therefore, such financial incentives have a multiplier effect, as they help mobilise significant private assets and nature capital resources toward biodiversity conservation.

Somewhat related to conservation, land-use planning, supported by effective law enforcement, is also a vital component of biodiversity conservation, as it enables governments to outline areas where development is permissible and areas where it must be restricted or prohibited ('go' and 'no-go' zones). To enhance the effectiveness of biodiversity finance and

⁶ https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

⁷ https://www.idos-research.de/fileadmin/migratedNewsAssets/Files/DP_15.2023.pdf

⁸ <https://www.unep.org/resources/report/common-framework-sustainable-finance-taxonomies-latin-america-and-caribbean#:~:text=The%20Common%20Framework%20of%20Sustainable,to%20develop%20sustainable%20finance%20taxonomies>

conservation efforts, national governments must set clear, enforceable targets that are integrated into land-use planning frameworks. This should include the identification of biodiversity hotspots, protected areas and key biodiversity areas (KBAs), where development is either prohibited or subject to stringent conditions.

For example, conservation easements are well-established in the USA⁹, with a robust legal framework that allows non-profit organisations to acquire and hold perpetual restrictions on land to protect its natural features.

While conservation easements are a well-established tool in developed nations, their application in developing countries is relatively new but gaining traction. Countries like Costa Rica and Colombia have been at the forefront of conservation efforts, including the potential use of conservation easements to protect critical ecosystems. South Africa and Kenya have demonstrated interest in utilising this tool, particularly for safeguarding wildlife corridors and community-owned lands. Some countries in Southeast Asia, such as Indonesia and the Philippines, are also exploring conservation easements to protect rainforests and coastal areas.

Biodiversity net-gain frameworks through mandatory environmental impact assessments (EIAs) along with mandatory biodiversity-positive/net-gain actions:

Mandatory EIAs for infrastructure development, agricultural, forestry, fisheries and aquaculture, tourism, mining and industrial projects allow evaluation of potential impacts on

biodiversity and would identify mitigation measures to minimise harm.

Consequently, such assessments can increase awareness of the importance of biodiversity and may drive investments from environmentally conscious stakeholders into projects that meet high environmental standards. The CBD¹⁰ provides advice regarding EIAs. Nevertheless, for a significant enhancement in biodiversity finance, an additional regulation mandating the generation of a positive impact (net gain) on biodiversity is essential. Such investments would then be achieved through the purchases of units (or credits) from developers of other biodiversity projects.

The UK has recently implemented a biodiversity net gain (BNG) regulation¹¹, whereby developers must deliver a biodiversity net gain of 10 %. If developers cannot achieve all their BNG on site, they can deliver this through a mixture of on-site and purchase of off-site biodiversity units, either on the market or from the UK government.

While EIAs are particularly relevant in infrastructure investments, specific provisions and guidance adapted to SMEs are also important. In particular, exclusion lists and best-practice guidance lists related to technology are easy tools to establish basic guidance.

Recently, central banks and financial regulators have begun reviewing their practices and recognising biodiversity loss as a prudential risk that could jeopardise the stability of the financial system. Consequently, mandatory EIAs may

⁹ <https://www.conservationeasement.us/resources/>

¹⁰ <https://www.cbd.int/impact/whatis.shtml>

¹¹ <https://www.gov.uk/guidance/understanding-biodiversity-net-gain>

emerge as a primary measure to tackle this concern.

Certified products frameworks:

Developing infrastructure that supports the production and distribution of certified products, including robust supply chains, transportation networks and market platforms, can significantly enhance market access for sustainable commodities. Value chain development can enhance the willingness of the private sector to invest, by establishing transparent supply chains that support traceability for certified products, and by fostering partnerships between producers, processors and markets.

Additionally, facilitating access to finance through specialised loan products, guarantees or insurance schemes can lower financial risks for producers seeking certification. Furthermore, offering export incentives such as tax breaks, reduced tariffs and marketing support can help access international markets.

These measures collectively increase biodiversity finance by attracting investments into certified, environmentally friendly practices, ensuring the producers have the resources and market access needed to sell their production.

South Africa's Wildlife Economy Certification scheme is an example of such a framework. It aims to create and run a voluntary certification scheme for the sector that is backed by major stakeholders, and which promotes social sustainability and biodiversity conservation.

Green public procurement (GPP) for biodiversity protection:

GPP can be a powerful tool to protect biodiversity in developing countries. By prioritising environmentally friendly goods and services, governments can stimulate markets for sustainable products, support local communities and contribute to ecosystem conservation. GPP incentivises the development of green solutions, such as biodegradable materials or wildlife-friendly agricultural practices, and promotes sustainable certifications and labels. The OECD¹² provides general advice on GPP, including best practices for sustainable procurement¹³. Examples of GPP for biodiversity protection include:

- Procurement of eco-certified products: purchasing products certified as environmentally friendly, such as those carrying the Forest Stewardship Council (FSC) label for timber or the Rainforest Alliance certification for agricultural products. Impact: supports sustainable production practices, protects forests and safeguards biodiversity.
- Procurement of locally sourced products: prioritising products sourced locally to reduce transportation emissions and support local economies. Impact: promotes sustainable agriculture, reduces pressure on natural resources and supports biodiversity conservation through traditional land-management practices.
- Procurement of ecosystem services: contracting for ecosystem services, such as carbon sequestration, water

¹² <https://www.oecd.org/gov/public-procurement/green/>

¹³ https://www.oecd.org/gov/public-procurement/Going_Green_Best_Practices_for_Sustainable_Procurement.pdf

purification or pollination, from local communities or landowners. Impact: provides financial incentives for biodiversity conservation, supports local livelihoods and contributes to ecosystem restoration.

- Procurement of green infrastructure: investing in green infrastructure projects, such as green roofs, urban parks and ecological corridors. Impact: creates habitats for wildlife, improves air and water quality, and contributes to climate change mitigation.
- Procurement of sustainable construction materials: purchasing construction materials with low environmental impact, such as recycled materials or materials sourced from sustainable forestry. Impact: reduces waste and resource consumption and protects natural habitats.

While specific examples may be limited due to data availability, it's possible to identify potential examples:

- Costa Rica: The country has a strong focus on ecotourism and biodiversity conservation. GPP could be used to procure eco-certified tourism services and support local communities involved in wildlife protection.
- Indonesia: Given its vast forest cover and biodiversity, Indonesia could prioritise the procurement of FSC-certified timber for public infrastructure projects to support sustainable forest management.
- Kenya: The country's focus on wildlife conservation could benefit from GPP

by procuring eco-friendly tourism services and supporting community-based conservation initiatives

Benefit-sharing mechanisms (e.g. involving property rights and resource rights): strengthening property and resource rights, alongside securing land tenure, are important measures for incentivising participation from landowners and indigenous peoples and local communities (IPLCs) in biodiversity conservation and sustainable use. Clear ownership and resource rights, coupled with benefit-sharing mechanisms, ensure fair distribution of benefits, thereby leading to an increase in biodiversity finance in sustainable projects such as ecotourism, agroforestry, and those involving payment for ecosystem services.

For example, a study from 2020¹⁴ focused on the Brazilian Amazon, which examined data from 245 Indigenous territories ratified between 1982 and 2016, found that deforestation significantly decreased in territories once they were legally recognised.

Public-private partnerships (PPPs) regulatory frameworks: Clear regulatory frameworks for PPPs are vital for enhancing biodiversity finance, as they encourage collaboration between the public and private sectors while promoting joint efforts in conservation and sustainable resource use. Additionally, **public-private benefit agreements (PPBAs)**, a form of collaboration based on shared roles and responsibilities, risks and financial aspects, would also be relevant in the context of biodiversity finance. In particular, **implementing blended finance**

¹⁴ <https://rainforestfoundation.org/scientific-evidence-points-to-indigenous-peoples-forest-management-as-key-to-climate-change-mitigation/>

mechanisms can significantly boost funding for biodiversity. These models leverage public funds to attract private investments, ensuring a steady flow of financial resources dedicated to biodiversity conservation, while also improving the quality of the implementation and the long-term impact thanks to the dual oversight.

As an example, African Parks¹⁵ is a pioneer in the PPP model for protected area management. To execute this model, African Parks signs long-term management partnerships with governments and local communities, for one or more protected areas, making it responsible for the execution of all management functions related to that area. While working with local governments, African Parks also relies on financial donors to fund its conservation activities.

Microfinance legal frameworks:

Microfinance empowers small entrepreneurs by offering them access to necessary capital for investing in micro-projects, including eco-friendly services. This financial support can stimulate the creation of sustainable ventures, such as ecotourism, community-managed wildlife reserves, reforestation initiatives, and sustainable agricultural practices that generate income for local communities and promote environmental conservation. Additionally, microfinance builds on the local communities' unique traditional knowledge about their natural environments. Ultimately, by bridging the financial gap for small-scale projects, a proper national legal framework for

microfinance boosts biodiversity finance and enhances the economic and ecological resilience of local communities.

The European Microfinance Platform provides access to the paper "*How can we regenerate ecosystems while we strengthen livelihoods? What is the role of inclusive finance?*"¹⁶, an appropriately titled document that includes numerous examples of this approach. A research paper¹⁷ on "*Microfinance as a Tool to Protect Biodiversity Hotspots*" is also available on Findev Gateway's website.

IV. Policy instruments to mobilise biodiversity finance

The mobilisation of biodiversity finance requires a comprehensive toolkit of policy instruments. This section looks at various mechanisms, including tax incentives, result-based budgeting, harmful subsidy reforms, financial subsidies for biodiversity-related investments, biodiversity-relevant tradable permits, as well as innovative market-based approaches like biodiversity offsets. These instruments help to redirect financial flows towards conservation efforts, encourage positive activities and create new opportunities for sustainable investments.

Fiscal regulations and incentives: Fiscal regulations play a significant role in promoting biodiversity finance and in channelling private capital towards biodiversity-positive investments. This may include:

- a) Providing **tax credits and tax incentives** for conservation and

¹⁵ <https://www.africanparks.org/>

¹⁶ <https://www.emfp.eu/sites/default/files/emw2022/Biodiversity%20Inclusive%20Finance%20financing%20the%20transition.pdf>

¹⁷ <https://www.findevgateway.org/sites/default/files/publications/files/mfg-en-paper-microfinance-as-a-tool-to-protect-biodiversity-hot-spots-2004.pdf>

restoration activities makes it more attractive for landowners and investors to engage in biodiversity-friendly practices: since tax credits reduce the financial burden of conservation projects and improve the rate of return on investment, they encourage more investment in conservation and restoration projects. Furthermore, tax incentives can boost the adoption of innovative conservation practices, as investors know they will receive financial benefits through tax deductions. Finally, tax incentives can also foster public-private partnerships, as governments can use these tools to draw private money into conservation projects, with a limited burden on the state budget.

- b) **Biodiversity-relevant taxes and fees:** Implement taxes and fees on activities that degrade biodiversity like those on pesticides, fertilisers and timber; generate revenue from the sustainable use of biodiversity, such as entrance fees to national parks, hunting licence fees, and charges for groundwater use; earmark revenues from taxes and fees for conservation and restoration efforts.
- c) For instance, the Income Tax Act of 1962 introduced South Africa¹⁸'s first biodiversity tax incentive for nature reserves and national parks, to support biodiversity conservation efforts by providing financial sustainability to critical conservation initiatives nationwide.

Additionally, the Council of Europe has published a paper on 'Using tax incentives to conserve and enhance

biodiversity in Europe'¹⁹. The advice and suggestions provided therein can be mirrored to suit the needs and specificities of other countries.

Results-based budgeting: An important measure for enhancing domestic governance capacity in biodiversity finance is the adoption of results-based budgeting. This strategy involves aligning biodiversity targets with national budget processes, allowing to secure greater allocations of public funds by demonstrating the impact and efficiency of biodiversity expenditures. Results-based budgeting for biodiversity benefits countries by improving the effectiveness of available funds, attracting additional investments, reducing negative impacts from key economic sectors through the integration of biodiversity targets into sectoral budgets, and increasing transparency through monitoring, evaluation, learning and measuring progress.

Harmful subsidy reforms: Identifying and reforming subsidies harmful to biodiversity is probably one of the most critical actions for biodiversity conservation and biodiversity finance. This is particularly the case in the agriculture, fisheries and forestry sectors.

This reform allows for resources to be redirected towards activities that benefit biodiversity, such as sustainable and organic farming methods, eco-friendly and quality standards, and preservation initiatives.

¹⁸ <https://www.rslv.co.za/newsletters/2024/biodiversity-tax-incentives-for-protected-areas/>

¹⁹ <https://book.coe.int/en/nature-and-environment-series/3245-using-tax-incentives-to-conserve-and-enhance-biodiversity-in-europe-nature-and-environment-no-143.html>

The European Commission's website²⁰ provides a list of environmentally harmful subsidies that should be phased out or are currently being phased out, while an OECD Environment Working Paper²¹ provides a comparative review of existing national-level assessments and insights for good practice.

Providing **financial subsidies for biodiversity-related investments** can take many forms: tax credits for environmentally relevant investment, or provision of public funds for nature conservation projects such as sustainable forestry practices, sustainable agriculture, fisheries and land conservation.

When provided to investments, such subsidies help offset the initial costs associated with sustainable projects, making them more feasible and more attractive to investors. By covering the upfront expenses, grants and subsidies reduce financial barriers and increase capital flows to biodiversity conservation and restoration.

For illustration purposes, the OECD's website provides an example of payments for biodiversity in Switzerland²², where a large share of payments under its agricultural policy has been devoted to protect farms, biodiversity and the landscape. To be eligible, farmers must provide evidence of good ecological performance, including allocating at least 7 % of agricultural land (3.5 % for special crops) as biodiversity-promotion areas. In 2015, these areas covered around 15 % of the utilised agricultural area, suggesting

the positive incentive effect of these payments.

Biodiversity permits financially incentivise the sustainable use of natural resources, thus supporting biodiversity conservation efforts. These permits operate under cap-and-trade systems, where a regulatory cap is set on the level of resource exploitation or pollution allowed. Such permits can lead to enhanced biodiversity finance and investments within a country by generating biodiversity finance for governments through the auctioning of permits, by creating a financial value for maintaining or enhancing biodiversity, and by incentivising investment in sustainable practices.

According to the OECD, there are currently 42 active tradable permit schemes in 26 countries which are relevant for biodiversity. At least four of these schemes allocate permits via auctioning. These include the bighorn sheep hunting auctions in Alberta, Canada²³, and similar auctions in Baja California, Mexico. The auctioning of hunting permits is also common in the United States.

The German UFZ Centre for Environmental Research also published a working paper on 'Applying tradable permits to biodiversity conservation: A conceptual analysis of trading rules'²⁴.

Biodiversity offsets: Implementing and enforcing biodiversity offset policies and regulations to compensate for unavoidable biodiversity losses from development

²⁰ https://environment.ec.europa.eu/economy-and-finance/phasing-out-environmentally-harmful-subsidies_en

²¹ https://www.oecd-ilibrary.org/environment/identifying-and-assessing-subsidies-and-other-incentives-harmful-to-biodiversity_3e9118d3-en

²² <http://oe.cd/epr-switzerland>

²³ <https://auctions.sfw.net/lots/view/1-7Q03U3/bighorn-sheep-alberta-2024>

²⁴ <https://www.econstor.eu/bitstream/10419/44724/1/594705398.pdf>

projects ensures no net loss or, preferably, a net gain of biodiversity. Offsets must be accompanied by independent oversight and monitoring of biodiversity offset projects to enforce compliance with regulations and must be subject to public disclosure of offset projects and their outcomes.

As an example, the UK's Biodiversity Net Gain (BNG)²⁵ policy increases biodiversity finance by ensuring that development projects in England achieve a net biodiversity improvement of at least 10 %. Gains should be achieved either on-site or off-site. The latter can be done either by purchasing units on a new market, or by purchasing statutory biodiversity credits from the government. While still recent, such legislation is anticipated to channel significant financial flows towards enhancing biodiversity in the UK.

V. Stakeholder engagement

In the spirit of a 'whole of society' approach, successful solutions for designing and implementing biodiversity solutions as well as biodiversity finance schemes require a broad range of stakeholders to be involved. This should include, for example, governmental departments and agencies (including ministries, environmental protection agencies, and wildlife and conservation agencies), protected area management organisations, landowners and farmers, indigenous peoples and local communities, financial institutions including development and commercial banks, investment funds, pension funds, insurance companies and their regulators, corporations, conservation NGOs, civil society, environmental

consultants, research institutions and academia. This would be important to ensure the schemes are tailored to local business and social conditions and that they enjoy extensive support.

In particular, this section examines how specialised environmental courts, central banks, conservation trust funds, specialised financial vehicles and the private sector can contribute to conservation efforts and biodiversity finance. By fostering collaboration and ensuring the participation of all relevant stakeholders, countries can create a robust framework for biodiversity finance that appropriately addresses local needs and challenges.

Establishing specialised **environmental courts** and strengthening **environmental liability regimes** ensure that environmental regulations are rigorously applied and that those responsible for biodiversity loss and environmental damage are held financially accountable, thereby providing a deterrent to harmful activities. In turn, the threat of financial penalties incentivises businesses to invest in sustainable practices and cleaner technologies to avoid potential liabilities. These mechanisms could also generate funds for biodiversity conservation, if legal fines and penalty payments from liability cases are directed towards financing restoration projects.

Central banks and regulators can play a key role in encouraging, if not requiring, financial institutions to **incorporate the following biodiversity finance-related aspects** into their practices, in line with the recommendations of the Taskforce on

²⁵ <https://www.gov.uk/guidance/understanding-biodiversity-net-gain#:~:text=In%20England%2C%20BNG%20is%20mandatory,than%20there%20was%20before%20development.>

Nature-related Financial Disclosures (TNFD)²⁶ :

- a) **Financial institutions to issue biodiversity lending (for banks) and investment (for asset managers) targets, such as nature-loss and nature-positive targets, in line with the guidance set by the TNFD and the target-setting methods developed by the Science-Based Targets Network (SBTN)²⁷.**

Encouraging financial institutions to set specific biodiversity lending and investment targets can direct significant financial flows towards conservation and restoration projects. For instance, financial institutions may decide to allocate a percentage of their loan portfolios to projects for reforestation projects, sustainable agriculture and eco-friendly infrastructure. By setting clear and measurable biodiversity targets, financial institutions can align their lending practices with global conservation goals, such as those of the Kunming–Montreal Global Biodiversity Framework. In turn, such an approach would signal to businesses and investors that biodiversity is a national priority, potentially attracting more private sector investment into conservation efforts. Reporting on these targets, as well as on their risks, dependencies and impacts on biodiversity through their operations, supply, and value chains and portfolios, would also ensure transparency and accountability, encouraging a continuous increase in biodiversity financing. Such reporting would be in

line with the GBF's global targets for 2030.

- b) It is also worth mentioning the Task Force on Climate-related Financial Disclosures' (TCFD) LEAP²⁸ approach, which allows financial institutions to evaluate not only their nature-related dependencies and impacts but also to assess their nature-related risks and financing opportunities.
- c) **Biodiversity governance to become part of a financial institution's board of directors or supervisory board's governance practices.** By mandating that biodiversity governance is integrated into the board's governance practices, central banks and regulators can ensure that environmental considerations are embedded at the highest level of decision-making within financial institutions. For example, financial institutions could be required to include biodiversity expertise among board members or to establish dedicated committees to oversee biodiversity impacts and risks, as they do for financial or fiduciary risks. This integration can drive the development of biodiversity strategies, with the bank's governance body receiving regular updates on biodiversity-related risks and opportunities, similar to how they receive updates on financial risks. This would encourage financial institutions to consider the long-term biodiversity impacts of their investments and loans and would encourage them to align their financing with national biodiversity strategies and

²⁶ <https://tnfd.global/>

²⁷ <https://sciencebasedtargetsnetwork.org/>

²⁸ <https://tnfd.global/publication/additional-guidance-on-assessment-of-nature-related-issues-the-leap-approach/>

conservation goals, thereby increasing biodiversity finance.

- d) **Biodiversity risk management**, i.e. physical and transition risks stemming from nature loss. This should ideally be achieved through an **integrated approach to climate and nature risks**. It should also be supported by central banks issuing related **supervisory expectations and guidance**. For example, they could recommend the use of tools such as ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure), which helps financial institutions understand and assess the risks that environmental degradation poses to their loan and investment portfolios. Another example is that of the French regulator, which, since 2021, has required French commercial banks to conduct climate risk assessments, following guidance by the Banque de France and the Network for Greening the Financial System,. It would be ideal if biodiversity risk assessments could also become mandatory.
- e) Incorporating **biodiversity due-diligence obligations** into local banks' lending practices: Requiring financial institutions to perform biodiversity due diligence as part of their lending approval processes ensures that environmental risks are fully assessed before loans are approved. This process involves evaluating the potential impact of a project on biodiversity and confirming that appropriate mitigation measures will be taken. Incorporating biodiversity due-diligence obligations can prevent harmful projects from receiving funding

and can promote investments in sustainable initiatives. This requirement also encourages banks to develop expertise in environmental risk assessment, fostering a more in-depth understanding of the relationship between finance and biodiversity. EIAs and Environmental and Social Standards (ESS) are essential operational tools to implement these obligations.

Conservation trust funds (CTFs) and national green funds: Encouraging, supporting, and financially sponsoring the setting up of national conservation trust funds can significantly boost biodiversity finance by channelling targeted funding toward crucial conservation efforts while also providing long-term financial stability for conservation projects. These trust funds are designed to collect and manage financial resources specifically allocated for the protection, restoration and sustainable management of ecosystems and protected areas. CTFs are long-term endowment funds that preserve their principal capital by investing it in capital markets. The income generated from these investments is then used to finance conservation activities. The funds can also leverage financing from diverse sources, including international grants, philanthropic donations and private investments, creating a multiplier effect that amplifies the impact of the initial investment. By financing such funds, donors and investors can be assured that their contributions are being used effectively for conservation purposes.

An example of a CTF is the Madagascar Foundation for Protected Areas and Biodiversity, FAPBM²⁹ (Fondation pour les

²⁹ <https://www.fapbm.org/en/home/>

Aires Protégées et la Biodiversité de Madagascar). Established in 2005 to finance the management of Madagascar's protected areas, FAPBM is a significant conservation trust fund focused on the unique biodiversity of Madagascar. The foundation has an endowment invested in global markets; only the generated income is used to support protected areas in Madagascar, while the principal investment is preserved, guaranteeing long-term funding for biodiversity conservation.

Other types of funds that are quite similar to CTFs are national green funds. Unlike CTFs, national green funds use their own capital for the projects. For example, the Amazon Fund³⁰ in Brazil is dedicated to preventing deforestation and promoting sustainable development in the Amazon rainforest. It receives donations from international and national sources, including governments and private entities, and has financed numerous projects aimed at conserving the Amazon's biodiversity.

Similarly, the Micronesia Conservation Trust³¹ supports the conservation of coral reefs, forests and watersheds in Micronesia by providing funding for community-based projects, scientific research and capacity building. These trust funds ensure that financial resources are directed toward high-priority areas, where they can have the most significant impact on preserving biodiversity.

Private sector participation in biodiversity finance requires defining potential private sector revenue-generating

projects within NBFPs/NBSAPs, as well as developing appropriate long-term incentives for the private sector (e.g. concessional loans, design-stage grants, grant-funded technical assistance, guarantees, lines of credit, micro-loan facilities, private equity, seed funding incubation, innovation funds, green financial products, matchmaking platforms); this can be ideally achieved with the technical support of specialised government agencies or national development financial institutions, or specialised financial vehicles, as explained below. The impact funds industry is rich in pilot examples to draw lessons learned.

Specialised financial vehicles:

Developing, or sponsoring the development of, specialised financial vehicles tailored to biodiversity needs is a strong driver for fostering biodiversity finance. As noted in the paper³² 'Developing Blended Finance Capacity for Nature on a National Level', numerous examples of such vehicles can be executed:

- A specialised aggregation vehicle that would attract funding from diverse sources, aimed at matching funds with BF opportunities, and at facilitating the exchange of information among stakeholders;
- A project preparation facility for developing business plans, aggregating small projects, and assessing risks; aligning investment criteria of local partners with those of international donors; assisting in deal-structuring, and building a track record of

³⁰ <https://www.amazonfund.gov.br/en/home/>

³¹ <https://ourmicronesia.org/>

³² <https://www.idfb-dialogue.org/wp-content/uploads/2023/05/Developing-blended-finance-capacity-for-nature-on-a-national-level.pdf>

biodiversity finance and blended finance projects;

- Implementing technical assistance programmes to provide capacity building, assisting in designing projects or pilots and forming partnerships among national stakeholders.
- Establishing regional or national institutions focused on biodiversity finance, such as dedicated biodiversity finance funds, as well as biodiversity-focused financing banks.

VI. Other practices inducive of long-term sustainable investment

The success of biodiversity finance initiatives relies not only on direct financial mechanisms but also on a suite of supporting measures that create a conducive environment for long-term sustainable investment. This section examines the role of NbS, research and development support, transparency, as well as measurement and verification systems in driving sustainable investments. Integrating NbS into policies, funding research and mandating disclosure all attract investments in biodiversity. By implementing these measures, countries can build a framework for biodiversity finance that fosters innovation and accountability, while supporting high integrity.

Integrating Nature-based Solutions (NbS) into development projects, legislation, and policy can significantly boost biodiversity finance. In fact, amending environmental regulations to

mandate the inclusion of NbS in development projects, especially those that may affect natural ecosystems, ensures early consideration of NbS during the planning stages and helps align such sectors with NbS objectives. Similarly, national legislation should formally recognise NbS as crucial for biodiversity conservation and climate adaptation, thereby ensuring their incorporation into national strategies and budget allocations. Such an approach would mobilise financial resources dedicated to expanding NbS initiatives, and lead to an increase in biodiversity finance. Strategic environmental assessments (SEA) are the operational tool to determine the possibility of NbS at an early stage.

Barcelona, Lisbon, and Turin are three examples³³ of cities that have integrated NbS into local policy and planning. The ICLEI provides a resourceful factsheet³⁴ on this approach.

Support research and development: National governments should consider providing grants for research into sustainable production practices and technologies that enhance biodiversity, as this may lead to innovations and new applications. Additionally, local pilot projects which are best placed to incorporate local specificities in terms of biodiversity, economic and social factors, and which are developed on the back of research and development, can help demonstrate the feasibility and benefits of sustainable practices. Such pilots would lead to an increase in biodiversity investments and finance, especially as successful pilots can serve as models for broader implementation.

³³ <https://ecologyandsociety.org/vol28/iss2/art25/>

³⁴ https://iclei-europe.org/fileadmin/user_upload/ICLEI-ES-factsheet-NBS_Cheryl_Jones_Fur.pdf

Transparency and disclosure:

Transparency is crucial for building trust and accountability in biodiversity finance. Similarly to the EU's Corporate Sustainability Reporting Directive (CSRD), countries should incentivise companies to report on their biodiversity performance and integrate biodiversity considerations into their sustainability strategies. The adoption of frameworks such as those proposed by the TNFD³⁵ can significantly bolster investor confidence in the commitment of companies towards biodiversity, while allowing these same companies and banks to manage biodiversity risks within a recognised framework, thereby attracting funds from investors committed to biodiversity conservation. Hence, it is recommended to implement national mandatory disclosure requirements in line with TNFD for large companies and financial institutions on their biodiversity-related risks, dependencies and impacts. It is also recommended to encourage the use of the Global Reporting Initiative's³⁶ reporting framework on biodiversity. In the EU, for the last couple of years, the Sustainable Finance Disclosure Regulation (SFDR) has already proven its efficiency in promoting the use of environmental and

social standards, alignment with the European taxonomy and avoidance of greenwashing in the financial sector.

Measurement and verification systems:

Transparent and credible systems for measuring, reporting and verifying biodiversity outcomes are crucial to building trust and confidence in biodiversity markets, in particular in biodiversity credit. This includes establishing clear protocols for baseline setting, monitoring and impact assessment.

One of the most complete comparisons of existing tools for biodiversity measurement is the latest 'Assessment of biodiversity measurement approaches for businesses and financial institutions'³⁷, a series produced by the EU Business@Biodiversity Platform. It aims to support businesses and financial institutions in navigating the complex landscape of biodiversity measurement approaches.

³⁵ <https://tnfd.global/>

³⁶ <https://www.globalreporting.org/standards/standards-development/topic-standard-project-for-biodiversity/>

³⁷ https://green-business.ec.europa.eu/news/fourth-update-report-biodiversity-measurement-approaches-now-available-2022-12-16_en

