International Union for Conservation of Nature

ISSUES BRIEF

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Scaling financial flows into nature positive assets and projects

Summary

- **Increasing investment in biodiversity is crucial if the natural world is to continue supporting humanity. Substantial changes in national and global policy, incentives and stimuli to change global flows of finance to nature-positive impacts are necessary.**
- **The substance of these changes is known and some companies and financial institutions are starting to change. But the pace of change is too slow.**
- **Strategic focus is urgently required on increasing capacity and resources for project developers to participate in a conservation, creating incentives through risk-mitigation and realigned subsidies, setting appropriate global targets and adopting appropriate metrics.**

What is the issue?

Estimates of aggregate finance flows toward biodiversity (including from both public and private sources) range from around US$78 billion to US$143 billion per year, equivalent to around 0.1% of global nominal GDP in 2019.

The total estimated biodiversity protection need is between $722 and $967 billion per year. This leaves a current biodiversity financing gap of between US$ 598 billion and US$ 824 billion per year.

A part of the funding gap for investment in nature can come from public finance and philanthropy. But these alone will not fill this gap. **Private finance must be engaged more significantly**.

Despite significant increases (+34% between 2016-2018) **in sustainable investment, the portion that effectively goes to safeguarding nature is currently negligible** (3% in 2020: World Bank**).** Most of the USD 6.5 billion sustainable investment in conservation from 2004 to 2016 went to projects focused on sustainable food and fibre, and only USD 1.4 billion over the same time period was invested in natural habitat conservation (Forest Trends) .

Why is this important?

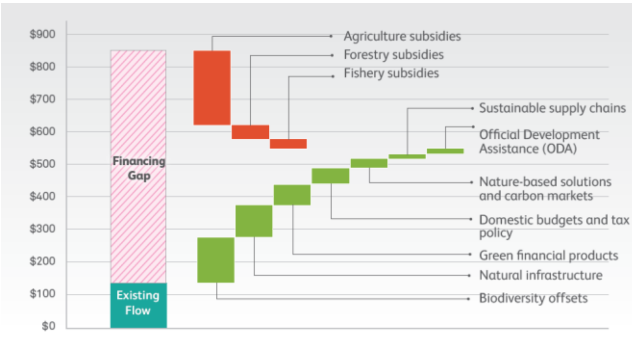
Overall, nature supports more than half of the world's GDP Nature is also valuable in its own right- many people want to know that nature is healthy. When nature declines, so do the benefits it provides to people, including ecosystem goods and services and nature-based solutions to global problems like climate change.

Investment in conserving nature presents enormous **economic opportunities** through green growth, sustainable supply chains, and environmental innovation. These economic opportunities will be crucial in enabling countries to rebound after the COVID crisis.

More than 30% of the actions necessary to deliver the 2 degree target under the 2015 Paris Agreement can be cost-effectively achieved through investment in nature, especially by stopping deforestation and restoring coastal ecosystems.

Declines in ecosystem services caused by loss of nature are more severe in developing countries than in developed nations. In developing countries, the poorest households are most dependent on environmental goods. For example, close to 20 percent of humanity, about 1.3 billion people rely on forests for their livelihoods, and the majority of them subsist on less than USD 1.25 a day. **Hence investing in nature will have disproportionate benefit to poor people.**

What can be done?



Estimated growth in financing resulting from scaling-up proposed mechanisms by 2030. (From Deutz et al. 2020)

The figure above outlines the main sectors into which investment can flow (green boxes) or where investment can be redirected (red boxes) to sustain global biodiversity and fill the financing gap.

Barriers to private sector involvement in nature conservation include perceived **high risk, small scale, and weak economic incentives. Hence the following actions will be necessary to deliver investment at scale:**

Develop scalable investment opportunities for nature conservation by joint-funding nature conservation with profitable investment

There are very few commercial investment opportunities in conservation. The major reasons for this are **the lack of attractive risk and return profile and the lack of scale,** most deals being under USD 20 million. In addition, lack of capacity of project developers to develop investable deals, especially in the global south where the need for investment is most urgent, and lack of blended finance vehicles adapted to the needs of local deal developers.

The Coalition for Private Investment in Conservation (CPIC), a multi-stakeholder initiative launched by IUCN, is an example of approach to standardise deals (blueprinting), replicate them across new sectors and geographies, and then aggregate them into the appropriate scale with appropriate blended finance.

Develop blended finance using public finance to reduce risk and attract commercial investors

Blended finance has the potential to help bridge the estimated USD 2.5 trillion per year investment gap for delivering the SDGs in developing countries. New strategies are being deployed by international financial institutions (IFIs) to leverage public finance to attract private finance particularly in the context of COVID-19 relief financing, although at present most of this is going to activities that have no or negative impact on biodiversity. IUCN is building momentum for blended finance facilities specifically supporting conservation outcomes across a range of structures, for instance the Nature+ Accelerator, the Sub-National Climate Fund, the Blue Natural Capital Finance Facility and the Ecosystem-based Adaptation Fund.

Stronger regulatory, legal, and policy frameworks to incentivize private investments in conservation.

Establishing scientifically-based, achievable, and spatially-specific targets in the post-2020 Global Biodiversity Framework is key to aligning action from all potential contributors whether it is governments, cities, business, the finance sector, local communities and indigenous people. National and international regulatory frameworks, laws, and other agreements and polices are needed to incentivize financial and other resources to support biodiversity conservation. Markets for offsets and habitat banking can emerge given the appropriate policy and incentive context, supported by IUCN standards.

Assess and showcase the co-benefits of investments in nature conservation, and of the long-term costs of inaction

Most of the investments required to attain the Aichi targets and SDGs 14 and 15 will deliver multiple benefits and should not be financed from biodiversity budgets alone. The flow of services derived from biodiversity stock is increasingly well documented and the value of these flows is being incorporated in national accounting frameworks such as the UN System of Environmental-Economic Accounting (UN-SEEA). This provides an opportunity to **justify joint public funding**.

Ensure that economic opportunities linked to biodiversity involve all under-represented and marginalised constituencies

IUCN emphasises the need for **improvement of transparency and access to information including especially for indigenous peoples and local communities (IPLC)** to ensure equitable and fair participation in the new opportunities offered by investment in conservation. **Specific support to these constituencies from bilateral and domestic funding is essential to enable them to participate.**

Develop appropriate metrics and target-setting approaches for investors

There is a need to establish appropriate metrics and practical tools to assess the impact on biodiversity of investments that are linked to the targets that will be defined in the Post-2020 Global Biodiversity Strategy.

IUCN is developing such indicators based on the Red List of Threatened Species (for example the Species Threat Abatement and Restoration Metric. Access to these and other screening tools through the Integrated Biodiversity Assessment Tool (IBAT) can support the necessary decisions. .

Further information:

Deutz et al 2020, Dasgupta review, Forest Trends 2016