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Regulating Finance
A precondition to implementing the Global Biodiversity Framework

By Simone Lovera, advisor to the Rainforest Action Network

A more comprehensive briefing paper on regulating finance can be downloaded in English, Spanish, French, Portuguese or Bahasa Indonesia.

As concluded by the UN State of Finance for Nature report, governments are yet to put their money where their mouth is as far as implementing the Global Biodiversity Framework (GBF) is concerned. Harmful public financial flows are 10 times greater than public investments in conservation, while harmful private financial flows are 100 times greater than private investments in conservation. The 2023 Banking on Biodiversity Collapse report, for example, revealed that at least $307 billion in credit had been directed to the main tropical forest-risk sectors from 2016 to September 2023.

The draft updated resource mobilization strategy of the Convention acknowledges the need that public and private financial flows need to be aligned with the GBF, as stipulated in GBF targets 14, 15, 18 and 19. However, it also expresses support for the Taskforce on Nature-related Finance Disclosures (TNFD) as a tool to achieve this, despite the fact that corporate-driven initiatives like this are not aligned at all with the GBF, and have proven to fail in the past.

TNFD provides only voluntary reporting guidelines for financial institutions, and it merely requires disclosure of information that is financially "material". This means risks will mainly be reported if they might impact on the financial interests of -potential- investors in the company - unless national laws require otherwise. This is not in line with GBF target 15, which mandates governments to ensure that impacts are not only reported on, but also addressed.

A 2021 World Bank report highlighted that low and middle low income countries will suffer 10 to 15 times larger economic impacts from biodiversity loss than high income countries. The negative impacts of biodiversity loss affect, in an often highly gendered manner, the Indigenous Peoples and the local communities that depend on ecosystems for their livelihood, and society as a whole. The wealthy companies causing the harm are often the last to suffer from the impacts of the damage they cause.

An approach that embraces corporate-driven voluntary initiatives will not ensure compliance with the Convention. Several countries like France, Brazil, China, Malaysia and Indonesia, and the EU, have already established regulatory frameworks to align their financial sectors with the GBF, or are in process of developing such regulations. Governments must adopt strong regulations to ensure that the financing of biodiversity collapse is halted, and that public and private resources are channeled to finance a gender just and truly sustainable transition.

As a very first step, they should clearly indicate in the updated National Biodiversity Strategies and Action Plans they are supposed to publish before COP16 what regulatory steps they are planning to make to prohibit the allocation of public or private capital to corporations and sectors that drive ecosystem destruction.

CBD Allaince Side event
Today, Tuesday 21st May, 13.15
CR-11 - JUSCANZ room

Mainstreaming, resource mobilisation and policy coherence for implementation

What has been the background to mainstreaming and resource mobilisation? How are these issues placed in a global economic context? And what kind of policy coherence is needed to implement biodiversity objectives? Which elements hinder them?

Are Green and Blue Bonds Fit for Purpose?

Alexander Kozul-Wright, Third World Network

It is estimated that more than half of global GDP is moderately or highly dependent on nature. But as the world gets hotter and as ecosystems collapse, so too will the economies that nature supports. The biodiversity crisis risks triggering a domino effect on food, migration and conflict. Looking ahead, these challenges will be expensive to address.

In 2022, the Kunming-Montreal Global Biodiversity Framework pledged to try and close the $700bn-per-year funding gap for biodiversity action. For now, a series of voluntary measures and market-based mechanisms are being presented as tools to bridge this resource gap. For example, green and blue bonds have emerged as popular tools to channel private capital towards environmentally beneficial projects. These are debt instruments, of which monetary proceeds are earmarked for projects with purportedly positive environmental impacts (either at land or at sea).

However, as explained in the briefing on Green and Blue Bonds, these efforts are marginal at best and, at worst, entrench the power of advanced economy governments and non-State actors at the expense of indigenous peoples and local communities in developing countries who are at the forefront of safeguarding biodiversity.

Pursuing risky financial mechanisms instead of addressing over-consumption and the extractive world economy postpones action on the fraying web of life, which will eventually have devastating consequences for the planet and humanity.

Despite the touted growth and promise of the green and blue bond markets, these instruments face significant limitations in their ability to address the biodiversity crisis. These include:

(i) a lack of clear standards and greenwashing risks
(ii) failure to address root causes of biodiversity loss
(iii) debt burdens for developing countries
(iv) lack of scale
(v) challenges in measuring impacts
(vi) shifting of responsibilities from developed to developing countries

Please read TWN's briefing for a full account.

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