China MEE - World Bank Workshop on Resource Mobilization in the Convention on Biological Diversity: Harnessing Private Finance

November 4-5, 2019, Beijing, China

Proceedings of the workshop

Contents

I. Summary of proceedings

1. A workshop on "*Resource Mobilization in the Convention on Biological Diversity: Harnessing Private Finance"* was held in Beijing on November 4-5, 2019 with support of the World Bank, the Ministry of Ecology and Environment (MEE) of China and the Foreign Environmental Cooperation Center (FECO).

2. The objective was to provide technical insights on the role of private sector finance in resource mobilization in the context of the post-2020 global biodiversity framework, to be adopted at the 15th Conference of the Parties (COP-15) to the Convention on Biological Diversity (CBD) in Kunming.

3. The workshop took stock of the lessons learned on resource mobilization under the Strategic Plan for Biodiversity for 2011-2020 and the Aichi Targets, acknowledging that biodiversity and ecosystem conservation continue to rely heavily on public funding and face a significant financing gap. This makes resource mobilization, from all sources and notably from private sources, one of the central challenges for the post- 2020 framework and the focus of this workshop. The technical segment (Sessions 1-3) examined the key obstacles to, and the enabling environment required for, private sector investment in biodiversity and ecosystems at scale. In turn, Session 4 showcased a range of innovative financial instruments that are emerging to connect private capital to environmentally-responsible projects. The Working Groups then synthesized the discussions into recommendations.

4. Key messages from the Technical Sessions and Working Groups:

a) *Biodiversity finance remains niche and needs to be scaled up.* It represents ~1 percent of environmentally-relevant taxes and a small portion of green finance; financial flows that are harmful to biodiversity outweigh biodiversity-friendly investments by a factor of 10.

b) *Public sector finance and policies are the backbone of resource mobilization*, both in terms of ensuring continued predictable flow of funds into biodiversity and creating the enabling conditions and regulatory frameworks and de-risking transactions to catalyze private forces.

c) *On the private side, the body of experience is growing fast and so is the identification of key hurdles.* Many instruments have emerged to tailor to different projects and investor needs, but to attract private finance at scale: (i) standard impact measurement tools need to be developed; (ii) transaction costs and risks need to come down; (iii) projects, usually small in size, need to be scaled up and their models standardized to attract institutional investors.

d) *Evidence is emerging on the role of governments to crowd in private finance.* Public policies must mainstream biodiversity considerations into fiscal, financial and monetary policies to create the enabling conditions. Decelerating brown finance (e.g., repurposing environmentally-harmful subsidies and taxing the "bads") is as if not more important as accelerating green finance. Green regulations also favor the adoption of impact metrics by the financial and private sector. Financial regulators can send strong signals, for example, through the use of green investment taxonomies.

5. Over the course of the two days, the workshop was attended by 67 representatives of the Chinese Government, notably from the Ministry of Finance and the MEE, and several other CBD Parties and the Secretariat, the European Commission, the financial sector, multilateral and bilateral development agencies, NGOs and academic experts. The full participant list is included in Annex 1.

II. Opening of the workshop

6. The workshop was opened with introductory remarks by the moderator, Mr. Liu Ning, CBD Negotiator and Deputy Director General at the MEE of China. Mr. Liu reiterated the objectives and context of the workshop and introduced the opening speakers.

Key highlights from opening remarks

- Rapid global biodiversity loss threatens to undermine 80 percent (35 of 44) SDGs.
- Biodiversity conservation relies heavily on public funding (including ODA) and faces a significant financing gap.
- Global public goods such as biodiversity support not only environmental objectives but also poverty-reduction goals. Biodiversity provides the foundation for ecosystem services that underpin agriculture, forestry, fisheries, livelihoods and cities.
- A strong resource mobilization component is crucial for ensuring effective implementation of the post-2020 global biodiversity framework.
- The private sector represents potential in the context of the CBD and is inevitable for biodiversity conservation, not least due to its ability to innovate to solve environmental problems.
- Private sector financing should not crowd out continued public sector support for biodiversity.
- Financial resources for biodiversity should be used efficiently and effectively and for this it is key to build capacity and promote innovation.
- Financial instruments should support the implementation of National Biodiversity Strategies and Action Plans (NBSAPs).
- China has developed and constitutionalized the vision of "ecological civilization" and is spearheading its implementation through initiatives such as the Ecological Redline Policy and the national PES mechanism.
- China has also built a solid body of experience in green finance, including in green bonds and green lending. The country's experience could be instrumental in informing the resource mobilization component of the post-2020 framework.

Mr. Zhang Wencai (Director General, Department of International Economic and Financial Cooperation, Ministry of Finance of China)

1. The Director General of the MOF opened the workshop by framing the context: the growing global concern over loss and degradation of the environmental public goods such as biodiversity and the increasing global awareness of their importance for human well-being, development and poverty reduction. He reiterated that China attaches great importance to ecological and environmental issues including biodiversity loss and climate change and is exploring potential pathways to address them: the low carbon and energy-efficient economy, circular economy, environmental protection. As communicated in General Secretary Xi Jinping's recent public statement, China has developed a national strategy for ecological protection and for high-quality development of the Yellow River and a vision of "ecological civilization". The treasury has been actively supporting ecological protection and has stepped up efforts to improve the mechanism of ecological compensation, so as to contribute to the implementation of the eco-civilization vision.

2. Mr. Zhang put forward 4 key messages to the workshop: (i) resource mobilization from private sources will play a crucial role in the implementation of the Convention on Biological Diversity, but it should not crowd out the public sector and relieve developed countries of their responsibility to provide financial support to developing countries, in line with the principle of common but differentiated responsibility; (ii) financial mechanisms should implement the resolutions of the CBD and governments should strengthen the design of country-driven strategies and promote the integration of ecological protection and development based on specific country contexts; (iii) funds should be used more efficiently and effectively; one way to achieve this is by investing in technology and capacity-building in developing countries; (iv) international financial institutions such as the World Bank should continue to actively use their comparative advantage to support global public goods such as climate change and biodiversity that are important not only for environmental, but also for poverty-reduction goals.

3. The moderator, Mr. Liu Ning, added that China has recently established a National Committee for Biodiversity Conservation, led by Deputy Prime Minister Han Zheng and comprising 23 ministries.

Mr. Cui Shuhong (Director General, Department of Nature and Ecology Conservation, MEE)

4. Mr. Cui echoed these messages. China is actively supporting the development of the post-2020 global biodiversity framework and the preparation of COP-15 in Kunming, in line with the Sharm-el-Sheikh to Kunming Action Agenda. A strong component on resource mobilization is crucial for the post-2020 framework, as it would safeguard the implementation of the Convention. Experience with the Aichi Targets shows that the availability of capital and the way it is used strongly influences the degree of achievement of the targets and the associated biodiversity outcomes. As the host of the CBD COP-15 in Kunming, China is spearheading discussions with various stakeholders on the topic and will participate in CBD process leading up to Kunming 2020.

5. China attaches great importance to international cooperation on resource mobilization for biodiversity. It is continuously increasing investments and stepping up financial support to environmental causes, including through the South-South cooperation, with a focus on developing countries in Asia and Africa. In recent years, the Chinese government has provided US$10 million worth of aid for wildlife conservation in Africa, nearly US$9 million to the Global Environmental Facility (GEF) and US$6 million to the UN Environmental trust fund. In the context of the CBD, China is actively seeking ways to enhance resource mobilization, broaden the financing channels for biodiversity financing and strengthen the role of the private sector, and is looking to create partnerships with all Parties to ensure successful implementation of the Convention.

Mr. Benoît Bosquet (Regional Director, Sustainable Development for East Asia and Pacific, World Bank)

6. Mr. Bosquet stressed that China's upcoming CBD COP-15 Presidency will be critical to the post-2020 global biodiversity framework. As China has worked hard over the past decade to bring biodiversity conservation and economic development closer together, it is well placed to lead the dialogue towards achieving the necessary transformation in this area.

7. Mr. Bosquet congratulated China on its remarkable progress in establishing the vision of ecological civilization as a national goal and providing strong political commitment to implement it. This has been demonstrated throughout the implementation of China's 13th Five Year Plan and the Ecological Redline policy, introduced in 2015 to protect critical ecosystems for social welfare. Second, it

is demonstrated in taking bold actions to operationalize this vision, including the commitment to set aside at least 17 percent of its land for conservation by 2020. Third, China is connecting the biodiversity and climate change agendas by actively supporting Nature-Based Solutions, for example by setting a target to increase forest stock volumes by 4.5 billion cubic meters by 2030. Through its partnership with the World Bank, the country has realized over 4 million hectares of plantations. Fourth, China has shown remarkable leadership in green finance.

Ms. Karin Kemper (Global Director for Environment, Natural Resources and Blue Economy, World Bank)

8. Ms. Kemper reminded the workshop of the importance of CBD COP-15 in the light of the rapid global biodiversity loss and the socio-economic threats this represents, including its potential to undermine 80 percent (35 of 44) Sustainable Development Goals (SDGs) (IPBES, 2019).

9. The topic of resource mobilization is highly relevant because biodiversity relies heavily on public funding, including Official Development Assistance (ODA), and faces a significant financing gap. While the cost of achieving the 20 Aichi Targets was estimated at US$ 150-440 billion/year in 2012 (High-Level Panel on the Global Assessment of Resources for implementing the Strategic Plan for Biodiversity 2011-2020), total expenditures towards biodiversity amount to only US$50-80 billion/year (OECD, 2019). Funding from private sources is key to closing this gap. Multiple successful examples of biodiversity and ecosystem financing also exist and should be scaled up both in terms of their number and volume. These include: (i) green bonds, launched by the World Bank in 2008 and now reaching US$200 billion in global issuance (Climate Bonds Initiative, 2019); (ii) blended finance that strategically uses public or philanthropic funds to mobilize private investment, as demonstrated by the World Bank Mozambique forest project and the Seychelles blue bond project; and (iii) green banking.

Mr. Yu Lifeng (Deputy Director General, Foreign Environmental Cooperation Center, MEE)

10. Mr. Yu introduced the Foreign Environmental Cooperation Center (FECO) - a technical support unit of the MEE that, since 1989, is tasked with implementing international environmental conventions to which China is signatory, including the CBD, the Cartagena Protocol on Biosafety, the Nagoya Protocol, the Minamata Convention on Mercury, the Vienna Convention and the Montreal Protocol.

11. FECO has accumulated rich experience in compliance and resource mobilization in the context of international conventions. In the past ten years, the Center has extensively explored green finance. Under the CBD, FECO has worked closely with multilateral sources, notably the GEF, to finance many projects in China, such as “Developing and Implementing the National Framework on Access to and Benefit Sharing of Genetic Resources and Associated Traditional Knowledge” project. Notwithstanding this, the private sector represents an enormous potential in the context of the CBD and is inevitable for biodiversity conservation, not least due to its ability to innovate to solve environmental problems.

Ms. Yang Ping (Deputy Director, Financial Markets Division, Research Bureau, People’s Bank of China)

12. Ms. Yang Ping outlined how domestic finance in China is transforming to support the country’s vision of ecological civilization. This concept was included into the Chinese constitution in 2018 by the Communist Party and reiterated as one of China’s development priorities at the 18th and 19th National Congresses. With this strong policy backing and given that the financial sector has a key role to play in

facilitating private sector investment in biodiversity at scale, the Chinese government and the PBOC have actively led the recent development of domestic green finance.

13. In 2016, the PBOC, together with the MOF, MEE, National Development and Reform Commission, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission, issued the "Guidelines for Establishing the Green Financial System". It is the first comprehensive national-level framework for the development of green finance in the world. It applies to China's entire financial system and connects it to the SDGs. The Guidelines establish, among other measures, a mandatory environmental information disclosure system for listed companies and bond issuers and incentives for green investment- fiscal and monetary policies such as green guarantee programs and a green development fund.

14. In terms of market trends, green bonds have experienced exponential growth in China, in line with the global trend. Domestic issuance in 2018 reached CN¥283 billion (USD$43 billion)[1]. An instrument with an even greater reach is green lending. In 2019, outstanding green loans reached CN¥10 trillion, or 10 percent of all credit. Innovation is also taking place in the carbon finance arena. No equivalent currently exists for biodiversity and this represents an opportunity. China is also supporting green finance pilots across 5 provinces, to test green standards, policies and technology. The lessons from China's rich experience, particularly from the top-down approach to promoting green finance, enables China to contribute insights to the international dialogue on the topic. China is gladly sharing these experiences with the G20, the Sustainable Baking Network (SNB), as well as developing countries.

Mr. Giovanni Ruta (Senior Environmental Economist, World Bank)

15. Mr. Ruta provided an overview of the workshop, stressing its goal to bring the environmental and finance communities closer together to inform the post-2020 global biodiversity framework. With the mounting scientific evidence, there is now wide consensus that biodiversity matters and that it is the foundation that provides key ecosystem services for agriculture, fisheries, livelihoods and cities, in the form of pollination, flood control, clean water provision and coastal protection.

16. The workshop is an opportunity for different stakeholders to bring complementary perspectives to the table. Environmental policy makers are tasked with solving urgent environmental problems, as biodiversity is declining, and see the need to mobilize resources to cover the environmental management costs. At the same time, the private sector- investors and financial institutions, perceive business risks and opportunities associated with biodiversity loss. They are looking for innovative ways to invest in nature but are voicing the need for better regulation and information. To bring all these perspectives together, the agenda of the workshop was organized as follows:

Date	Technical Session
Nov 4th (Day 1)	(1) The context: preparing for the post-2020 global biodiversity framework; (2) Paving the way for private finance: financial sector policies and instruments; (3) Measuring the impact of investing in biodiversity,
Nov 5th (Day 2)	(4) Innovative mechanisms for financing biodiversity: experience to date. (5) Working groups

[1] The estimate is based on China's local definition of green bonds. Internationally-aligned green bond issuance from China reached USD$31 billion (CNY¥210 billion) in 2018. Source: Climate Bonds Initiative (2019)

III. Technical Sessions

Technical Session 1 "The context: Preparing for the post-2020 global biodiversity framework"

17. The session was moderated by Mr. Liu Ning, CBD Negotiator and Deputy Director General and at the MEE of China.

Key highlights from Technical Session 1

- Resource mobilization will be an integral part of the post-2020 biodiversity framework (see decision CBD/COP/DEC/14/22).
- Currently, global biodiversity finance is estimated at US$50-80 billion/ year, while finance flows that are potentially harmful to biodiversity amount to US$500 billion/ year (OECD, 2019).
- Biodiversity-related fiscal tools represent ~1% of revenue from environmentally-relevant taxes.
- Tracking private biodiversity finance is challenging: less than a quarter of CBD Parties report quantitatively on private domestic flows and there is no agreed definition of "private investment"
- Developing countries need to build capacity to adopt more sophisticated financial instruments and a greater flow of funds.
- Aside from traditional financing sources such as ODA, South-South cooperation should support biodiversity conservation in developing countries.
- Scale in public investment can be achieved only if governments mainstream biodiversity considerations into sector policy and align their expenditure with biodiversity goals.
- Key questions to consider in the lead-up to Kunming:
    - How to engage financial flows at all levels and from all sources in the post-2020 process;
    - How to mainstream biodiversity into national economic planning
    - How to improve the capacity of Parties to access and utilize financial resources.

Mr. Markus Lehmann (Senior Programme Management Officer, CBD Secretariat)

18. Mr. Lehmann joined the workshop via videoconferencing and provided an overview of the timeline established by the CBD for the preparation of the COP-15 in Kunming. Key milestones in 2020 include: (i) OEWG-2 - Second Meeting of the Open-ended Working Group (February 24-28), where a zero draft of the framework will be discussed; (ii) SBI-3 - Third Meeting of the Subsidiary Body on Implementation (May 25-20); (iii) OEWG-3 - Third Meeting of the Open-ended Working Group (July 27-31). Upcoming consultations on resource mobilization are: Thematic Workshop on resource mobilization (January 14-17) in Berlin and the OECD/BIOFIN workshop in Paris (April 14-17).

19. Resource mobilization is an integral part of the post-2020 biodiversity framework (CBD/COP/DEC/14/22). To support the development of the corresponding component, the CBD Secretariat has appointed a panel of experts (including Jeremy Eppel and Tracey Cumming, who

attended the workshop) to evaluate the current Strategy on Resource Mobilization and estimate the resources needed for the post-2020 framework. The private sector is already a key stakeholder group in the resource mobilization strategy of the Aichi Targets, however it has been a challenge to systematically monitor and report its contribution to NBSAPs. Less than a quarter of CBD Parties report quantitatively on private domestic capital flows and there are no standardized metrics to define what amounts to private investment in biodiversity. Key questions to consider in the lead-up to Kunming are: (i) how to engage financial flows at all levels and from all sources in the post-2020 process, (ii) how to mainstream biodiversity into national economic planning; and (iii) how to improve the readiness and capacity of Parties to access and utilize financial resources.

Mr. Edward Perry (Biodiversity Policy Analyst, Environment Directorate, OECD)

20. Mr. Perry presented an overview of the global biodiversity finance. The OECD is analyzing this topic extensively and in May 2019 published the "Biodiversity Finance and the Economic and Business Case for Action" report, containing a *preliminary* update on global biodiversity investments. At the request of the G7, it is now working on a follow-up piece that will offer a *comprehensive* overview of the global biodiversity finance and will discuss possible strategies for scaling it up. The OECD categorizes sources of biodiversity finance as: (i) public domestic finance; (ii) public international finance; and (iii) private finance (philanthropy, NGOs, corporations, banks and institutional investors), all of which can be channeled through a variety of financial instruments, such as subsidies, PES, biodiversity offsets, debt, equity and corporate balance sheets. Most existing data sets on biodiversity finance, particularly private finance, are incomplete.

21. The OECD estimates that biodiversity finance amounts to US$50-80 billion/ year (~US$49 billion from public domestic budgets and ~US$39 billion from ODA), which contrasts sharply with the US$500 billion spent globally on subsidies harmful to biodiversity (US$340 billion of fossil fuel subsidies and US$116 billion of harmful agricultural support). The OECD also published a report on "Tracking economic instruments and finance for biodiversity" drawing data from the Policy Instruments for the Environment (PINE) database and found that biodiversity-related fiscal tools represented only 1 percent (US$7.5 billion/year in 2014-2016) of the revenue generated by environmentally-relevant taxes. The follow-up analysis will provide more comprehensive estimates, as it is expected to include private financial flows that are currently not covered.

Ms. Tracey Cumming (Resource Mobilization Expert at the CBD Secretariat, Technical Advisor at BIOFIN)

22. Ms. Cumming provided insights from the Biodiversity Finance Initiative (BIOFIN) on the challenges in tracking and scaling private biodiversity finance. BIOFIN now comprises 35 participating countries. Its assessment of biodiversity financing at country level consists of 4 steps: Biodiversity Finance Policy and Institutional Review, Biodiversity Expenditure Review, Financial Needs Assessment and the Biodiversity Finance Plan- a strategy to close the biodiversity financing gap.

23. Among the BIOFIN countries, there are currently no comprehensive private sector biodiversity financing studies at country level. Only 8 of 35 countries (Costa Rica, Philippines, South Africa, for example) report on private sector expenditure, but this information is partial and there are methodological and practical challenges to tracking this expenditure, notably the lack of clarity on what constitutes "private sector expenditure" and "biodiversity expenditure", and absence of baselines for the monitoring of biodiversity outcomes. What is important to avoid is focusing on the goal of increasing

funds instead of actual impacts (ex: an increase in green tax revenues is not necessarily tied to positive biodiversity outcomes). In addition, countries also need more capacity to adopt more sophisticated financial instruments and absorb a greater flow of funds. Finally, private sector investments need an enabling policy framework and institutions in place: legislative framework, biodiversity impact metrics and elimination of policies that are harmful to biodiversity to make sustainable business practices more competitive.

Mr. Zhang Huiyuan (**Director, Chinese Research Academy of Environmental Sciences)**

24. Mr. Zhang provided an overview of China's Ecological Redline Policy (ERP) and its significance to investors, local governments and financial sectors. Given that certain ecological functions are irreplaceable and geographically-fixed, the ERP seeks to sustain critical ecosystem services by establishing key ecological function zones using ecological redline areas. In other words, China is currently defining the "ecological space" required to sustain sustainable development and setting aside land to preserve it, ensuring its national ecological security. This is a mandatory policy for all Chinese municipalities and provinces. It covers three key categories of areas with distinct functions: (i) habitats of key species and ecosystems, where the priority is biodiversity protection (sustainable utilization of biological resources), (ii) ecologically sensitive and fragile areas, where the priority is to reduce natural disaster risk for human settlements, and (iii) important ecological function areas, where the priority is the provision of ecological products to support sustainable development.

25. It is important to note that the ERP also links conservation objectives with sustainable economic development goals. In terms of enforcement, the program limits development in ecologically-important areas and has established an ecological compensation system – a market-based mechanism that transfers payments to ecosystem service providers in the redline areas. One of the objectives of the ERP is the rational use of ecological resources. The areas set arise under the ERP policy not only support conservation objectives but can also be a source of income and business opportunities. Private and the financial actors have an important role to play in the ERP policy.

Mr. Ralf Becker (Policy Officer, German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety)

26. Mr. Becker shared the perspective of a CBD Party on resource mobilization for the post-2020 global biodiversity framework. He reminded the workshop of the urgency to reverse the negative global trends in biodiversity and ecosystems and highlighted that the CBD COP-15 in Kunming is a timely opportunity to make that commitment and send strong signals to national governments. The post-2020 biodiversity framework should set ambitious targets and strengthen implementation. To support transformative action, significant resources are needed. Resource mobilization should be considered in a broad sense, including human, financial, technical and material resources. At a more fundamental level, we need to reduce the need for natural resources, improve the efficiency of their use and ensure the generation of resources from all sources.

27. On the financing side, Mr. Becker stressed the need to capitalize on all the possible sources of finance and innovate. Development institutions will continue to play an important role as they can de-risk biodiversity projects and leverage private financing and demonstrate with proof-of-concept projects that biodiversity can give a good return on investment. In addition to this traditional financing to developing countries, consideration should be given to South-South cooperation. In terms of scale,

various funds for biodiversity exist, however scale can be achieved only if governments mainstream biodiversity considerations into sectoral policies and align their expenditure with biodiversity goals. One key opportunity is the reform of policies which are harmful to biodiversity (such as the US$500 billion of harmful subsidies, mentioned by the OECD). Finally, private banks also need to be committed to sustainable development and reflect this in their investment decisions at project level. In Europe, sustainable finance is emerging as a priority and could serve as an example.

Technical Session 2 "Paving the way for private finance: financial sector policies and instruments"

28. The session was moderated by Mr. Liu Ning, CBD Negotiator and Deputy Director General and at the MEE of China.

Key highlights from Technical Session 2

- Governments and regulators are the main driving force behind the adoption of new standards in financial sector; they must send strong policy signals if biodiversity is to be mainstreamed into financial decisions.
- There is no "magic bullet" – a single policy or instrument that works for every project and country, however a multitude of instruments (public, private, blended) is emerging in environmental finance to cater to a wide spectrum of projects with different risk, maturity and financing needs.
- Biodiversity finance is still niche and needs to be scaled up. For example, the green bond market (US$500 billion outstanding in 2019, WB) is only a small fraction of the global bond market, valued at over US$100 trillion; biodiversity finance is a small portion of green finance.
- Key challenges exist at every stage of making a biodiversity "bankable":
    - Projects tend to be small, struggle to offer market returns to investors and lack financial sophistication.
    - Financial institutions lack knowledge of biodiversity and the investment opportunities it represents, and do not yet have the tools to adequately assess the risks.
    - The regulator is typically constrained by weak biodiversity policy backing.
- Decelerating brown finance is as important and accelerating green finance.
- To achieve real transformation and mobilize investment at scale, the underlying drivers of biodiversity loss need to be addressed to shift consumption and production patters through real sector policies, fiscal and trade policies, governance and institution-building.
- Public awareness on biodiversity issues is growing, creating an opportunity for charities to mobilize resources for the post-2020 framework; China offers relevant experiences.

Mr. Abayomi Alawode (Head of Finance, Competitiveness and Innovation, World Bank)

29. Mr. Alawode provided a comprehensive summary of the instruments in environmental finance that are relevant to biodiversity. The shortlist of relevant instruments includes: (i) multilateral development financing that brings capital to countries and projects through debt, equity or guarantees (typically with no expectation of market returns) to supporting proof-of-concept initiatives and reduce risk for private investments; (ii) green banks, which are usually funded by national or subnational governments to channel investments into green projects through equity, debt and guarantees; (iii) green bonds – securities issued by public and private actors with an upfront commitment to use the proceeds to finance green projects or businesses; (iv) green credit – lending by banks (often supported by regulatory incentives) for green projects; (v) green private equity funds, run by professional managers to generate commercial returns from green projects; (vi) blended finance that uses public capital to fund a portion of a project on a concessional basis thus enhancing its risk-return profile for private investors; (vii) guarantees and political risk insurance, and (viii) strategic green investment funds - special-purpose (government-supported) funds that leverage long-term patient capital for projects in key sectors offering financial and economic returns. Ultimately, the choice of instrument at project level is dictated by project risk, maturity and financing needs.

30. To attract more private finance to biodiversity, three key elements are needed: institutional frameworks, continuous innovation and elimination of market barriers. It is particularly important for countries to develop long-term policy frameworks and targets for biodiversity to send strong signals to the markets. Many financial actors have limited understanding of biodiversity and the investment opportunities it represents, making awareness raising and capacity building among private and financial stakeholders essential, in addition to developing definitions and standards for biodiversity finance. Innovation in the financial markets is also key and it relies on a strong regulatory framework.

Mr. Christoph Nedopil Wang (Senior Research Fellow, International Institute of Green Finance)

31. Mr. Wang talked on behalf of the International Institute of Green Finance (IIGF), housed at the Central University of Finance and Economics (CUFE), about the challenges, opportunities and technologies in biodiversity finance. IIGF is an independent think tank established in 2011 in Beijing. It conducts research on climate, energy and green finance. Mr. Wang defined four axioms of biodiversity finance: (i) not all nature is “bankable”; (ii) biodiversity finance interacts closely with multiple SDGs; (iii) it needs leadership to change the status quo; (iv) it requires international cooperation, standards and clearly-defined responsibilities at the country level. So far, resource mobilization for biodiversity has been suboptimal. The green bond market (US$500 billion outstanding in 2019, World Bank) is a small fraction of the global bond market stock, valued at over US$100 trillion. In turn, biodiversity finance (estimated at US$50-80 billion/ year, OECD) is a small share of green finance and thus a negligible share of global capital markets.

32. Bottlenecks to scaling up biodiversity finance exist at the investor, project and regulator level. From the investor’s perspective, projects supporting biodiversity typically offer below-market returns, represent unknown risks and are difficult (and costly) to assess and monitor. In turn, stakeholders on the ground often develop projects with a weak business case, have limited financial expertise and knowledge of investor needs and have difficulty absorbing the high costs of due diligence and compliance demanded by investors. Finally, regulators and governments are often constrained by a weak environmental policy framework for biodiversity protection. In addition to tackling these barriers

to accelerate green finance, it is important to create fiscal and economic incentives that enhance the competitiveness of biodiversity-friendly projects, and to decelerate brown finance and raise the costs of activity that harms biodiversity. Command-and-control regulation, such as China's ERP, is also needed.

Mr. Fang Zhi (Deputy Secretary General, China Environmental Protection Foundation)

33. Mr. Fang discussed the role of public welfare charities in supporting biodiversity conservation, with a focus on China's experience. At present, over 7,000 charitable foundations are registered in China, of which ~100 are engaged in the environmental agenda. In 2018, charitable donations in China were estimated at CN¥113 billion, with 5.5 percent of those supporting environmental causes, including biodiversity. There are two main fundraising models: (i) Taohuayuan Ecological Protection Foundation, initiated by Chinese entrepreneurs, artists and philanthropists, to support protected areas and pioneering blue agenda projects; and (ii) China Environmental Protection Foundation (CEPF) established by Mr. Qu Geping, the first director of MEE (formerly environmental protection agency). CEPF invests in ecological restoration, biodiversity and endangered species conservation and works with civil society to promote environmental protection.

34. Charitable organization could be an important source of funding for the post-2020 biodiversity framework but face several challenges: poor public understanding of biodiversity and its relevance to the individual's immediate interests, complexity and long-term nature of biodiversity-related projects and insufficient linkages between biodiversity conservation policy and practice. Opportunities exist too. Charities see continuous improvement in public awareness of biodiversity issues, a growing body of scientific research and innovation, stronger policy framework and international cooperation on the topic. Charities also have several advantages for raising funding for biodiversity. They are at the same time independent and can interact with all stakeholders equally, but also cooperate with the public sector informing policy. Charitable donations are tax-deductible, and charity is a rewarding activity for the public, which continues to support it. In the context of Kunming 2020, Mr. Fang recommended establishing a special fund for biodiversity in China and leveraging charitable to mobilize funds through media and other digital channels.

Ms. Yuan Wei (Operations Officer and Asia Coordinator, IFC - World Bank Group)

35. Ms. Yuan provided insights on the emerging trends in the financial sector based on the experience of the Sustainable Banking Network (SBN). Biodiversity is gaining relevance for commercial banks both as a potential risk and as a business opportunity. On the risk management side, it is emerging as a criterion in the Environmental, Social and Governance (ESG) risk screening that banks are increasingly adopting in their investment decisions. It is important to recognize the role of the regulator, however, as it tends to be the driving force behind new standards in the financial sector. Interesting country experiences on the topic are emerging. For example, the Chinese government introduced standards for the banking sector and the entire domestic financial market in 2012 and in 2017, sending strong policy signals that are transforming the sector. The Redline policy also is being successfully integrated as a risk screening tool in the banking sector. In Brazil, the banking association issued a manual on how banks should manage their environmental risks, particularly when dealing with supply chains that carry a deforestation risk. In Sri Lanka, the IFC has collaborated with BIOFIN to help the Central Bank develop the Roadmap for Sustainable Finance for the financial sector, which includes a commitment to include biodiversity conservation into investment decision making. Corresponding implementation tools will also be developed.

36. Since the IFC launched the SBN in 2012, as a result of a meeting of bank regulators from 10 emerging markets including China, the network has grown to 38 emerging markets and has become a global trend. At present, 22 countries have adopted integrated environmental indicators for the financial sector. Private sector is also taking initiative through a "bottom-up approach". For example, in Latin America, local banking associations are pushing for stronger voluntary standards at the national level. Across the board, biodiversity is starting to get traction as a key criterion in investment decisions. Practical solutions including tools for lenders and investors and capacity building are needed to translate such commitment into action.

Mr. Benoît Blarel (Practice Manager, Environment, Natural Resources and Blue Economy, World Bank)

37. Mr. Blarel discussed the case for investing in nature and moving from biodiversity risk to impact and better alignment with biodiversity goals, stressing the urgency to act in the light of the global biodiversity loss. To reverse this negative trend, it is important to look past the proximate causes of deterioration in nature and address the root causes (the indirect drivers). One of the central challenges in natural resource management is the fact that only provisioning ecosystem services have market prices, while the regulating services (pollination, climate regulation, disease control) and cultural services (aesthetic, spiritual and leisure) do not. The failure to capture the value of biodiversity and the key natural resources such as water, soils and forests weakens the incentives to manage them sustainably.

Solving the biodiversity challenge requires a range of policies and tools. First, strong real sector policies to shift consumption and production patterns: (i) greening of the fiscal regime by re-purposing perverse subsidies in agriculture, introducing PES schemes and taxing pollution and GHG emissions; (ii) strengthening governance and institutions to improve land and marine spatial planning, introduce natural capital valuation in decision-making, strengthen land tenure security and set energy, pollution and emissions standards; and (iii) introduce trade policies, such as certification, voluntary offsets and a Nordhaus Tax to green value chains. Second, the financial sector has a role to play in mobilizing resources: financial institutions need to assess the environmental footprint of their investment decisions and align their rules with real sector policies that contribute towards biodiversity targets. Since climate finance is ahead of biodiversity finance, lessons could also be learned from the way climate change considerations are integrated into the financial sector. Third, the post-2020 framework needs a strong APEX biodiversity target and a strategy to convert it into actionable real and financial sector policy targets appropriate for each country. Fourth, standards, such as taxonomy of sustainable activities need to be established to avoid "green washing".

Technical Session 3 "Measuring the impact of investing in biodiversity"

38. The session was moderated by Mr. Abayomi Alawode, Head of Finance, Competitiveness and Innovation at the World Bank.

Key highlights from Technical Session 3

- Market-based biodiversity offsets (or similar) mechanisms can finance biodiversity conservation and restoration and can make green projects financially viable; significant opportunities for restoration exist in China.

- Robust science-based impact measurement tools are required to scale up most biodiversity financing mechanisms (biodiversity offsets, green finance, fiscal and supply chain policies, etc.).
- The EU Taxonomy on sustainable activities is an important tool to inform investment decisions of private actors, notably in the financial sector.
- The Natural Capital Protocol provides a useful tool for private companies to measure and value their impact and dependencies on natural capital, including biodiversity.
- Natural Capital Accounting is a crucial tool for informing trade-off decisions in relation to natural capital at country level.
- The STAR metric developed by IUCN can serve as a global APEX species target in the post-2020 framework; targets for genetic variability and ecosystems are still under development.

Mr. Ma Jun (Director, Center for Finance and Development, Tsinghua University)

39. Mr. Ma opened the session by making practical recommendations on how to enhance the bankability of biodiversity conservation and restoration projects in China. Yili Group is an example of a dairy company that successfully restored large desert areas of Inner Mongolia by converting them into forest and/or farmland. More broadly, China's experience in planting trees in the desert has been positive and represents a useful tool for achieving the "ecological civilization".

40. To address the financing gap experienced by conservation projects at the national level, Mr. Ma proposed five key solutions: (i) a streamlined market-based biodiversity offsets mechanism that could be integrated into China's rural land-trading platform, tied to the value of land, which would allow provinces to virtually trade the right to exploit land (for example for industrial purposes in coastal areas) by paying for conservation or restoration of land elsewhere (for example by reforesting the desert in Inner Mongolia); the difference in land prices across provinces and the willingness to pay for a biodiversity offsets among coastal landowners would be substantial, representing large potential for biodiversity financing; (ii) flexible land-use policies that allow landowners of desert land to convert it to non-agricultural uses, such as renewable energy projects; (iii) longer land lease periods to accommodate the timelines of restoration projects and boost the commercial attractiveness of projects to investors; (iv) integration of such projects into the national Emissions Trading Scheme, to facilitate their access to carbon markets; (v) well-designed and regulated private concessions in forests, to provide sustainable financing for biodiversity.

41. **A Q&A session followed**. Ms. Jing Xin (MEE) pointed out that the challenge of biodiversity conservation goes beyond balancing demand and supply of land, requiring consideration of the geographic variation in biodiversity. In addition, there are climatic and economic factors: the challenge of promoting productive activities in areas with limited rainfall and the difference in value of economic output from different agricultural commodities, making "matching" difficult based on land value. Mr. Zhao Yang (MEE), in turn, pointed to the experience mitigation banking in the United States, which may serve as a model, provided a sound legal and regulatory framework exists.

Ms. Niu Hongwei (Chief Conservation Officer, Paulson Institute)

42. Ms. Niu introduced the relevant work of the Paulson Institute (PI) on biodiversity financing for the post-2020 framework. In May 2019, MEE invited Mr. Henry Paulson and PI to develop research on financing targets and implementation mechanisms for the CBD to inform COP-15 in Kunming. As a result, PI established a joint research group with TNC, Cornell University, Columbia University and Beijing University to facilitate global dialogue and promote the mobilization of financial resources for biodiversity from public and private sectors. The upcoming research piece will consist of four chapters covering: (i) the economic case for protection and investment in biodiversity; (ii) global funding gap, including projected needs and gaps; (iii) "mechanisms at scale" – enabling conditions, stakeholder participation and instruments, required to close the gap; (iv) recommendations for the post-2020 framework.

43. The joint research group has screened a large set of mechanisms (68 in total, as listed in the BIOFIN Initiative) including biodiversity offsets, carbon pricing, green finance, fiscal policies and supply chain policies, and has selected the top 10 mechanisms that were considered to have the largest potential for scaling up. The research group has also identified a cross-cutting challenge: the lack of robust science-based impact measurement tools. This is something most mechanisms rely on and it is required to scale up investment in biodiversity. In addition, the research group is looking at potential ways to reduce funding needs, including phasing out of harmful subsidy policies that aggravate biodiversity loss, and recognizes that quantitative analysis is not sufficient in the light of the complexity of nature and the fact that our present knowledge does not adequately assess the full scale of risks and impact from biodiversity loss. Finally, the Institute also recognizes China's important role in the biodiversity agenda – not only as the host of the CBD COP-15, but also as a key global importer and consumer of commodities with a large potential to "green" its value chains.

Mr. Sebastien Paquot (Head of Section – Counselor Climate and Environment, European Commission)

44. Mr. Paquot discussed the EU Strategy on Sustainable Finance and the taxonomy of sustainable activities. Since the appointment of Ursula von der Leyen as President-elect of the European Commission, the EU has stepped up its environmental goals. The European Green Deal now sets a target of 50 percent GHG emissions reduction by 2030 and climate neutrality by 2050 and has developed an explicit Strategy on Biodiversity for 2030. To finance this transition, the EU has pledged 25 percent of its expenditure to investments with climate co-benefits by 2027 and plans to use blended finance. The EC Action plan on financing sustainable growth identifies three key strategies: (i) reorient capital flows towards sustainable investments by establishing a taxonomy of sustainable activities, standards and labels for green financial products; (ii) mainstream sustainability in risk management by integrating it in ratings and prudential requirements and clarifying roles of institutional investors, (iii) foster transparency and long-termism, through sustainability disclosure, among other measures.

45. The EU Taxonomy on sustainable activities covers 7 sectors and 67 activities to inform investment decisions of private actors. An "environmentally-sustainable activity" is one that supports at least 1 of 6 defined environmental objectives (#6 is "protection of healthy ecosystems") and does not harm the other 5. The Taxonomy is already a disclosure requirement for institutional investors and asset managers offering "green" investment products in the EU. Member States are also required to use it when creating "green" investment products. Other actors use it on a voluntary basis. While an important tool needed to address biodiversity loss, the Taxonomy does not solve several key issues that

remain: (i) perverse economic incentives that damage biodiversity; (ii) lack of positive incentives for investment in biodiversity – the need to assign value to biodiversity and ecosystems and a price tag on its loss, and (iii) inefficient use of financial resources (focus on cure rather than prevention).

Mr. Zhao Yang (Project Officer, Foreign Environmental Cooperation Center, MEE)

46. Mr. Zhao offered insights from the Natural Capital Protocol (NCP), which provides a standardized framework for businesses to identify, measure and value their direct and indirect impacts and dependencies on natural capital. Biodiversity is an essential component of natural capital (the stock of renewable and non-renewable natural resources from which ecosystem services flow) and an indicator of their condition. NCP originated from The Economics of Ecosystems and Biodiversity.

47. Since one cannot manage what one cannot measure, the NCP is an important tool to inform the decisions of private companies in relation to natural capital. The Protocol consists of 9 stages, prompting the company to frame and scope its assessment based on its particular needs and then proceed with measuring and valuing its impact and dependencies on natural capital using standardized methodologies, informing future actions. Mr. Zhao also shared some personal thoughts on the challenges the private sector faces. First, while there is a lot of private sector interest in the NCP, not all companies go beyond the initial assessment (steps 1-4) and quantitatively measure their impacts in physical and monetary terms (steps 5-7) to gain information on their environmental and social footprint (externalities) associated with their activity. In contrast, for those that complete the assessment, NCP facilitates compliance and, if the company mainstreams sustainability in its business or commits to zero net impact, it helps improve the company's image and attracts investors.

Mr. Frank Hawkins (Director, IUCN Washington Office)

48. Mr. Hawkins discussed the role of science-based measures of biodiversity outcomes. He also provided background information on the International Union for Conservation of Nature (IUCN) – a coalition of 19 governments and 1,300 organizations, supported by ~15,000 experts. Science-based targets are a focus of the IUCN. The Paris Agreement under the United Nations Framework Convention on Climate Change uses science-based goals and the Convention on Biological Diversity would also greatly benefit from using them, as they would give specific actors (state and non-state) the opportunity and responsibility to identify how their actions in specific geographies contribute to a planetary biodiversity target of "halting loss by 2030, restoring by 2050". In principle, science-based targets for biodiversity must reflect the definition of biodiversity, encompassing genetic diversity, variability of species and ecosystems. However, only species targets are well advanced at present. Targets for genetic diversity are in early stages of development and the existing method for ecosystems requires review and convergence across metrics. A science-based target is one that is: (i) measurable at all scales from specific sites to global scale; (ii) allows comparison between sites; (ii) allows calculation of a global target; (iv) allows disaggregation to enable contributions of all actors to count towards global target; (v) respond at the speed at which investments are implemented.

49. The Species Threat Abatement and Restoration (STAR) metric does that, measuring the contribution that investments can make to reducing species extinction risk. It Is based on the IUCN Red List of Species, drawn from an assessment of >100,000 species over 50 years. STAR values can be used to measure impact and progress towards a global target and at the country level. It can also serve as a basis for an abatement cost curve, identifying the most cost-effective opportunities for reducing species

extinction risk. One exists for China, for example. STAR can also be applied in the financial sector and national governments to: (i) develop biodiversity-focused investment portfolios and estimate financial sector risks related to biodiversity, and (ii) formulate country-level commitments to the post-2020 APEX target and identify possible non-state actor commitments; (iii) contribute to natural capital accounting and (iv) inform international trade agreements.

Mr. Gianni Ruta (Senior Environmental Economist, World Bank)

50. Mr. Ruta introduced Natural Capital Accounting (NCA) - the process of calculating the total stocks and flows of natural resources and services in a given country or region. NCA is comparable to a corporate balance sheet and asset account, albeit it measures natural capital stocks and flows.

51. In line with the logic "you can only manage what you measure", NCA is a key to a better understanding of the value of ecosystem services such as carbon sinks and the hydrological cycle and their effective management. Ecosystem services with market values tend to be managed better than public goods. NCA is designed to inform important trade-off decision, such as "do I really give up development if I conserve natural capital?" and "how much development tomorrow do I forego if I deplete my natural capital today?" Since biodiversity loss represents foregone ecosystem services and functions in the future, NCA is a key tool for resource allocation decisions. Multiple application of the NCA at the country level exist. For example, Indonesia used it to estimate the value of land and the value of the functions and services that flow from it to economic activities, to extend the forest conversion moratorium. Sumatra used NCA to balance land use decisions between short term agricultural commodity development and preservation of forests. Morocco used NCA to support the development of the blue economy. Having natural accounting for coastal resources in place has facilitated the Moroccan government's ongoing task of assessing possible projects and activities.

Ms. Sha Song (Specialist, China Partnerships, World Economic Forum)

52. Ms. Sha discussed why biodiversity and nature are crucial to the future of business and what the World Economic Forum (WEF) is doing in this area. Biodiversity is critical topic for discussion at the WEF because the biosphere is the foundation of the SDGs and business activity. For example, ecotourism sustains 1 in every 13 jobs worldwide.

53. To support the dialogue leading up to Kunming 2020, the WEF is preparing the "New Nature Economy Report" that will make the case for biodiversity and nature as a critical component for growth and development. The global, cross-industry report will contain three chapters: "Risks"- to be released in January 2020, "Opportunities" – to be released in June 2020, and "Financing" – to be released in August 2020. This work is part of the broader Nature Action Agenda project – a platform for public-private cooperation with a mission to halt biodiversity loss by 2030. This platform is organized across 5 pillars: (i) Champions for Nature – a principals-only group comprising of CEOs, ministers and heads of state, committed to an ambitious agenda for nature; (ii) New Nature Economy Report (NEE); (iii) Business for Nature Report that will translate the NEE into industry specific action agenda; (iv) China engagement – China's participation in the WEF dates back 40 years and a new MoU will be signed between the MEE of China and the WEF to collaborate in the lead-up to Kunming 2020, and (v) Communications for Nature, aimed at raising awareness about environmental issues. WEF has also recently partnered up with the Tropical Forest Alliance 2020, that now brings together 150 partners – governments, multilateral, private and civil society organizations to remove deforestation from key

commodity supply chains. In a separate project, WEF is also co-drafting the Green Investment Principles, together with the China Green Finance Committee and the City of London Green Finance Initiative.

54. **In the Q&A** the following key points were raised: (i) a post-2020 APEX biodiversity target would ideally have a supplementary metric, in addition to the species metric (STAR), to incorporate the risk of ecosystem collapse (issue: no agreement over what constitutes an ecosystem or a habitat currently exists); (ii) interesting NCA country experience include: China, the UK and El Salvador; (iii) it is important to have the quantitative tools to attribute biodiversity loss to specific actors or stages in the value chain responsible for it (as it is done with greenhouse gas emissions); (v) the present lack of trust towards environmental science is a cause for concern and one way to address it is by promoting more inter-stakeholder dialogue; (vi) the EU taxonomy on sustainable activities is a signalling tool for investors and the public, but it does not determine how "green" a given project is.

Technical Session 4 "Innovative mechanisms for financing biodiversity: experience to date"

55. The session was moderated by Mr. Giovanni Ruta, Sr. Environmental Economist, World Bank.

Key highlights from Technical Session 4

Examples of mechanisms and instruments used to finance biodiversity conservation projects:

- Government-supported Payment for Watershed Service (PWS) in the Chishui River successfully incentivized private landowners in the watershed to improve water quality and conserve biodiversity.
- Blended public-private solutions (such as the fund leveraging philanthropic financing and a vehicle for green debt financing set up by KfW) can be well suited to attract philanthropic donors and support conservation projects that cannot survive without public support.
- Special use of proceeds (green, blue, etc.) bonds allow conservation projects to tap into global capital markets and are growing fast but require a functional regulatory framework and standardized metrics for an ex-ante and ex-post disclosure on environmental impact.
- While biodiversity is already considered an eligible activity for green bonds, the green bond framework needs to go further and impose a "do-no-harm" requirement with an emphasis on biodiversity.
- Green loans can be applied more broadly by financial intermediaries and their market is expected to surpass the size of the green bond market.
- Impact investment is still a relatively niche market, but the IFC estimates its potential to be around US$26 trillion.
- Environmental Impact Bonds are attracting interest because the return on investment they offer is tied to environmental performance of the underlying project (typically a public sector project financed by private sector), providing more certainty on the impact of the investment.

- Regardless of the instrument used, to attract private finance at scale: (i) impacts need to be measurable; (ii) transaction costs need to come down; and (iii) projects need to be generate sizeable cash returns and their models standardized for large investors.

Mr. Jin Leshan (Professor, China Agricultural University)

56. Mr. Jin provided an overview of the Payment for Eco-Service/Payment for Watershed Service (PES/PWS) implemented in the Chishui River, known for its rich biodiversity. The project was championed by the Foreign Economic Cooperation Office of the MEE and implemented by the UNDP, with financial support from the GEF.

57. The objective of this market-based mechanism was to strengthen sustainability of land use practices and improve water quality and biodiversity conservation in the watershed. The initial phase of the project established the PWS agreement, allowing downstream water users, including baijiu producers, to compensate upstream landholders for changing land use in ecologically critical watershed areas from agriculture to forest plantations, thus reducing non-point source pollution in the river and setting aside more land for conservation. When commercial forest plantations generate recurring revenue for the upstream landholders the mechanism is expected to become self-sustaining. In the longer-term and post-project, the Government will explore opportunities to establish a water fund, such as the one being developed by the Asian Development Bank in China, to mobilize funding from more sources and to scale up this successful PWS pilot.

Ms. Karen Möhring (Sector Economist, KfW)

58. Ms. Möhring provided an overview of two KfW initiatives that successfully leverage public-private co-financing for biodiversity. The first one is "Eco.business Fund" that provides debt financing, channelling most funds into local financial institutions. Its objective is to promote business and consumption practices that contribute to biodiversity conservation and sustainable use of resources and mitigate climate change across four priority sectors (agriculture, fisheries, forestry and tourism). The tiered structure allows the fund to tailor risk-return profiles for different investors. Public investors tend to take on more risk and lower returns, which in turn attracts private investment.

59. The second example is the "Legacy Landscapes Fund" at KfW that draws in philanthropic/donor funds to support landscapes of high biodiversity value in developing countries, which currently receive only 13 percent of global biodiversity conservation investment. Characteristics of the fund that make it highly attractive to donors include: independent structure that is not managed by a public entity, lean management style that outsources non-core functions, the possibility to earmark funding and the possibility for donations to be tax-deductible. The Fund also provides technical assistance to address low capacity and ensure it can operate in a sub-optimal policy environment. The structure is well suited for supporting projects that cannot survive without public support.

Ms. Kalina Miller (Senior Investment Officer, IFC – World Bank Group)

60. Ms. Miller shared the experience of the International Finance Corporation, highlighting that the institution looks at its investments holistically and commits to the triple bottom line. Ms. Miller also described some of the key financial instruments used to channel investment into biodiversity and ecosystems. First, green and blue bonds are promising special-use-of-proceeds bonds that are gaining

traction in the markets. Key pre-requisites for their use at scale include a functional capital market and a framework/ standardized metrics for an ex-ante and ex-post disclosure on environmental impact. To address this second challenge, certain countries (such as the EU) are adopting a taxonomy of sustainable activities and defining what constitutes "green", to avoid "green washing". When the World Bank issued the first green bond in 2008, the IFC defined the green bond eligibility criteria, and adopted ESG reporting to assess and mitigate environmental risks.

61. While biodiversity is already an eligible activity for green bonds, the green bond framework needs to go further and impose a "do-no-harm" requirement with an emphasis on biodiversity. The same can be applied to other types of investments, for example in infrastructure, where biodiversity impact tends to be an after-thought and does not always inform the decision on the project's location and design. Moving forward, it is important to recognize that policy framework at the national level plays a catalytical role in promoting green and blue bond markets, as demonstrated by China, and to address the challenges of definitions, transparency and disclosure to make it easier to for all actors (demand and supply side, intermediaries) to gauge environmental impact of investments.

Ms. Irina Likhachova (Senior Operations Officer, IFC – World Bank Group)

62. Ms. Likhachova discussed the potential of (i) green loans; (ii) impact investing; and (iii) blended finance to increase investment for conservation. First, the Green Loan Principles were adopted in 2018 and modeled on the Green Bond Principles. They are highly relevant to biodiversity as eligible uses of proceeds include "sustainable natural resources and land use" and "terrestrial and aquatic biodiversity conservation". Given that they are more commonly used by financial institutions, green loans are expected to surpass size of green bond market. At the end of 2018, the green loan market was estimated at US$56 billion and demand for these instruments continues to grow.

63. Second, impact investment is still a relatively niche market. However, IFC estimates its potential to be around US$26 trillion. A recent boost for the market was the adoption of IFC's Operating Principles for Impact Management, the first set of globally-accepted standards that define how to manage investments for impact, which must be quantifiable and measurable. Third, blended finance with conservation mandate has to date mainly focused on sustainable agriculture and sustainable forestry / reforestation. According to the Convergence database, there have been 30 blended finance transactions focused on conservation, which represent aggregate financing of US$3.1 billion since 2010. These tend to be pooled vehicle structures, relatively large in size (US$50-250 million) and reliant on concessional capital, typically in the form of guarantees, insurance or technical assistance from governments. Latin America and the Caribbean has been the most targeted region. Regardless of the instrument used, to attract private finance at scale: (i) impacts need to be measurable; (ii) transaction costs need to come down (potentially with blended finance), and (iii) projects need to be supported in generating sizable cash returns in the short term, dealing with land use issues and accounting for the unpredictability of ecosystems.

Mr. Eric Letsinger (CEO, Quantified Ventures)

64. Mr. Letsinger introduced the Environmental Impact Bonds (EIB) instrument – an outcomes-based financing mechanism that has been successfully used by Quantified Venture to mobilize private investment in green infrastructure and nature-based solutions in the United States. EIBs deliver both a return on investment and impact and have so far been used in 4 key areas: forestry and land use

(wildfire risk mitigation, outdoor recreation), urban and coastal resilience (stormwater management, flood risk mitigation and wetland restoration), agriculture (carbon sequestration, improving agricultural practices) and health and human services. EIBs are tied to performance: unlike green bonds that are based on intent, EIBs define outcomes in advance, statistically predict environmental performance and then base the return on investment on actual performance. These are typically public sector projects, financed by the private sector, which is showing growing appetite in performance-tied investment in nature-based solutions, with some of the risk borne by the public sector.

Mr. Andrew Deutz (Director of Global Policy, The Nature Conservancy)

65. Mr. Deutz provided an insight into NatureVest – an impact investment arm at TNC, developed in collaboration with JP Morgan, with the goal of raising US$1 billion into projects that protect agriculture, fisheries, water and land. To date, NatureVest has closed eleven transactions worth US$720 million and has nine more worth US$931 million in the Board-approved pipeline. The team is using its financial expertise to create blueprints of investment models that other projects could replicate.

66. Mr. Deutz provided three examples of particular relevance: (i) District Stormwater in Washington DC, which is a US$2 million (debt-financed) investment into a start-up that installs green infrastructure to manage storm water runoff and sells credits to real estate developers; (ii) Seychelles "Debt-for-Nature Swaps", which involves a US$20 million acquisition of sovereign debt to generate US$432 thousand a year for marine conservation and finance an endowment fund, and (iii) Cumberland Forest Project, which involved a US$131 million investment to conserve 102,000 ha of critical biodiversity hotspots and protect key water supplies in the Central Appalachian region, sequester 5 million tons of CO2e emissions and support the transition to more sustainable jobs for local communities that traditionally relied on the coal industry for employment. The project phased out coal activities and created four alternative income streams, from the sale of certified timber and carbon credits, the sale of hunting licenses and land appreciation. Return to investors stood at 3-4 percent. To attract private finance into conservation at scale, project size and risk are key. Biodiversity investments are still perceived as risky, as each project is boutique and unique. While this may be attractive to philanthropic donors, institutional investors and banks are looking for large, standardized projects.

Ms. Colette Grosscurt (Responsible Investment Officer, ACTIAM)

67. Ms. Grosscurt provided insights on impact investment at scale from an asset manager's perspective. ACTIAM manages EUR 65 billion on behalf of its clients that include insurance companies, pension funds, banks and private investors. ACTIAM is a sustainable and impact investment manager with an approach that considers the planetary boundaries, the SDGs and financial materiality to inform its investment decisions. ACTIAM's sustainability policy categorizes potential investments into four key categories, ranging from projects with a clear "positive impact", to those considered "unacceptable". With those that are not integrating sustainability concerns, but have a "high adaptive capacity", ACTIAM engages to see if risks can be managed.

68. The asset manager screens hundreds of companies on a daily basis. Assessments of biodiversity policies and management of biodiversity and ecosystem services-related risk at company level exist, including screening of companies operating in regions with fragile ecosystems or those with operations that can severely disturb land or marine areas. However, since granular data on biodiversity and ecosystems at the supply chain and project level is rarely readily available, the company has developed

its own tools and is working on integrating satellite deforestation monitoring technology to select and monitor its investments. Several key obstacles to private sector investment in biodiversity and ecosystems at scale exist: (i) lack of knowledge among portfolio managers on biodiversity trends and the role of the banking sector in addressing them; (ii) mismatch between projects and investors on financial requirements – the bankability and scale of projects; (iii) corporations lacking scenario analysis to inform them of the consequences of not paying attention to environmental risks; (iv) short timeframes in portfolio management decisions, vs. long timeframes required for positive environmental impact to manifest itself, and (v) only partial participation of the financial sector in this discussion. For example, a strategic stakeholder to involve are local banks that make the decisions to invest in palm oil or other activities with substantial environmental impacts.

IV. Working Groups: recommendations going forward

69. The Working Groups were moderated by Mr. Giovanni Ruta, Senior Environmental Economist, World Bank. The objective was to synthesize the workshop discussions into a set of top recommendations for the CBD parties to consider when designing the resource mobilization component of the post-2020 framework. The questions used to guide this process and the outcomes are summarized below.

Summary of recommendations from Working Groups #1-5

Question	Key recommendations from Working Groups
Making projects bankable: what should be done to unlock the supply of bankable, revenue-generating biodiversity conservation projects?	(1) Utilize the Public-Private Partnerships model (or similar) to scale up and de-risk projects that generate revenues; (2) Facilitate bundling of small projects to attract investment (e.g. facilitate replication of successful proof-of-concept initiatives).
Setting up the enabling environment: what government policies are most promising and could be prioritized in the post-2020 global biodiversity framework?	*Recommendations for an enabling environment that supports investment in biodiversity and at the same time disincentivizes investment in activities driving biodiversity and ecosystem degradation:* (3) Stronger coordination and policy backing for evaluation (and reporting) of outcomes of biodiversity-related investment: • Reporting framework for CBD Parties to regularly account on how subsidies and fiscal incentives at the domestic level are shifting from biodiversity-harmful to biodiversity-friendly activities; • Establishment of biodiversity standards for investments in key economic sectors and within the financial sector; • Disclosure of environmental footprint of companies; • Public disclosure of Environmental Impact Assessments; (4) New funding pledged for biodiversity conservation and restoration at CBD COP-15.

	(5) Removal of fiscal policies (subsidies and taxes) harmful to biodiversity, to internalize externalities, make sustainable practices more competitive and shift consumption and production patters. (6) Greening the fiscal regime comprehensively in a budget-neutral way; (7) Requirement that all infrastructure development and procurement consider nature-based solutions alongside brown infrastructure and incorporate safeguards, as well as the mitigation hierarchy (avoid, mitigate, offset); (8) A stronger framework for private-public biodiversity-friendly co-financing established at COP-15; (9) COP-15 recommendations to the finance sector, including Government-owned banks, Pension Funds and Development Banks on how to take biodiversity impacts into account when deciding on investments; (10) Support the supply of green credit lines & products of developing countries Local Financial Institutions that invest in biodiversity-related business (e.g. sustainable or regenerative agriculture); (11) Exploit synergies between biodiversity ecological redlining and climate frameworks to leverage climate finance.
Instrument selection: what are the most promising instruments and tools (financial and non-financial) to respond to the needs of the private sector - from risk management to capitalizing on new business opportunities?	(12) Market-based biodiversity financing mechanisms are key since government-supported schemes may not be sustainable in the long-term due to budgetary constraints; (13) Different financial instruments [discussed in this workshop] cater to different project and investor needs and are all relevant for the post-2020 framework; (14) Blended solutions can help leverage institutional and other private investors by reducing project risk. (15) Impact measurement tools are the essential non-financial instruments demanded by private investors.

V. Closing remarks

Ms. Karin Kemper (Global Director, Environment, Natural Resources and Blue Economy, World Bank)

70. Ms. Kemper recalled examples of witnessing drastic biodiversity and ecosystem service loss in her work in Mexico (in groundwater management) and in her travels. Ms. Kemper stressed that the knowledge of what must be done to address the severe environmental degradation is there and what is most needed is action. China is proactive in the space and can offer lessons to the rest of the world. Momentum is also building in the private sector. A suit of financial instruments to channel private investment into biodiversity has emerged and needs to be scaled up across all ecosystems. Both “green” (terrestrial) and “blue” (marine) biodiversity is needed for human survival and well-being.

Mr. Benoît Bosquet (Regional Director, Sustainable Development for East Asia and Pacific, World Bank)

71. Mr. Bosquet congratulated the organizers and participants on the successful workshop. A key take-away is that while the private sector investment is crucial for the post-2020 framework, it relies heavily on the existence of a good enabling environment, including fiscal and financial policy framework and good governance. Akin to climate change, biodiversity needs sound financing mechanisms, and it should not repeat the mistakes made in the carbon market, where demand for carbon offsets is not maintained and the carbon price remains very low, failing to create the incentives sought by policymakers. Mr. Bosquet also urged China to share its important experiences in implementing the Redline Policy and the vision of ecological civilization in Kunming.

Mr. Liu Ning (Deputy Director General, CBD Negotiator, MEE)

72. Mr. Liu congratulated the organizers and participants on the successful event, which focused on the role of the private sector in resource mobilization for biodiversity and the ways it could be amplified. The technical output of the workshop is intended to contribute to the advancing of the post-2020 global biodiversity framework. Mr. Liu reminded the workshop of the importance of cooperation and consensus-building on resource mobilization in the lead-up to Kunming 2020. As the host of the CBD COP-15, China is committed to sharing its experiences and innovation in the agenda. Finally, Mr. Liu invited the participants to play an active role in the run up to the Open-Ended Working Group 2, scheduled to take place in Kunming in February 2020.

73. The moderator, Ms. Jing Xin (Director, Division of Biodiversity Conservation, MEE), closed the workshop at 13:00 Beijing time.

VI. Annex 1: List of Participants

Name 姓名	Position/ Organization 机构
Chinese participants 中方参会人员	
Zhang Wencai 张文才	Department of International Economic & Financial Cooperation, Ministry of Finance 财政部国际财金合作司
Lv Xia 吕霞	Department of International Economic & Financial Cooperation, Ministry of Finance 财政部国际财金合作司
Liu Yingzhi 刘英志	Department of International Economic & Financial Cooperation, Ministry of Finance 财政部国际财金合作司
Peng Xiang 彭翔	Department of International Economic & Financial Cooperation, Ministry of Finance 财政部国际财金合作司
Cui Shuhong 崔书红	Department of Nature and Ecology Conservation, MEE 生态环境部自然生态司
Ning Liu 刘宁	Department of Nature and Ecology Conservation, MEE 生态环境部自然生态司
Jing Xin 井欣	Department of Nature and Ecology Conservation, MEE 生态环境部自然生态司
Yu Lifeng 余立风	Foreign Environmental Cooperation Center, MEE 生态环境部对外合作与交流中心
Yang Lirong 杨礼荣	Foreign Environmental Cooperation Center, MEE 生态环境部对外合作与交流中心
Lu Yiqing 陆轶青	Foreign Environmental Cooperation Center, MEE 生态环境部对外合作与交流中心
Zhao Yang 赵阳	Foreign Environmental Cooperation Center, MEE 生态环境部对外合作与交流中心
Zou Yueyu 邹玥屿	Foreign Environmental Cooperation Center,MEE 生态环境部对外合作与交流中心

Wang Ye 王也	Foreign Environmental Cooperation Center, MEE 生态环境部对外合作与交流中心
Yang Ping 杨娉	People's Bank of China 中国人民银行
Zhang Huiyuan 张惠远	Chinese Research Academy of Environmental Sciences 中国环境科学研究院
Liu Haiou 刘海鸥	Chinese Research Academy of Environmental Sciences 中国环境科学研究院
Hu Xujun 胡旭珺	Chinese Research Academy of Environmental Sciences 中国环境科学研究院
Hu Feilong 胡飞龙	Nanjing Institute of Environmental Sciences 生态环境部南京环境科学研究所
Zhang Dini 章嫡妮	Nanjing Institute of Environmental Sciences 生态环境部南京环境科学研究所
Sun Minghao 孙名浩	Nanjing Institute of Environmental Sciences 生态环境部南京环境科学研究所
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International participants 外方参会人员

Karin Kemper	ENB, WB 世界银行蓝色经济
Benoit Bosquet	Sustainable Development, WB 世界银行 可持续发展
Benoit Blarel	ENB, WB 世界银行 蓝色经济
Giovanni Ruta	ENB, WB 世界银行 蓝色经济
Olga Gavryliuk	ENB, WB 世界银行 蓝色经济
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Markus Lehmann	CBD Secretariat 生物多样性公约秘书处
Tracey Cumming	BIOFIN/ CBD Secretariat 生物多样性公约秘书处/生物多样性融资计划
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Sebastien Paquot	European Commission 欧盟委员会
Edward Perry	OECD 经合组织
Karen Möhring	KfW Office Beijing KfW 集团北京办公室
Frank Hawkins	IUCN 国际自然保护联盟
Andrew Deutz	The Nature Conservancy 大自然保护协会

Eric Letsinger	Quantified Ventures 量化投资公司
Colette Grosscurt	ACTIAM ACTIAM 公司
Jean Paul Paddack	WWF 世界自然基金会
Brian O'Donnell	Campaign for Nature 自然运动
Aleksandar Rancovic	Institute for Sustainable Development and International Relations 可持续发展与国际关系研究所

VII. Annex 2: Agenda

China MEE / World Bank Workshop
Resource Mobilization in the Convention on Biological Diversity: Harnessing Private Finance

November 4-5, 2019 – China World Hotel, Beijing, China

Moderators: **Liu Ning** (DDG and CBD Negotiator, MEE); **Jing Xin** (Division Director, MEE); **Gianni Ruta** (Sr. Environmental Economist, World Bank); **Abayomi Alawode** (Head of Finance, Competitiveness and Innovation, World Bank).

Day One: Monday 4 November 2019	
8:30 -9:00	**Registration** *Ballroom A, Level 1, China World Hotel, Beijing*
9:00 - 9:30	**Opening** *Moderator: Liu Ning (DDG and CBD Negotiator, MEE)* • **Zhang Wencai** (DG, Department of International Economic & Financial Cooperation, MOF) • **Cui Shuhong** (DG, Department of Nature and Ecology Conservation, MEE) • **Benoît Bosquet** (Regional Director Sustainable Development, World Bank) and **Karin Kemper** (Global Director Environment, Natural Resources and Blue Economy, World Bank) • **Yu Lifeng** (DDG, Foreign Environmental Cooperation Center, MEE) • **Yang Ping** (Deputy Director, Market Division, People's Bank of China Research Bureau). Updates on green finance policy framework
9:30 - 9:40	**Workshop overview and introduction of the moderators** • **Gianni Ruta** (Senior Environmental Economist, World Bank)
9:40 - 11:00	**Session 1: The context: Preparing for the post-2020 global biodiversity framework** *Moderator: Liu Ning (DDG and CBD Negotiator, MEE)* • **Markus Lehmann** (Senior Programme Management Officer, CBD Secretariat). Overview of the post-2020 process and lessons learned on resource mobilization from the Strategic Plan 2011-2020 implementation. *(Skype)* • **Edward Perry** (Biodiversity Policy Analyst, Environment Directorate, OECD). State of play on biodiversity finance and mobilizing finance through fiscal policies • **Tracey Cumming** (Resource Mobilization Expert, CBD and BIOFIN). Challenges in tracking and increasing private biodiversity finance: insights from BIOFIN • **Zhang Huiyuan** (Director, Chinese Research Academy of Environmental Sciences). The significance of China's ecological red line policy to investors, local governments and financial sectors

	• **Ralf Becker** (Policy Officer, German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety). Resource mobilization and the Post-2020 Global Biodiversity Framework Questions and Answers
11:00-11:15	**Group Photo and Coffee Break**
11:15 -13:00	**Session 2: Paving the way for private finance: financial sector policies and instruments** *Moderator: Liu Ning (DDG and CBD Negotiator, MEE)* • **Abayomi Alawode** (Head of Finance, Competitiveness and Innovation, World Bank). Instruments of environmental finance • **Yang Ping** (Director, Market Division, People's Bank of China Research Bureau). Updates on green finance policy framework • **Christoph Nedopil Wang** (Senior Research Fellow, International Institute of Green Finance). Biodiversity Finance - Challenges, Opportunities and Technologies • **Fang Zhi** (Deputy Secretary General, China Environmental Protection Foundation). The role of public welfare charities in supporting biodiversity conservation • **Yuan Wei** (Operations Officer, IFC, SBN Asia Coordinator). Emerging trends in the financial sector: Sustainable Banking Network and biodiversity in sustainable banking • **Benoît Blarel** (Practice Manager, Environment, Natural Resources and Blue Economy, World Bank). Invest in nature: moving from risk to impact Questions and Answers
13:00-14:00	**Lunch Break** *Scene a Café, Lobby Level, China World Hotel, Beijing*
14:00-17:30	**Session 3: Measuring the impact of investing in biodiversity** *Moderator: Abayomi Alawode, Head of Finance, Competitiveness and Innovation, World Bank* • **Ma Jun** (Director, Center for Finance and Development, Tsinghua University). Enhancing bankability of biodiversity projects via eco - compensation mechanisms • **Niu Hongwei** (Chief Conservation Officer, Paulson Institute). Research on investment and financing objectives and financing mechanism of global biodiversity conservation • **Sebastien Paquot** (Head of Section – Counselor Climate and Environment, European Commission). The EU Taxonomy for sustainable activities • **Zhao Yang** (Project Officer, FECO, MEE). The Natural Capital Protocol: insights and lessons learned

	In-session Coffee Break • **Frank Hawkins** (Director, IUCN). Science-based measures of biodiversity outcomes • **Gianni Ruta** (Senior Environmental Economist, World Bank). Natural Capital Accounting as a tool for national level measurement • **Sha Song** (Specialist, China Partnerships, World Economic Forum). Why biodiversity and nature are crucial to the future of business Questions and Answers
17:30 -17:45	**Summary of Day 1** • **Abayomi Alawode** (Head of Finance, Competitiveness and Innovation, World Bank)
17:45-19:30	**Cocktail** *Aria Bar, Lobby Level, China World Hotel, Beijing*
Day Two: Tuesday 5 November 2019	
9:00 -11:00	**Session 4: Innovative mechanisms for financing biodiversity: experience to date** *Moderator: Gianni Ruta, Senior Environmental Economist, World Bank* • **Jin Leshan** (Professor, China Agricultural University). Payments for watersheds services and practices in China • **Karen Möhring** (Sector Economist, KfW). Public-private co-financing of biodiversity: Legacy Landscapes Fund and Eco Business Fund case studies • **Kalina Miller** (Senior Investment Officer, IFC). Innovating financial instruments: green and blue bonds - experience to date, challenges and opportunities to scale up private sector investment in biodiversity • **Irina Likhachova** (Senior Operations Officer, IFC). The potential of green loans, impact investing and blended finance to increase investment for conservation • **Eric Letsinger** (CEO, Quantified Ventures). Environmental Impact Bonds: mobilizing private investment in green infrastructure • **Andrew Deutz** (The Nature Conservancy). Innovative Transactions and Lessons Learned from The Nature Conservancy's NatureVest Portfolio • **Colette Grosscurt** (Responsible Investment Officer, ACTIAM). Impact investment at scale: financial instruments engaging private and institutional investors Questions and Answers
11:00-11:15	**Coffee Break**
11:15 -12:15	**Working session: informing the post-2020 global biodiversity framework** *Moderator: Gianni Ruta, Senior Environmental Economist, World Bank* • **Generating revenues flows on the ground.** For financing to come forward, it is essential to have bankable and revenue generating projects on the ground. What

	should the private sector do to unlock the supply of such bankable projects? What challenges remain and require other actors to engage? • **Public policies**. For a project to become bankable, market failures (e.g. open access; externalities; asymmetric information) need to be dealt with. What real sector policies are required? What financial sector policies are required? • **Resource mobilization.** Even when bankable projects are available, the banking and financial sector is not always ready to invest. What roles should the banking and financial sectors play? What are the possible new sources and vehicles of private finance for BES?
12:15 -12:40	**Reporting and open discussion** *Moderator: Gianni Ruta, Senior Environmental Economist, World Bank*
12:40 -12:50	**Summary of the workshop and key messages for the post-2020 global biodiversity framework** *Moderator: Gianni Ruta, Senior Environmental Economist, World Bank* • **Liu Ning** (DDG and CBD Negotiator, MEE).
12:50 -13:00	**Closing** *Moderator:* **Jing Xin** (Division Director, MEE) Speakers: • **Liu Ning** (DDG of MEE and CBD Negotiator, MEE) • **Karin Kemper** (Global Director Environment, Natural Resources and Blue Economy, World Bank) and **Benoît Bosquet** (Regional Director Sustainable Development, World Bank).
13:00	**Lunch** *Scene a Café, Lobby Level, China World Hotel, Beijing*