

Towards a European leadership on biodiversity for development

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CONTENTS

1. SCALING UP EUROPEAN ACTION AND DEDICATED RESOURCES FOR BIODIVERSITY IN PARTNER COUNTRIES
2. INTEGRATING AND ALIGNING DEVELOPMENT POLICIES AND PUBLIC INVESTMENTS TO SUPPORT BIODIVERSITY PROTECTION EFFORTS

KEY MESSAGES

Recommendation 1: for the EU to have the means of its ambition in terms of biodiversity for development and to contribute to meeting the needs of developing countries, additional funding efforts are needed. Following the lead of a handful of EU members, other stakeholders should double their ODA biodiversity funding.

Recommendation 2: for the EU to improve its visibility as one of the leading funders of biodiversity for development, all European stakeholders should improve on the publication of their data so as to provide the full picture. This should be done in a standardised way, building on the OECD standards and contributing to improving its methodology.

Recommendation 3: The EU and its Member States enhance biodiversity integration in all their development cooperation strategies, activities and tools in order to address biodiversity threats from development activities but also the risks that the loss of biodiversity creates for developing countries.

Recommendation 4: An effective alignment of development cooperation with the 2030 Agenda would contribute to better protect and support biodiversity in developing countries.

The EU and its Member States should progress to really operationalize a 2030 Agenda alignment through its development tools.

Recommendation 5: The EU and its Member States should further support the development of INFFs in developing countries to strengthen the integration of biodiversity in the financing of sustainable development in developing countries.

Recommendation 6: European DFIs need to take ownership and leadership in their roles as enablers and catalysers of sustainable finance. European PDBs as well as the EIB should apply internal procedures ensuring that their operations including investments do not harm ecosystems and biodiversity, and disclose information on their activities' impacts on biodiversity in line with the Taxonomy Regulation and the forthcoming Corporate Sustainability Reporting Directive.

Recommendation 7: European shareholder governments of PDBs and MDBs should better coordinate within the MDBs' board and push to ensure that biodiversity nature is integrated into the risk management and investment mandates of PDBs.

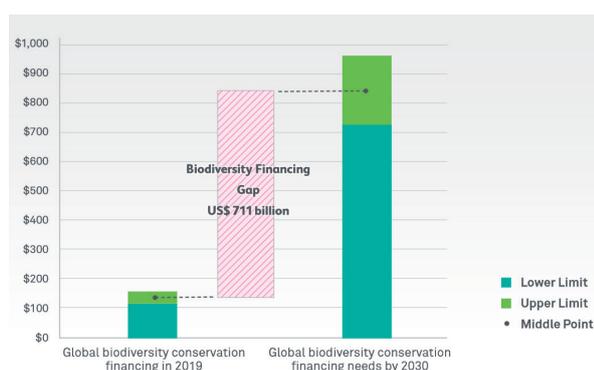
1. SCALING UP EUROPEAN ACTION AND DEDICATED RESOURCES FOR BIODIVERSITY IN PARTNER COUNTRIES

Despite progress to protect our environment, biodiversity continues to be lost, at unprecedented rates and with an increasing number of species threatened with extinction. For the past decade, decision-makers have repeatedly committed to ambitious targets to halt this phenomenon. However, more than ten years after the adoption of the 2010-2020 Aichi Targets on biodiversity, none have fully been achieved, notably Aichi Target 20 calling for a substantial increase in the mobilisation of financial resources. The protection of biodiversity remains insufficiently taken into account, especially when it comes to partner countries' support. Beyond the environment, the risks posed by biodiversity loss also translate into economic and social issues and have become a central topic in the global fight against inequality.

1.1. Global needs and funding

Today, it is estimated that the financial gap between what is spent on biodiversity conservation (between \$124 and \$143 billion per year) and what is needed (between \$722 and \$967 billion per year) lies somewhere between US\$ 598 billion and US\$ 824 billion per year.

FIGURE 1. Global biodiversity conservation financing compared to global biodiversity conservation needs (US\$ billions)



Source: Deutz, A. *et al.* (2020). Financing Nature: Closing the global biodiversity financing gap. The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Centre for Sustainability.

Most of the current funding comes from public domestic expenditure, complemented by international public expenditure (including ODA estimated between \$4 and \$10 billion according to 2019 OECD data) and private expenditure.

TABLE 1. OECD 2015-2017 average, in \$billion per year

Public domestic expenditure	67,8
International public expenditure (including ODA)	Between 3.9 and 9.3
Private expenditure on biodiversity	Between 6.6 and 13.6

While looking at the global picture, official development aid (ODA) does not represent the major source of biodiversity funding; however, for some partner countries it remains an essential one. It is especially the case when the mobilisation of domestic resources is insufficient. Developing countries have repeatedly highlighted the funding gaps they are facing at the national level. Where do Europeans stand in this global picture? How do they respond to biodiversity needs in partner countries?

1.2. European biodiversity aid contributions to date and ambition ahead of COP15 in Kunming

The European Union institutions and Member States remain collectively one of the major donors on biodiversity with a total of \$743,1 Mn disbursements in biodiversity ODA in 2019 according to OECD data as part of the \$4,915 Mn allocable biodiversity-related ODA (or "activities targeting general environmental objectives"). However, the current situation calls for additional efforts.

By comparison, EU institutions and Member States collectively disbursed \$3,461 Mn in ODA on agriculture or \$4,334.5 Mn on energy in 2019.¹ China, while a smaller contributor overall as well as a beneficiary from EU Member States ODA to protect biodiversity on its own territory, has already positioned itself and pledged an additional \$230 Mn for the creation of an international fund for biodiversity to support developing countries.

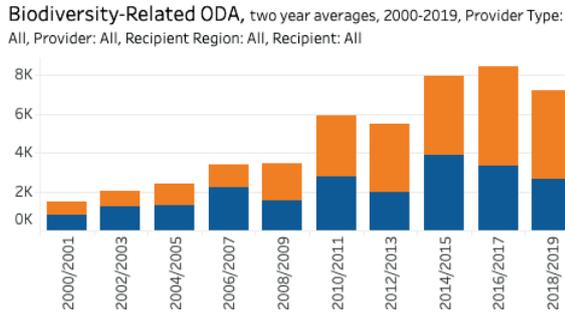
It is important that Europeans step up for biodiversity protection and propose an ambitious financial package on the basis of a clearer picture on what they have already funded. Available data on European efforts to support biodiversity in developing countries remain patchy and this contributes to blurring the role played by these stakeholders.

It should be noted that **Figures 2, 3, and 4** rely on publicly available data published with the OECD. While some of the 2020 data is available, it is too incomplete to be used for analysis. The picture is therefore only partial and somewhat untimely, especially after the last two years and the negative global impact of the COVID-19 crisis on biodiversity and poverty reduction in general which should call for an adjustment. Additionally, some of the data is missing from important EU actors, including for example from the European Investment Bank (EIB). A first important step for European stakeholders should therefore be to publish data on their contributions more systematically and regularly so as to provide an accurate picture of their efforts.

Nevertheless, available data confirms that Europeans collectively are leaders on the matter, with a handful of countries leading the way. Among the top 5 European contributors,

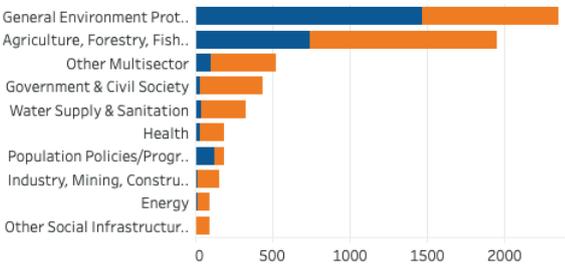
¹ Source: 2019 OECD CRS data, disbursements, \$millions.

FIGURE 2. Aid targeting Global Environmental Objectives, source OECD tableau*

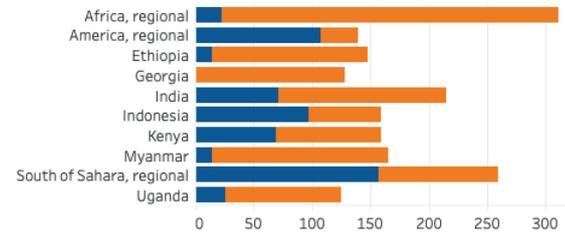


■ Significant
■ Principal

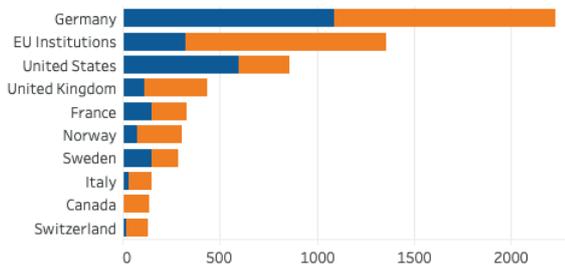
Top 10 Sectors, 2019, Provider Type: All, Provider: All, Recipient Region: All, Recipient: All



Top 10 Recipients, 2019, Provider Type: All, Provider: All, Recipient Region: All, All Recipients



Top 10 Providers, 2019, Provider Type: All, All Providers, Recipient Region: All, Recipient: All



Financial instrument, 2019, Provider Type: All, Provider: All, Recipient Region: All, Recipient: All

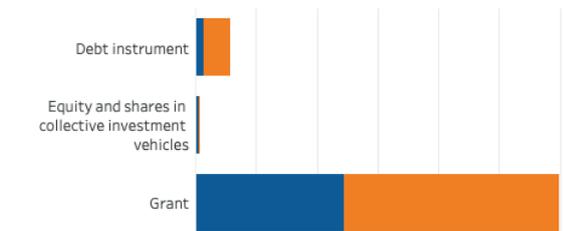
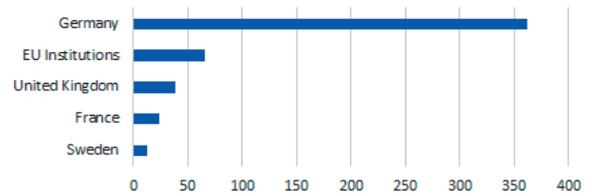


FIGURE 3. Top 5 European contributors to biodiversity activities - 2019 CRS data, disbursements, \$Mn.



the European Commission through the EU budget, and France through its bilateral contributions, have already announced the doubling of their contributions. Remaining EU countries also provide financial support to biodiversity but the reported data indicates it is well below the contributions of the top 5. This supports the call for additional contributions to scale up European resources dedicated to biodiversity protection in partner countries.

European financial contributions could be further deepened and accompanied by ambitious ways of implementation, including for example reducing operations which are harmful to biodiversity, enhancing the effectiveness of existing efforts as well as leveraging new players. The OECD estimates that governments spend approximately USD 500 billion per year in support that is potentially harmful to biodiversity i.e., five to six times more than total spending for biodiversity. EU external action activities need to fully comply with the 'do no harm' principle and support more biodiversity-friendly investments whenever possible.

Today, at the political level, European stakeholders are expected to play a more important part in the fight against biodiversity loss. The 15th Conference of Parties to the Convention on biological diversity, which will be held in Kunming later this year and will lead to the adoption of a post-2020 global biodiversity framework, is a key opportunity to establish European leadership on biodiversity. The French presidency of the EU offers the space to pave the way ahead.

1.3. Making the case for ODA

To meet the needs highlighted above, broader support is clearly needed and it can be argued that ODA has a bigger role to play. Here are five suggestions to highlight the importance of donors' support for biodiversity for development:

1/ **ODA represents an essential source of funding for partner countries.** For the first time in twenty years, extreme poverty is rising again, highlighting the need for development funds. To protect biodiversity on their own territory, authorities of some of the least developed countries largely rely on donors' contributions. For example, the World Bank estimates that 70% of the Democratic Republic of Congo's central government expenses is covered by ODA. In Ethiopia (which appears as the main recipient of biodiversity-related ODA in Figure 2), it is estimated at 50% while the Central African Republic is at an extreme 291%. 2019 OECD data (included in Figure 2) shows

*https://public.tableau.com/views/EnvironmentalAid2019/Riometers?%3Alanguage=en-US&%3Adisplay=showVizHome=no#1

that Africa, and especially southern Africa, is the region which receives the most biodiversity-related ODA, followed by the Americas.

In addition, some of these countries are under financial pressure because of their debt situation. This means they might not be eligible for loans or blending operations under the current rules and therefore need to have access to grants funding. Figure 2 confirms that grants are, by far, the most commonly used instruments in biodiversity for development.

2/ A focus on ODA facilitates the articulation of biodiversity efforts with other contributions to address the root causes of poverty in partner countries. Efforts to protect biodiversity in partner countries also rely on progress in other social and economic sectors so as to maintain a conducive environment. The COVID crisis highlighted the importance of environment and biodiversity protection while also stressing the interdependence of environment, social and economic issues as negative indirect impacts hit the poorest countries. In such situations, ODA also contributes to mitigating these negative impacts if deployed in a more holistic way which includes, but also goes beyond, biodiversity financing.

3/ Increasing ODA, especially through grants, contributes to reaffirming the importance of public finance and the leading role public institutions should continue to play on this topic. While contributions to biodiversity financing in partner countries are increasingly diversified, there is a need for governments to lead the way. Public authorities are responsible for developing strategies and setting objectives on which others can then align themselves. They should set conducive conditions for policy intervention.

4/ As the bigger picture in terms of needs, objectives, and ways to meet them becomes clearer, ODA can also be a tool to harness all available resources and stakeholders. This includes engaging with developing banks and the private sector so that they mobilise the resources at their disposal to contribute to common goals and objectives. This could also trigger discussions on ways to adapt and mobilise a wider range of instruments for biodiversity financing to make them fit for partner countries' contexts. In that context, ODA should be used to direct those additional resources towards investments which have a positive contribution for biodiversity and nature in general, in particular when it comes to infrastructure financing.

5/ By definition, ODA contributes to a collective effort. As more players are involved, coordination becomes key for effective implementation. Mobilising ODA is not just about bringing more finance to the table, but it is also about improving its management for greater impact. As the number of donors increases, effective coordination becomes a challenge. Coordination is necessary, not only between donors to avoid duplication of efforts, but also with national authorities of partner countries to ensure their needs are met. Coordination also implies setting up internal governance structures as

competencies will often be split between ministries. In the case of biodiversity for development for example, this could involve multiple institutions in charge of budgets, development coordination, environmental issues and so on. Dialogue between all these institutions is often not fluid, when it takes place, so a better management structure to guide the decision-making process and to ensure monitoring of the activities is needed.

2. INTEGRATING AND ALIGNING DEVELOPMENT POLICIES AND PUBLIC INVESTMENTS TO SUPPORT BIODIVERSITY PROTECTION EFFORTS

2.1. Integration and alignment: What can Europe do?

The biodiversity and development linkages are particularly critical in developing countries, where the poorest populations rely disproportionately on ecosystems and natural resources for their livelihoods and well-being. As stated by IPBES, the five direct drivers of change in nature with the largest relative global impacts so far are, in descending order: (1) changes in land and sea use; (2) direct exploitation of organisms; (3) climate change; (4) pollution and (5) invasive alien species.² Taking these drivers into account, there is a crucial need to integrate biodiversity considerations within development cooperation sector strategies, beyond the thematic axis of environment, to ensure that development activities in different sectors fully harness synergies with biodiversity.

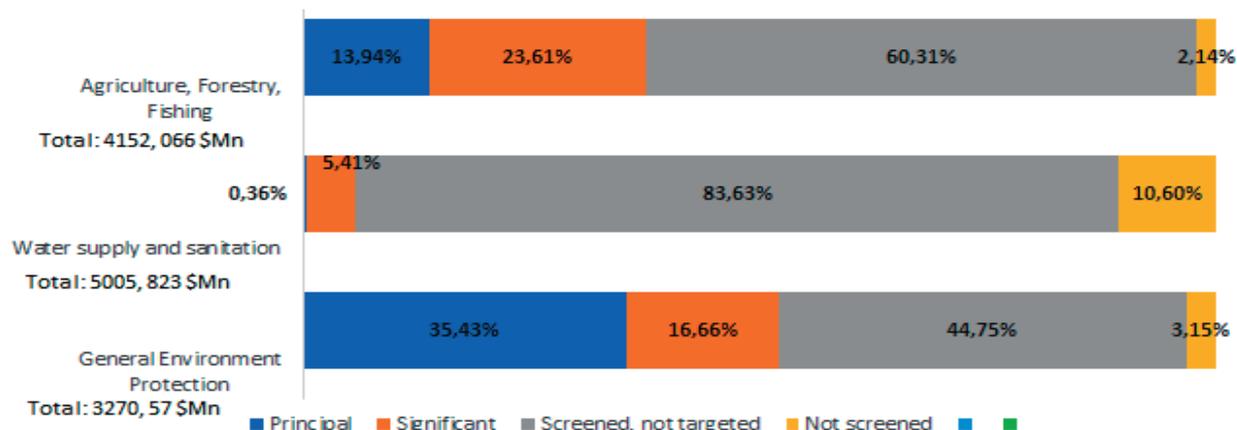
The EU new strategy on biodiversity for 2030 aims "to ensure that by 2050 all of the world's ecosystems are restored, resilient, and adequately protected".³ This global ambition is shared by a number of other European actors but progress to date highlights the need to focus more on the implementation phase if targets are to be met. What needs to be done at the European level to make the integration of biodiversity protection systematic in its development operations? How can we ensure that the development policies supported by Europe are positive for biodiversity, or at least do not harm it? (Figure 4)

Providing sufficient support to partner countries in their biodiversity mainstreaming efforts requires that biodiversity is adequately prioritised within development cooperation's own policies and operations. European development cooperation could play an important role in supporting biodiversity mainstreaming in partner countries and acts as a source of finance and technical assistance.

² https://zenodo.org/record/5657041#.Ye64U_jjHhE

³ https://eur-lex.europa.eu/resource.html?uri=cellar:a3c806a6-9ab3-11ea-9d2d-01aa75ed71a1.0001.02/DOC_1&format=PDF

FIGURE 4. Total EU institutions and Member States bilateral allocable ODA in 3 sectors - 2019



To date, the European Union institutions and European actors have already taken several steps to move the international agenda forward and lead the way on biodiversity for development. To go further, all the tools and instruments mobilised for external action should strengthen biodiversity mainstreaming and minimise the negative impact on biodiversity.

In June 2021, the EU adopted its new Multi-Annual Financing Framework (MFF) for the 2021-2027 period which includes the ambition to dedicate 7.5% of annual spending to biodiversity objectives in 2024 and 10% in 2026 and 2027.⁴ In addition, 30% should also be dedicated to climate-related actions. The MFF includes the EU new external aid instrument, the Neighbourhood, Development and International Cooperation Instrument (NDICI). With a global allocation of 79.5 billion euros for 2021-2027, the NDICI is also expected to contribute to the same climate-related and biodiversity targets.

These targets should also apply to the use of the EU financial instruments for development (namely guarantees and blending). The EU External Action Guarantee (EAG) through the European Fund for Sustainable Development + (EFSD+) should finance operations up to €53.4 billion, a large portion of which should contribute to the implementation of the external dimension of the Green Deal. The contribution of these operations to biodiversity protection efforts in developing countries remains to be specified.

Additionally, in September 2021, the EU Commission President, Ursula Von der Leyen, promised during her State of the Union address that “the EU will double its external funding for biodiversity, in particular for the most vulnerable countries”, compared to 2014-2020, when it reached EUR 3.5 billion.

In the European aid landscape, the EIB occupies a central role in the EU development finance architecture and is set to become the EU climate bank. The EIB’s global mandate of around 30 billion euros for 2021-2027 should also be implemented

along the same strategic objectives as the Commission and EU Member States. As the EIB global branch is set up and its development focus further defined, biodiversity objectives should be specified and added as a contribution to the EU package.

Beyond the EU institutions, Europe is a collective force which gathers European Member States, their implementing agencies and development finance institutions. But such a collective can also be a challenge to manage effectively. As stated by the OECD,⁵ several opportunities exist in practice to enhance the effectiveness of development cooperation for biodiversity. There is a need to improve coordination between development partners, to increase the cumulative effectiveness of their individual interventions on the ground, by ensuring complementarity and mutual accountability and avoiding duplication. In that sense, the “Team Europe approach” promoted by the Commission since the COVID 19 crisis could play a role to deepen EU cooperation on the ground if it were truly focused on “policy first” supported by programmatic collective action.⁶ Such coordination could take the form of complementary country-level division of labour, as well as pooled funding arrangements around a common framework or programme for action.

Taken together, the EU’s efforts to better integrate and align biodiversity through its new development tools (NDICI, EFSD+, EAG) and across institutions (Commission, EIB, Member States) could help delineate a European leadership on biodiversity for development.

Integrating and aligning development policies and public investments to support biodiversity is also a matter of policy coherence. It requires a strong link between the strategic policy and implementation level, and appropriate organisational change to effectuate mainstreaming in practice. To bridge the gap between policy and implementation, besides traditional safeguard systems or exclusion list, there is a need for holistic reciprocal risk assessment approaches which would not only

⁴ https://ec.europa.eu/info/strategy/eu-budget/performance-and-reporting/programmes-performance/global-europe-neighbourhood-development-and-international-cooperation-instrument-performance_en

⁵ <https://www.oecd.org/env/mainstreaming-biodiversity-for-sustainable-development--en.htm>

⁶ see https://www.die-gdi.de/uploads/media/DP_22.2021.pdf

explore the biodiversity threats from development activities but also take into account the risks that the loss of biodiversity creates for sustainability of development projects.

It is also key to acknowledge that benefits of mainstreaming become apparent only over long periods of sustained engagement. Therefore, support for mainstreaming is needed over long time frames, of at least 10-15 years. This represents a challenge, given a typical development co-operation project cycle of 3-5 years.

2.2. SDG alignment as an opportunity for biodiversity?

The linkages between biodiversity, economic growth and development are well recognized in the 2030 Agenda for Sustainable Development. Taking advantage of its integrative nature, how could scientifically demonstrated contributions of ecosystems to sustainable development be a way to help mainstream biodiversity across sectors and within development policies?

The current COVID-19 situation demonstrates that the degradation of biodiversity is triggering the risk of additional systemic crises that go beyond environmental issues. Biodiversity protection is key to poverty eradication and building resilient systems. The IPBES report showed that biodiversity loss hampered progress on 80% of the SDGs.⁷ Transformative change can therefore only be achieved through a better coherence between development, economic, social and environmental policies which require involvement from all actors, public and private. Such an integrated approach appears as the only viable and sustainable solution to successfully achieve the objectives. Concretely, this requires additional efforts to measure, track and report progress.

Beyond numbers and volumes of funding, alignment with the 2030 Agenda could be particularly useful to address biodiversity integration in development policy. Many development partners use the SDGs to frame their cooperation policies. Still, only 55% of development partners have a corporate results framework that fully or partially aims to achieve SDG results.⁸ The SDGs were not designed as targets to be met independently, but as a mutually supportive package. Alignment not being about how much is invested in projects that support one or several of the 169 SDG targets, but about to ensure that all projects and investments are designed to minimize the negative externalities and maximize the positive externalities across the various SDGs and associated targets.

However, moving from this ambition to an operational approach is not an easy task. It is a continuing process which requires coordination and coherence. Both in the Addis Ababa Action Agenda and in the 2030 Agenda, UN Member States agreed "that cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks (INFF), will be at the heart of efforts". Operationalizing INFFs is presented as an option to foster public and private

investments that are truly aligned with the SDGs. They should help define financing strategies that are grounded in the country's specific context and risks and will connect financing and related policies more explicitly with longer-term objectives. In short, they represent a blueprint on the resources that are needed and where to invest them. With UNDP, the European Commission already supports the development of INFFs in several countries.⁹ If well designed and implemented, could the INFF constitute an interesting tool to track biodiversity support but also to better integrate biodiversity in national sustainable development strategies and address the potential risks for biodiversity within these financing strategies?

Another potential tool to enhance alignment of development policies with biodiversity could be for European development cooperation to apply the Impact standards for financing sustainable development. The objective of the standards is to support donors in the deployment of public resources so as to maximize positive contributions towards the SDGs. By recognizing the interconnectedness of the SDGs, the standards can "reduce SDG cherry picking and push investors to consider the unintended negative consequences of their actions"¹⁰ and therefore contribute to better integrating biodiversity.

2.3. Enhancing support to biodiversity through Public Development Banks

In addition to the EU and its Member States, some European Public Development Banks (PDBs) have recently committed to better integrating biodiversity in the implementation stage. The Finance in Common Summit in 2021 called to join a coalition to make climate finance converge with biodiversity and also for strengthening the explicit mandates and capacity of all PDBs to align their activities with the SDGs and the Paris Climate Agreement.¹¹ PDBs are an integral part of the larger, complex community of finance institutions but they can play a leading role in better integrating biodiversity concerns in public finance. While many PDBs have adopted some environmental safeguards, they have not aligned their portfolios as a whole with environmental goals, although some are now starting to align on climate change. Back in 2020, the IDFC network committed to biodiversity support with the idea to increasingly mainstreaming biodiversity in the banks' activities and to seeking positive impact in the long term. At COP26 in Glasgow in November 2021, ten multilateral development banks, including the EIB and European Bank for Reconstruction and Development (EBRD), signed a joint statement, which includes renewed commitments on biodiversity.¹² Since then, the World Bank Group International Finance Corporation (IFC) and the EBRD have, for example,

⁷ https://zenodo.org/record/5657041#.Ye64U_jjjhE

⁸ OECD (2021).

⁹ <https://www1.undp.org/content/brussels/en/home/presscenter/pressreleases/2019/european-union--united-nations-and-partner-countries-support-new.html>

¹⁰ [https://one.oecd.org/document/DAC/DAC\(2021\)6/FINAL/en/pdf](https://one.oecd.org/document/DAC/DAC(2021)6/FINAL/en/pdf)

¹¹ https://financeincommon.org/sites/default/files/2021-12/Communique%CC%81%20FiCS%2020%20October%202021%2020%20%20FOR%20POSTING%2014122021_0.pdf

¹² <https://ukcop26.org/mdb-joint-statement/>

made investments conditional on procedures which safeguard biodiversity.

At the 2021 IUCN Congress, EIB's Vice-President put forward the suggestion that "companies should be calculating their biodiversity footprint just as they calculate their carbon footprint". The bank should also formally endorse a new standard on biodiversity and ecosystems within its Environmental and Social Sustainability Framework. Such initiatives and thinking are particularly welcome and encouraging as they demonstrate another level of European leadership. The growing role of the European private sector for development represented by the European Development Finance Institutions (EDFI) network¹³ also represents another level of action to leverage for biodiversity for development. It is now the time that these initiatives are further developed and expanded to include all relevant actors as EU governments can use their position to mandate these banks on biodiversity for development. Can the EU collectively use its expertise and lead the way on that front?

To go further in biodiversity integration, and building on SDG alignment, there is a need for systemic long-term change, but that has to start with smaller, practical steps. As pointed out by WWF,¹⁴ PDBs should reduce the harmful impacts of investments ("greening finance") and to increase financial flows into investments that are positive to nature ("financing green"). In that respect, European PDBs as well as the EIB should apply internal procedures ensuring that their operations including investments do not harm ecosystems and biodiversity, and disclose information on their activities' impacts on biodiversity in line with the Taxonomy Regulation and the forthcoming Corporate Sustainability Reporting Directive.

In order to be more effective in biodiversity protection, European development finance institutions (DFIs) need to take ownership and leadership in their roles as enablers and catalysers of sustainable finance. They must work side-by-side with other stakeholders to play a larger and potentially transformational role in scaling up finance to meet biodiversity needs in developing countries. European shareholder governments of PDBs and MDBs should better coordinate within the MDBs' boards and push to ensure that biodiversity is integrated into the risk management and investment mandates of PDBs.

As an illustration, WWF identifies three key actions needed for greening finance that European DFIs could take: (1) Fully integrate biodiversity risk into investment decisions, (2) Improve upstream planning and early risk screening to enable avoidance of impacts, (3) Apply effective safeguards to reduce and compensate for harm to biodiversity. Regarding green investments, they could: (1) Scale up investment in nature-based solutions to meet climate and other development goals, and (2) Scale up direct investment in nature conservation and restoration.

¹³ <https://www.edfi.eu/>

¹⁴ WWF & The Biodiversity Consultancy (2021). Public development banks and biodiversity: How development finance Institutions can align with the Post-2020 Global Biodiversity Framework. Full Report, WWF France.

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