

## **Resilience in diversity: Financing nature and biodiversity**

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2021, a pivotal year for people and the planet.

Greece, Turkey and California were aflame in heatwave induced wildfires, Canada was caught under a heat dome and a year's worth of rain poured over Germany, Belgium, China and Sudan within a couple of days- devastating communities with floods in its wake. The message is clear, we are in a planetary emergency.

And, 2021 is pivotal because this is also the year that significant global conferences on climate change and biodiversity take place. Widely considered the last chance for world leaders to commit to desperately needed climate action and biodiversity conservation before we reach the 2030 deadline, the decisions made at these conferences and the actions that follow will definitively decide the future of our planet.

### **A global movement on much needed radical climate action**

At the recently concluded high-level event at United Nations General Assembly that outlined transformative actions and financing to reverse biodiversity loss by 2030, emphasized that protecting, conserving, restoring biodiversity and sustainable usage can be nature positive and deliver multiple co-benefits for the environment, climate and sustainable development as a whole. The ongoing COP15 of the Convention on Biological Diversity will see the adoption of the post-2020 global biodiversity framework—a strategic vision and a global roadmap for the conservation, protection, restoration and sustainable management of biodiversity and ecosystems for the next decade—is a promising sign of a global movement that is pressing on much needed radical action.

The answer to our planetary emergency and economic growth largely lies in nature and biodiversity, in immediate, sustained and transformative change in our societies and way of life; but most importantly, in our policy, economic and finance infrastructures. The choices made at this juncture as we are recovering from the COVID-19 hit economic downturn, and in the wake of time-critical climate findings will determine development and fiscal policies for the next decade and the future of our planet. Yet, even today, investments in nature and biodiversity are few and far between.

### **The world has not yet learnt its lessons**

The United Nations Development Programme's Biodiversity Finance Initiative's (BIOFIN) 2021 iteration of the Little Book of Investing in Nature reports that the current annual biodiversity conservation financing still produces a biodiversity financing gap of USD 598–824 billion per year by 2030. Even though COVID-19 starkly reinforced the need to fund actions that enhance the resilience of ecosystems and address the shortcomings in areas such as food security, climate action, water security, human health and enhanced resilience to disaster risk, it is evident that the world has not yet learnt its lessons.

According to research by the World Economic Forum, half of the gross world product is highly or moderately dependent on nature. Agriculture, construction, food and beverages are the largest sectors that are dependent on nature, and these generate USD 8 Trillion in gross value added. Yet, there seems to be a lack of understanding that our biodiversity underpins our global economic systems and our climate solutions.

The 2021 State of Finance for Nature report by the United Nations Environment Programme (UNEP) has found that investments in nature-based solutions will have to triple by 2030 and increase four-fold by 2050 if we are to have a shot at solving the planetary emergency. A move towards green development is the only sustainable growth trajectory for our societies and economies, and green financing is at the core of it.

### **Investing in and financing nature is the way forward**

So, what is green financing? A relatively new concept to Sri Lanka, green financing is any structured finance activity put towards an environmental outcome. UNEP defines it as an increasing level of

financial flows (including banking, micro-credit, insurance and investment) from the public, private and not-for-profit sectors to better manage environmental and social risks, take up opportunities that bring both a decent rate of return and environmental benefit, and deliver greater accountability. For our societies and economies to thrive, we also need the natural systems that we depend on to thrive. And, investing in and financing nature is the way forward.

This is true to Sri Lanka, as well. As a country heavily dependent on nature and biodiversity, both socially and economically, the cost of deprioritizing investments in it is high. Although Sri Lanka has historically pursued low-carbon development and has balanced achieving high levels of human development with the lowest per capita emission rates, recent policy inconsistencies and structural issues have limited the country's sustainability. According to the Financial Needs Assessment conducted through the BIOFIN programme, Sri Lanka will need a total of LKR 31 billion (USD 250 Million) for the period of 2018 – 2024 to reach the country's critical biodiversity targets.

### **Biodiversity Finance Initiative (BIOFIN)**

Currently, the BIOFIN programme—a UNDP managed global collaborative partnership is striving to bridge this financing gap. The programme follows four approaches; to generate new income; increase the efficiency of existing resources; realign existing resources; and avoid future expenses.

Through this programme, a Biodiversity Finance Plan has been formulated consisting of 16 financial solutions that fit into each of these four strategic approaches. Sri Lanka is currently piloting three of these solutions.

1. Payment for ecosystems services that generate new income, where mini-hydropower plants invest part of their profits into conserving their catchment area.
2. A sustainable tourism certification scheme, which is a future cost avoidance strategy working with key government partners like the Sri Lanka Tourism Development Authority (SLTDA) and a host of private sector partners including hotels, to impact the environment positively through tourism operations or reduce their negative impacts significantly.
3. In partnership with the Central Bank of Sri Lanka (CBSL), a finance programme that works to mainstream sustainable financing initiatives and promote sustainable investments within the island's finance landscape. This works to realign existing resources and incentivize sustainable and green activities within all levels of society.

### **A push towards Green Development**

Delving further into the third solution, for instance, if a business owner seeks a loan to fund their operations, the bank could offer lower interest rates if the business owner makes changes to his business plan to have no impacts on the environment or if they actively work towards conserving the environment.

Currently, the programme, with the CBSL, has developed a Roadmap for Sustainable Financing in Sri Lanka, established a knowledge-sharing platform through the Sustainable Banking Initiative which advances sustainable banking principles and implementation, compiled case studies, and developed an e-learning course.

At least six banks in the country have initiated sustainable financing activities voluntarily at the moment, and coupled with this momentum the BIOFIN programme hopes to engage more smaller banks in Sri Lanka to develop similar financing products. Further, as a national effort, the programme is in the process of developing the sustainable financing taxonomy with the CBSL with the aim of contributing to the country's broader policy push towards green development.

Yet, Sri Lanka needs more. As a country with significant vulnerabilities to climate change impacts, now severely fiscally restricted due to our two-year-long struggle with COVID-19, Sri Lanka's green and biodiversity financing is not near enough to meet the set biodiversity targets. Although there's no formal evidence, given the pace of climate change and impacts, we can deduce that our adaptation costs too are rising disproportionately to our adaptation finances.

We have not yet fully understood the value of nature and biodiversity, and it is high time we fought to build forward better as our resilience is in our biodiversity and nature.

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