The Biodiversity Finance Initiative (BIOFIN)

Theory of Change

1. RATIONALE

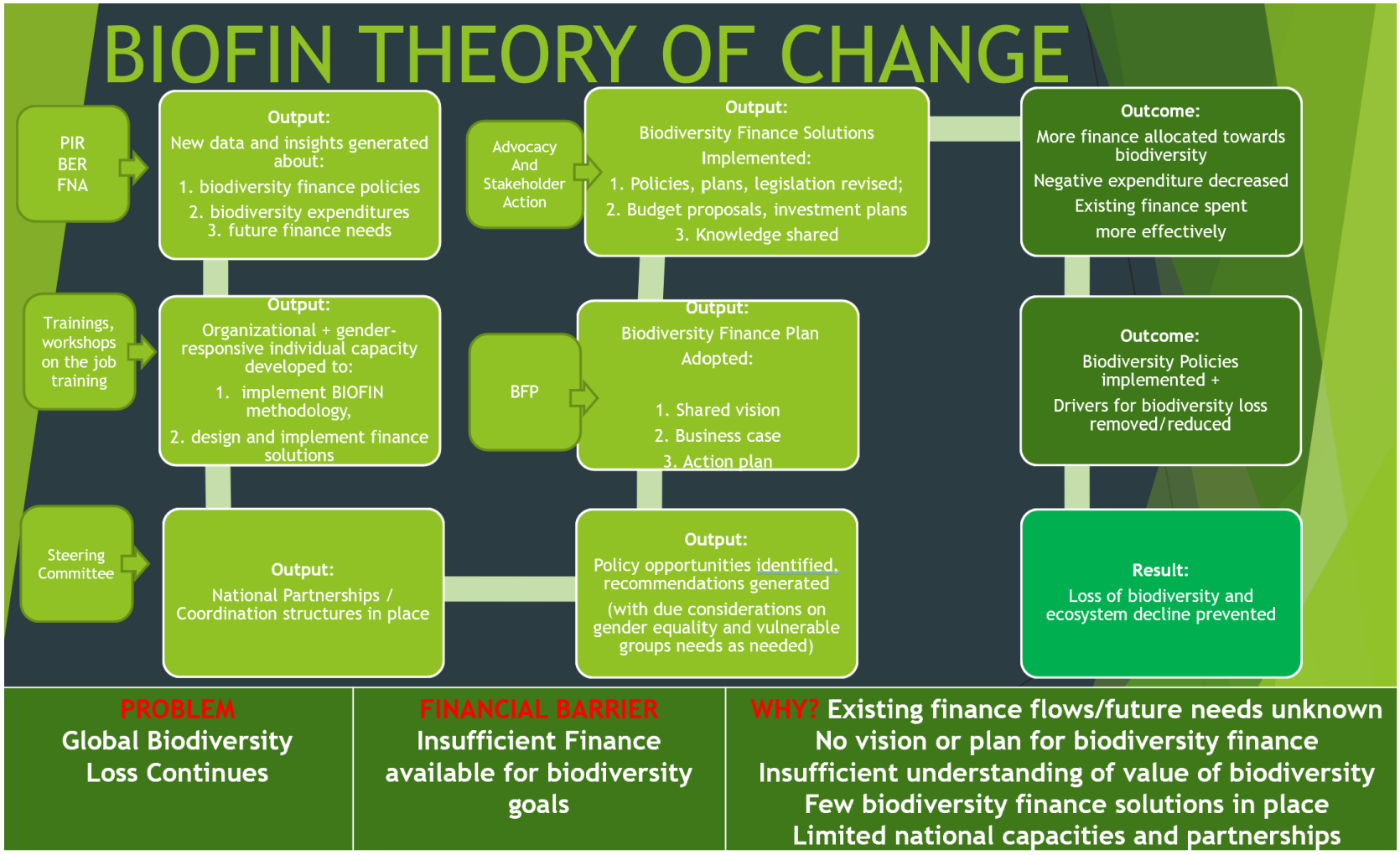
The **global loss of biodiversity and decline of ecosystems** in the past decades has multiple **direct causes**, including: 1) Habitat loss and degradation; 2) Climate change; 3) Excessive nutrient load and other forms of pollution; 4) Over-exploitation and unsustainable use and; 5) Invasive alien species (*3rd Global Biodiversity Outlook, CBD Secretariat, 2010*).

In the runup to CBD COP 10 in Nagoya (2010), a structural lack of attention for financing was identified as an important **barrier** for countries to achieve the Global Aichi Biodiversity, Target together with an overall lack of awareness of biodiversity, insufficient consideration in national planning processes and harmful subsidies.

Lessons from five years of the Biodiversity Finance Initiative – BIOFIN and similar initiatives – provided further insight into several interlinked issues that need to be addressed. In order to cause changes to secure biodiversity financing, including a significant reduction of "biodiversity negative financing", the following barriers need to be removed:

1) A lack of available data on biodiversity for financial reporting and planning at national level.
2) Structural capacity deficits related to biodiversity finance, including financial planning and budgeting for biodiversity, knowledge and tools about potential finance solutions and the absence of biodiversity finance as a theme in major curricula of academic and civil service training institutions;
3) A lack of coordination and shared language among finance ministries and line ministries implementing biodiversity management;
4) An over-reliance on a limited range of finance mechanisms/solutions – such as allocations from the national treasury and Official Development Assistance (ODA) and the absence of a comprehensive roadmap and vision for biodiversity finance.
5) The failure of markets and governmental fiscal and development planning systems to reflect the real value of biodiversity and ecosystem goods and services (or the real costs of losing them);
6) Ingrained adverse incentives that encourage biodiversity-harmful activities such as agricultural subsidies or land governance laws that may encourage deforestation; and
7) Limited revenue streams from biodiversity-positive actions that could generate increased private sector investment;

2. THE THEORY OF CHANGE



BIOFIN helps address these issues through a multi-stakeholder, cross-sectoral process that guides countries through a number of steps involving the development of technical products, that result in specific recommendations for policy and capacity development:

Addressing barrier 1

1. Produce **new data and insights** through three consecutive analytical reports. The **Biodiversity Finance Policy and Institutional Review** maps the existing financing policies and practices, analysis which subsidies are harmful to biodiversity and generates and inventory of existing financing mechanisms. The **Biodiversity Expenditure Review** examines the biodiversity relevance of major government programmes, ODA and the private sector, and helps detecting barriers related to financial delivery. The Financial Needs Assessment enables countries to know how much finance is required in the short and medium term to achieve the main national biodiversity goals.

Addressing barrier 2

2. Secondly, it assists to bring in place the required **individual and organizational capacity** to undertake the BIOFIN Methodology in each country. These processes are carried out under a specific capacity development plan for the country, that creates a core group of people familiar with the BIOFIN methodology and able to carry out the main processes.

Addressing barrier 3

3. Third (addressing barrier 3), it helps to address the lack of cooperation between major stakeholders by initiating **new partnerships** between Ministries of Environment, Finance and Planning. These come together under the Steering Committee and other venues.

Addressing barriers 4-7

4. BIOFIN Teams work with related initiatives and existing policy process to **identify further opportunities** to enhance biodiversity finance.
5. This all culminates into the development of a **Biodiversity Finance Plan**, that sets out a shared, comprehensive vision for biodiversity finance in the country, outlines the finance solutions with the highest potential and provides - the new and existing data - a clear business case for additional investments by key stakeholders, including for specific finance solutions.
6. The national BIOFIN Team and government, supported by additional **advocacy and outreach**, then follow up on the main priorities/finance solutions from the plan that will require work on the detailed design and implementation.

Outcomes/Impact

7. Once the finance solutions are effective, this will lead to **finance results**, including generating/re-aligning revenue, preventing future costs and harmful expenditures, and improving the financial delivery and cost-effectiveness of existing budgets.
8. These finance results enable the **implementation of biodiversity policies and achieving biodiversity goals**.
9. This ultimately leads to a **reduction and prevention of the loss and degradation of biodiversity, ecosystems and ecosystem services**. Additional positive impact can be expected on other SDGs, such as poverty reduction, climate change mitigation and adaption, sustainable consumption and production, and forging partnerships.

3. ASSUMPTIONS

a) **National biodiversity strategies sufficiently address the existing drivers of biodiversity loss**

The BIOFIN Analysis is built on the assumption that in a given country, the existing biodiversity action plan sufficiently outlines the national biodiversity needs. Only then, the Financial Needs Assessment can adequately project future financial needs.

Action: During the scoping stage of the BIOFIN Process the scope of the National Biodiversity Plans is reviewed. If it is considered to be too narrow, additional actions may be undertaken to define the national biodiversity needs, based on analysis from the Biodiversity Expenditure Review, national development planning and sectoral planning.

b) National biodiversity plans have effectively prioritized conservation actions

The additional financing generated will only be effective if the initial prioritization of actions was done in a strategic and cost-effective manner.

Action: During the Financial Needs Assessment process, an additional review of prioritization is undertaken, to determine the most strategic and cost-effective actions. The Biodiversity Expenditure Review can also highlight which areas are facing the highest funding shortfalls.

c) Adequate initial capacity exists in target countries

Most parts of the BIOFIN Methodology and process are innovative in nature, requiring a minimum basic capacity to be present in target countries.

Action: During the scoping phase, an initial capacity assessment is carried out. Where capacity concerns emerge, additional capacity development activities can be deployed.