



# Biodiversity Finance - Putting Nature on a Path to Recovery

## Advisory service

### The Challenge

Biodiversity is declining faster than ever before in human history, posing significant threats to the economy and all life on earth. To halt and reverse this trend, the Convention on Biological Diversity's Global Biodiversity Framework calls for a mobilization of USD 200 billion per year by 2030. This is expected to come from multiple sources, including national domestic government budgets, international financial flows from developed to developing countries, and the private sector. In addition to mobilizing more funding, other barriers must be overcome to close the global biodiversity funding gap which is estimated at USD 600-800 billion a year. Inaction would result in significant higher costs. However, fiscal policies in most countries continue to promote environmentally harmful economic activities, and there is a lack of incentives for biodiversity-friendly production, consumption, trade, and commercial investment. Procedures and systems for planning, managing, and administering finance in support of biodiversity are often weak. Actors in the financial sector lack capacities in understanding and integrating biodiversity considerations into their operations, especially in countries where sector regulation is weak or lacking.

### Our approach

GIZ supports partner countries in developing and implementing integrated biodiversity finance solutions of mutually reinforcing instruments to increase the amount of funds, decrease costs of biodiversity conservation, incentivize nature-positive behavior, and discourage harmful action. GIZ works collaboratively at multiple levels, bringing together various national actors, from Ministry of Environment to Finance, the banking sector as well as commercial companies. At the local level, GIZ works towards site-level finance solutions with organizations sustainably using and managing biodiversity, such as protected

area authorities, Indigenous Peoples and local communities, or producer associations. We aim to integrate finance aspects into our work across all sectors to align financial flows with biodiversity goals and targets.

### Our services

Reflecting the context-specific priorities and needs of our partners, GIZ provides technical assistance, capacity development, and multi-stakeholder formats on biodiversity finance in line with relevant strategies of the German Government. Starting point is a systematic **identification of finance needs and opportunities** to devise and deliver appropriate biodiversity finance solutions.

- We support the **development of new public and private funds** for protected or conserved areas and ecosystem restoration, including for areas managed by Indigenous Peoples and local communities, for example through conservation trust funds, user fees, or fiscal earmarking.
- We help public and private partners design, pilot and, where proven successful, scale **new and innovative finance mechanisms**, such as payments for ecosystem services, blended finance, nature related bonds, biodiversity and carbon credits or the concept of basic income for nature.
- We **strengthen institutional and technical capacities** and financial literacy of partners to access funding, diversify revenue streams, and ensure financial resources are administered effectively, efficiently, equitably, and sustainably.
- We help producer associations and small and medium enterprises **transition towards nature-positive production and business models** through feasibility studies, development of business and finance plans, matchmaking with financial institutions, and support on introducing standards and accessing markets.
- We work closely with ministries of finance and other relevant ministries to create **incentives** for biodiversity-friendly behavior, production, and consumption by



adjusting fiscal policies, e.g., reducing biodiversity harmful subsidies or introducing environmental taxes.

- We support the **transformation of financial systems** by providing advice to ministries of finance, financial sector regulators, and central banks in incorporating nature-related aspects into regulatory instruments, such as taxonomies, financial risk management regulations, financial product standards, and reporting and disclosure frameworks. We advise financial institutions in implementing regulatory guidance, setting nature-related targets, and developing nature-related finance and insurance products.

### The benefits

Our clients and partners benefit from our track-record of working on biodiversity conservation, sustainable agriculture and forestry, private sector engagement and sustainable finance worldwide. We combine extensive on-the-ground presence, with strong ties to government partners and local organizations, with deep insights into international policy debates. GIZ has vast experience in providing knowledge products tailored to specific regions or countries in areas such as finance for protected areas, payments for ecosystem services or environmental-fiscal reform.

GIZ's high level of technical expertise is blended with external expertise through partnerships with German Government bodies, KfW Development Bank, multilateral organizations, think tanks, NGOs and specialist networks, such as the Green Fiscal Policy Network or UNEP Finance Initiative.

### Examples from the field

In Kenya, GIZ has implemented a project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) to secure funding for community-conserved wildlife areas as a land use model around the Maasai Mara National Reserve during the COVID-19 pandemic when tourism income had declined to almost zero. The biodiversity finance measures enabled six wildlife conservancies to survive the COVID-19 crisis, and to revert to meeting their own operating costs as of July 2022. To strengthen their resilience, new sources of conservation funding and income were identified and are being developed together with partners. These include new wildlife tourist offerings for the domestic market, the establishment of a 'Maasai Mara conservation fund' as a financial reserve for future emergencies, the development of biodiversity credits and a project to generate and sell carbon credits from landowners' efforts to protect and regenerate grasslands.

In Peru, GIZ is implementing a bilateral cooperation project funded by the International Climate Initiative through the German Federal Ministry for the Environment (BMUV) that seeks to improve the conditions for impact investment and other forms of sustainable financing for biodiversity-friendly businesses. The project follows a three-pronged strategy: improving public policy instruments and incentives for investment, building the capacity of businesses to access funds, and promoting the development of financial products and services suitable for biodiversity-friendly businesses.

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