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Finance

Report of the Standing Committee on Finance

Addendum

High-level summary of the first part of the Standing Committee on Finance Forum on finance for nature-based solutions

Summary

This document contains a high-level summary of the first part of the Standing Committee on Finance Forum on finance for nature-based solutions, focusing on the outcomes of the discussions on nature-based climate actions and the mobilization and delivery of finance for nature-based solutions.



I. Introduction

1. At its 21st meeting the Standing Committee on Finance (SCF) agreed to organize its next Forum on the topic of finance for nature-based solutions¹ and the Conference of the Parties (COP) welcomed this agreement at its twenty-fifth session.² SCF 24 decided to hold the Forum in two parts: the first part in virtual or hybrid (virtual and in-person) format in 2021 and the second part in person in 2022.³ The outcomes of the first part will inform the design of and discussions at the second part. The SCF will prepare an overall summary of both parts of the Forum for consideration at COP 27.
2. The first part of the Forum was held in hybrid format from 15 to 16 October 2021. A total of 12 SCF members and three resource persons attended the Forum in person in Bonn, and close to 100 participants, representing government, United Nations agencies and international organizations, multilateral climate funds, bilateral agencies, academia, think tanks and civil society organizations working on nature-based solutions, attended virtually.
3. The following modalities for discussion were used:
 - (a) Plenary sessions comprising scene-setting presentations and panel discussions to present latest studies and findings on nature-based solutions and facilitate sharing of views and experience of stakeholders relating to finance for nature-based solutions;
 - (b) Breakout group sessions aimed at facilitating in-depth discussion among participants on best practices and lessons learned relating to finance for nature-based solutions, and identifying challenges faced by stakeholders and possible solutions for overcoming them;
 - (c) Feedback sessions for the discussion leaders to present the outcomes of the breakout group sessions and share their insights.
4. The programme for the Forum, biographies of speakers and discussion leaders, presentation slides and YouTube broadcast links are available on the dedicated web page on the UNFCCC website.⁴

II. High-level summary

5. Nature-based actions have the potential to holistically address development and climate priorities and enable sustainable development, and finance for nature-based solutions must be scaled up:
 - (a) Nature-based solutions can help in addressing both the climate and the biodiversity crisis and in meeting both mitigation and adaptation objectives, with the potential to save 10 gigatonnes of carbon dioxide equivalent per year through the protection, management and restoration of land;
 - (b) An estimated gap in public and private sector financing for nature-based solutions of USD 4.1 trillion needs to be filled by 2050. There is potential to exponentially increase private sector finance flows for nature;
 - (c) Natural and social capital need to be incorporated into the global economy, which requires, inter alia, enhancement of quality and quantity of data in order to understand how nature can be reflected in the true cost of goods and services;
 - (d) To spur action on nature-based solutions, it is important to ensure stakeholder coordination and enhance involvement of local actors.
6. Catalysing nature-based climate actions in developing countries requires key needs to be addressed, including:

¹ See SCF document SCF/2019/21/11, para. 24. Available at <https://unfccc.int/scf/scf-meetings-and-documents>.

² Decision 11/CP.25, para. 7.

³ See SCF document SCF/2021/24/7, paras. 25–26.

⁴ <https://unfccc.int/topics/climate-finance/events-meetings/scf-forum/the-scf-forum-on-finance-for-nature-based-solutions>.

(a) Enhanced institutional, organizational and individual capacity to integrate nature-based solutions across policies and strategies in a holistic manner in order to strengthen the enabling environment for increased action on nature-based solutions;

(b) Debt support to create more fiscal space for the transition to a climate- and nature-positive economic system by using and scaling up existing financial instruments such as debt-for-nature swaps, particularly in the context of the coronavirus disease 2019 pandemic;

(c) Recognition of local land rights and traditional indigenous knowledge when designing and implementing nature-based solutions. Bottom-up approaches to such solutions can systemically support local livelihoods, address poverty and help in protecting and preserving nature.

7. Leveraging and mobilizing scaled-up finance for nature-based solutions from public and private actors requires action in relation to, inter alia:

(a) Strengthening the investment case for such solutions through improved communication of information and data to encourage stakeholders to evaluate the benefits and risks of such investment. This requires increased efforts of national Governments to account for nature in their budgetary systems and increased private sector disclosure of nature-related financial risks;

(b) More effectively leveraging finance from the private sector through tools such as blended finance, insurance and public–private partnerships, which de-risk investments for the private sector;

(c) Challenging existing harmful government subsidies that undermine the mobilization of finance for nature-based solutions.

8. Access to finance for nature-based solutions, especially for developing countries, is hindered by various factors, including:

(a) Complex judiciary requirements and lack of capacity of recipient countries to access the finance;

(b) Insufficient access to adequate and reliable data and information for designing projects for nature-based solutions;

(c) Lack of inclusive financing, such as fair and competitive lines of credit for local actors.

9. In relation to further catalysing nature-based climate actions and accelerating the mobilization and delivery of finance for nature-based solutions, Forum participants recommended various action points, including:

(a) Calling for increased commitments and disbursement of international finance for nature-based solutions, especially for developing countries;

(b) Embedding natural capital accounting in national budgetary processes;

(c) Encouraging incorporation of nature-based solutions into policies and strategies at both national and international level;

(d) Promoting the newly established Taskforce on Nature-related Financial Disclosures and urging the private sector to disclose nature-related financial risks;

(e) Balancing of short-term policies (e.g. five-year plans) with long-term climate and nature targets (e.g. net zero pledges for 2050) by public and private sector actors;

(f) Enhancing enabling environments for unlocking private investment in nature-based solutions and identifying ways to expand opportunities for investment in such solutions, by, for example, enhancing information for better assessment of risk associated with nature-based solutions and developing innovative financial instruments;

(g) Strengthening engagement of local communities and indigenous peoples in designing and implementing nature-based solutions.