



State of Finance for Nature Report

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Why in News

The UN report, titled **State of Finance for Nature**, analyzes the investment flow in **nature-based solutions (NbS)** and identifies the **future investment needed to meet the climate change, biodiversity and land degradation targets** (set in three **Rio Conventions**).

The report was jointly produced by the **United Nations Environment Programme (UNEP)**, the **World Economic Forum** and the **Economics of Land Degradation**.

Key Points

About the 'Nature-based solutions (NbS)':

- The **NbS** refers to **sustainable management and use of nature** to tackle socio-environmental challenges, which range from disaster risk reduction, climate change and biodiversity loss to food and water security as well as human health.
- NbS creates **harmony between people and nature, enables ecological development** and represents a holistic, **people-centred response** to climate change.
 - Thus, NbS underpin the **Sustainable Development Goals**, as they support vital ecosystem services, biodiversity, and access to fresh water, improved livelihoods, healthy diets and food security (organic agriculture) from sustainable food systems.
 - Also, NbS are an essential component of the overall global effort to achieve the goals of the **Paris Agreement on Climate Change**.

Nature-Based Solutions Can Build Resilience to Multiple Climate Hazards



- **Key Findings of Report:**

- **Current Investments:**

- Approximately **USD 133 billion** currently flows into nature-based solutions **annually** (using 2020 as base year). It **comprises about 0.10% of global gross domestic product**.
 - The funds flow **to protect biodiversity and landscapes**, mixed with activities such as sustainable forestry.
 - NbS finance is **much smaller in scale than climate finance** and relies more heavily on public finance.

- **Public vs Private Funds:**

- Public funds make up 86% and private finance 14% of these investments.
 - The **public financial services providers** included the government, development finance institutions (DFIs), environmental/climate funds.

- **Top Spenders:**

- Public sector spending for the same is **dominated by the United States and China**, followed by Japan, Germany and Australia.
 - Countries such as **Brazil, India and Saudi Arabia** are likely spending large amounts of money too, but they do not report internationally comparable data.

- **Recommendations:**
 - **More Investments:**
 - **Public and private actors will need to scale up their annual investments** by at least four times to meet future climate, biodiversity and land degradation targets.
 - **Annual investment should reach USD 536 billion** by 2050.
 - **Enhancing Cash Flows for Investment:**

Reforming taxes, repurposing agricultural policies and trade-related tariffs and harnessing the potential of carbon markets.
 - **Smart Investments:**

Restoration of **natural vegetation and afforestation** are essential to meet international targets.

The most important component of annual investment needs is the **cost of establishing new forests**, as it accounts for 80% of total costs.
 - **Making Nature-based Solution a part of Government Policies:**
 - Supporting **inclusion of nature-based solutions in current nationally determined contribution revisions**, national adaptation plans and domestic sectoral legislation.
 - **Aligning private finance with public policy** for scaling up capital flows to nature to a level that can meet the targets of the three Rio Conventions.
 - **System to Track Finances:**
 - There is a need for a comprehensive system and framework for labelling, tracking, reporting and verifying the state of finance for NbS.
 - This would improve data comparability and quality as an input to future decision-making.
 - Further, there is a need to increase positive financial flows by de-risking & incentivizing and reducing harmful financial flows.

Source: DTE