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# Public Development Banks and Biodiversity

*How PDBs can align with the post-2020 Global Biodiversity Framework*



Malcolm Starkey, The Biodiversity Consultancy



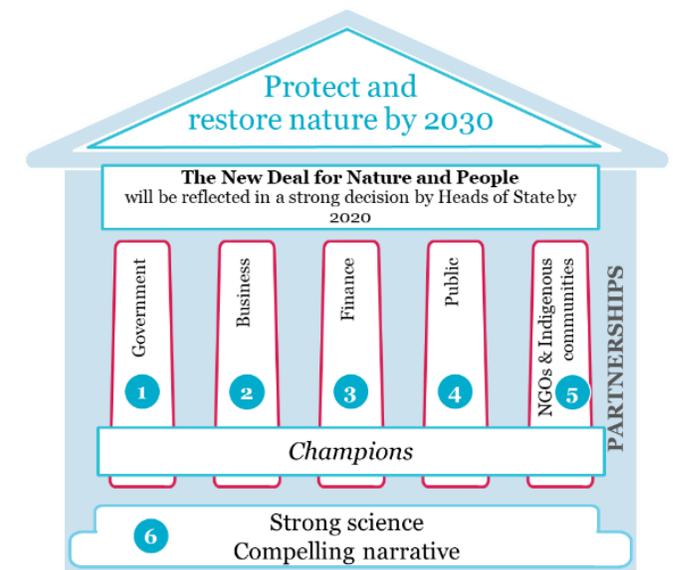
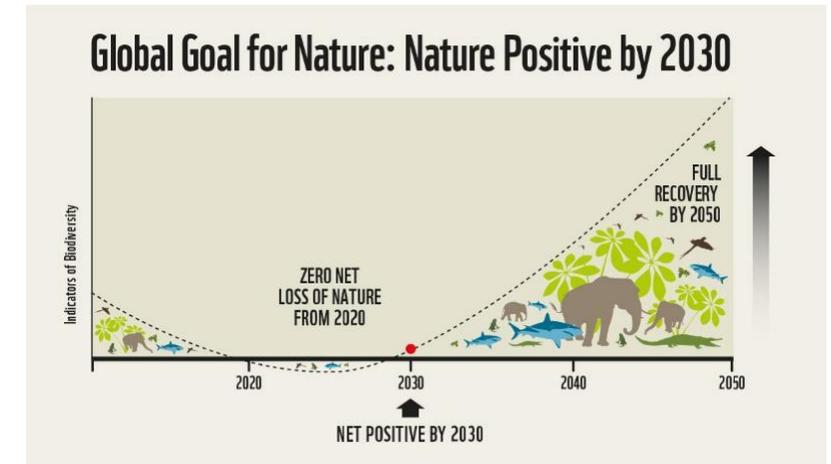
# Context and objectives

# Study Aims

- **Taking stock** – Review and assess how far PDBs currently integrate nature in their processes and business models
- **Going forward:** Outline practical recommendations for how this could be improved

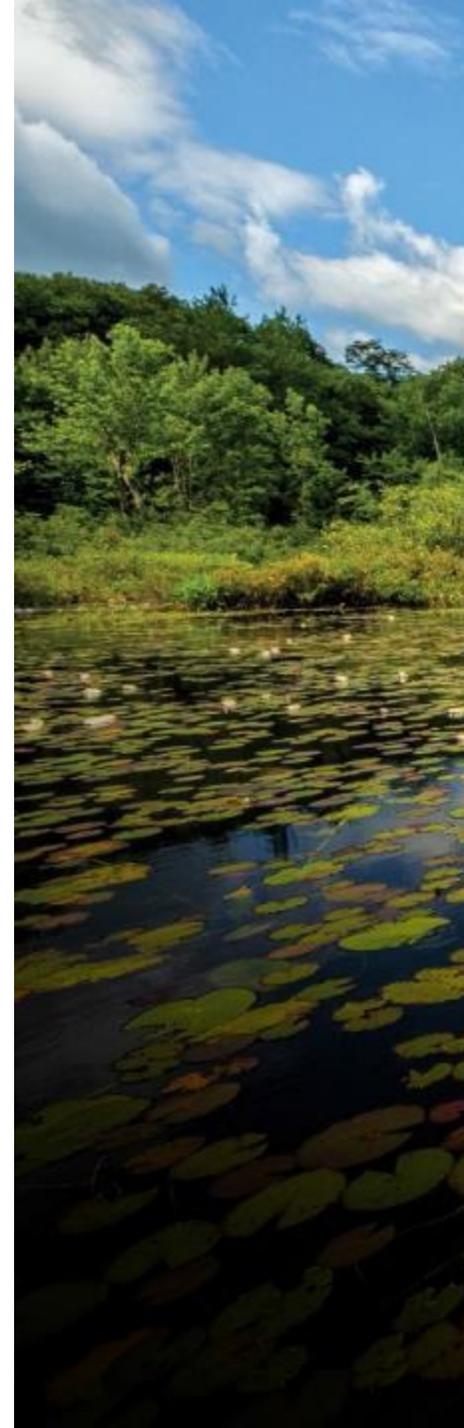
## *Focusing on two pillars:*

- **Greening finance** – biodiversity mainstreaming and safeguards
- **Financing green** – nature-positive investments



# Information gathering

- Identifying and cataloguing PDBs (industry forums + AFD database, 552 in total)
- Structured review of documents (sample of 98 PDBs)
- Web survey (limited responses)
- Semi-structured interviews (39 PDB staff and subject experts)
- Literature compilation and review (> 150 recent reports and publications)



An aerial photograph of a mangrove wetland. The landscape is dominated by dense, vibrant green mangrove vegetation. Interspersed among the greenery are numerous winding, light-colored water channels and ponds, creating a complex, meandering pattern. The water appears slightly turbid, likely due to sediment from the surrounding land. The overall scene is a healthy, thriving ecosystem.

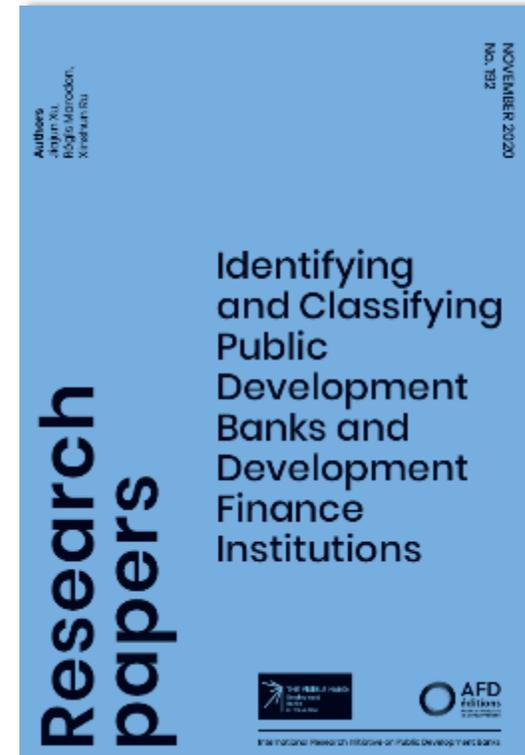
# Results and recommendations

# What are PDBs?

Xu et al. 2020 (AFD study)

- Public policy mandate
- Sponsored by government.
- Distinct legal and financial status
- Not purely grant-making
- Not funded only by budgetary transfers from government

**Diverse institutions!**

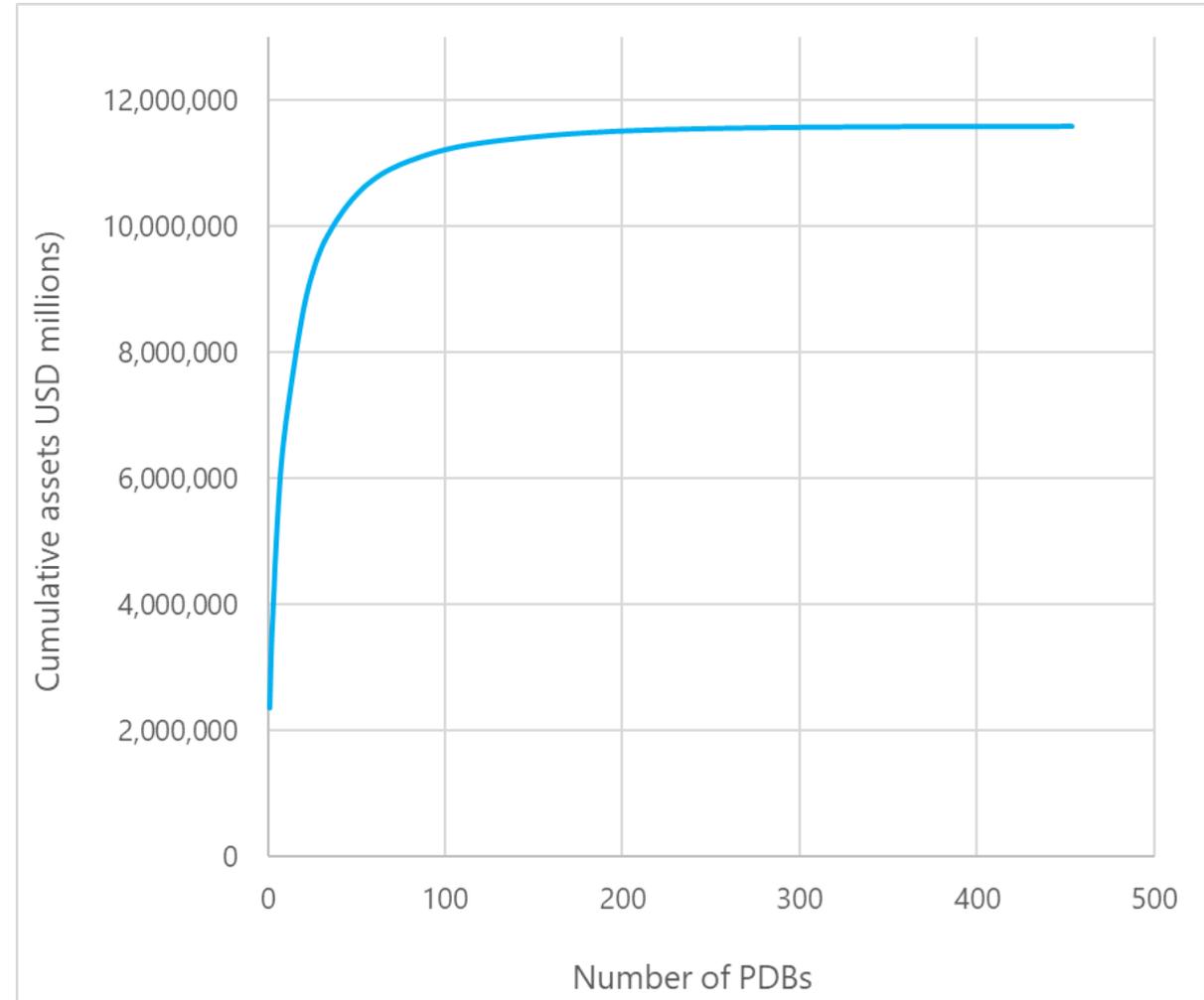
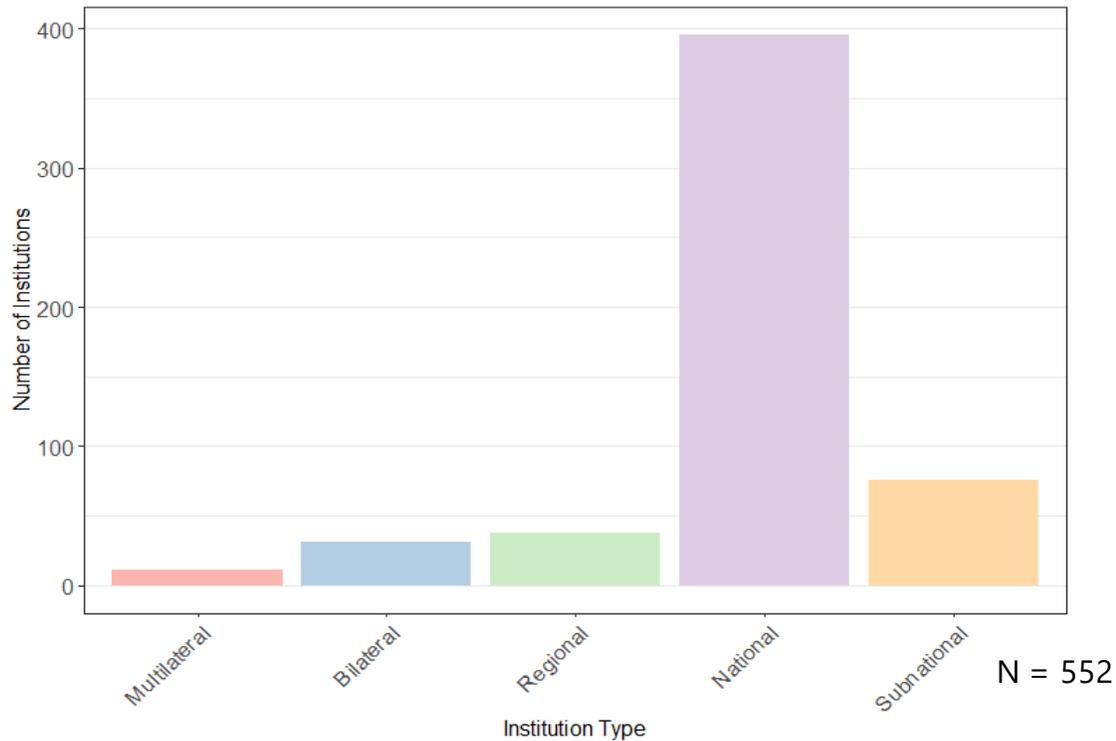


# Types and Size of PDBs

Most PDB assets are held by a small number of PDBs

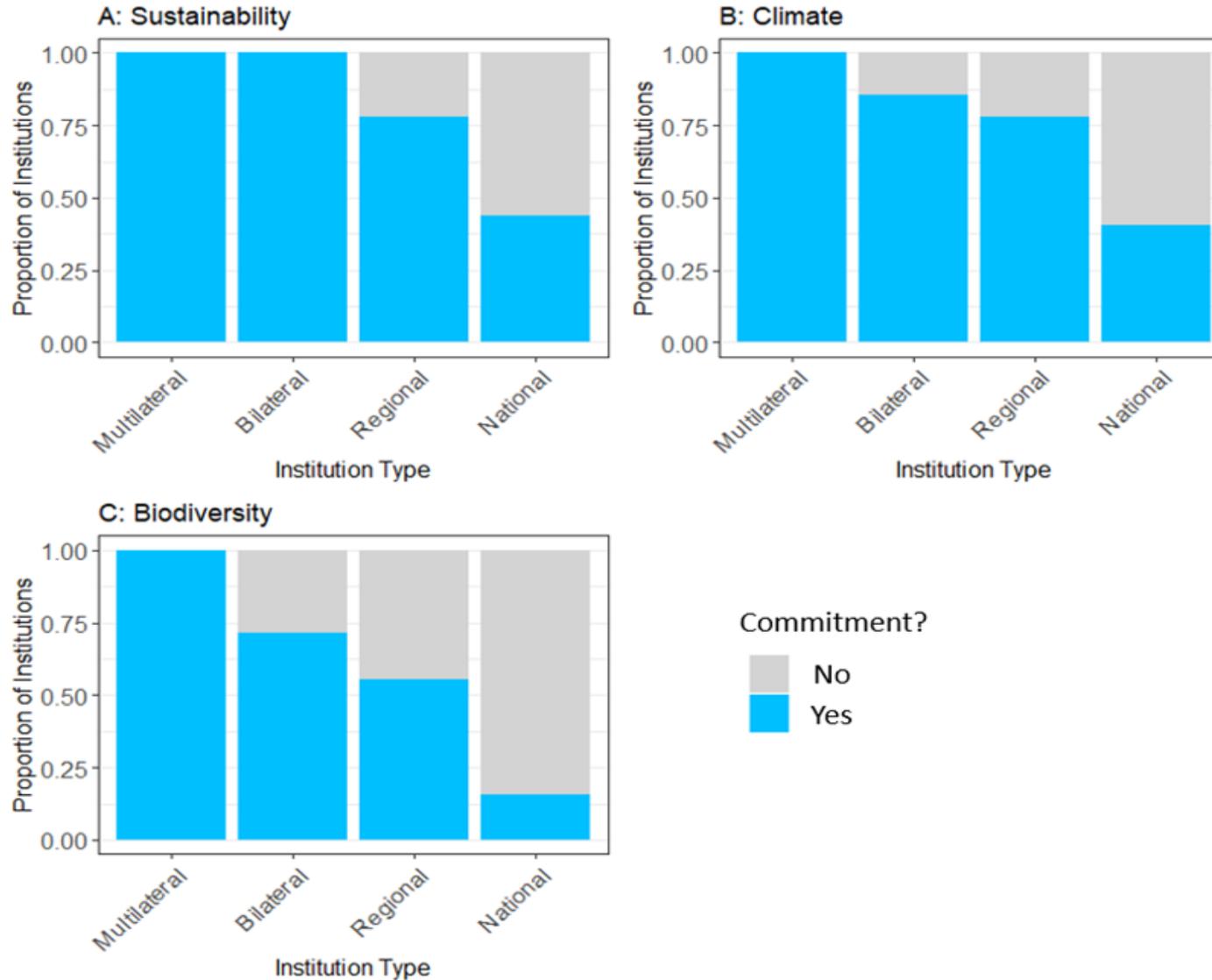
**China's 3 main PDBs** have a total of \$4 trillion of assets, accounting for **35% of the world total** (\$11.2 trillion)

**IDFC** members collectively hold about 37% and **ADB** about 1.7% of global PDB assets



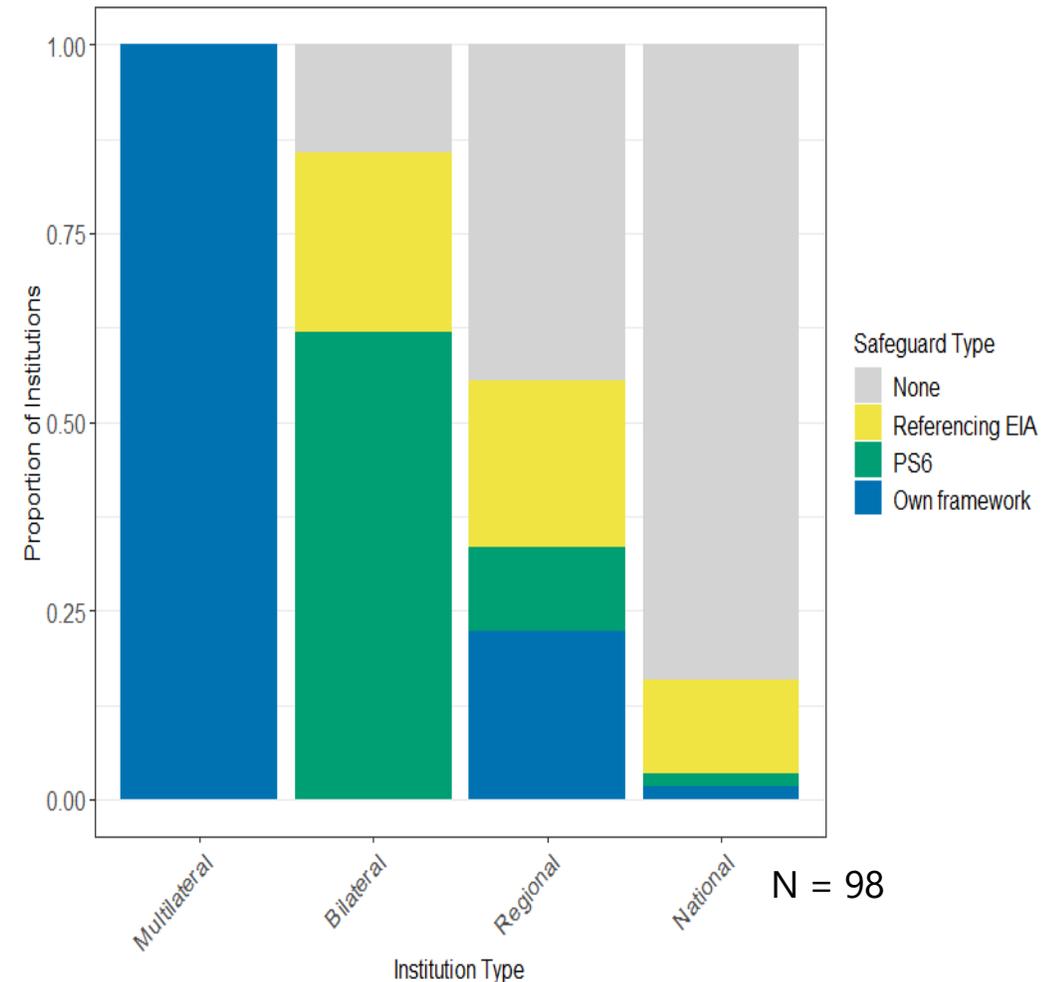
Data: AFD PDBs database, N = 454

# Biodiversity commitments lag climate, sustainability



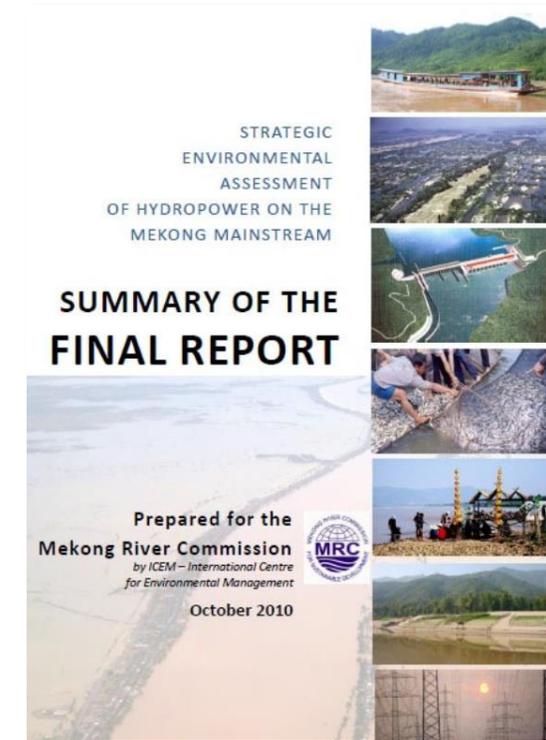
# Biodiversity management mainly **reactive**

- **Limited internal capacity and external technical support** constrains ability to support and monitor implementation
- **Not enough to have a good framework on paper** - need significant resourcing, internal systems, enabling culture, robust disclosure, powerful ombudsman
- **Widespread gaps** in e.g., supply chains, intermediaries, indirect and cumulative impacts...
- **Challenges when national regulatory framework is weak** – playing field, good safeguards may be seen as costly and bureaucratic



# Proactive upstream approaches important but challenging

- Strategic development planning can *de-risk* investments
- Extremely important, but still many barriers
  - Working with governments and many other stakeholders
  - PDB responsibility and mandate not clear
  - Significant resources needed
  - Often slow
  - Very often contentious

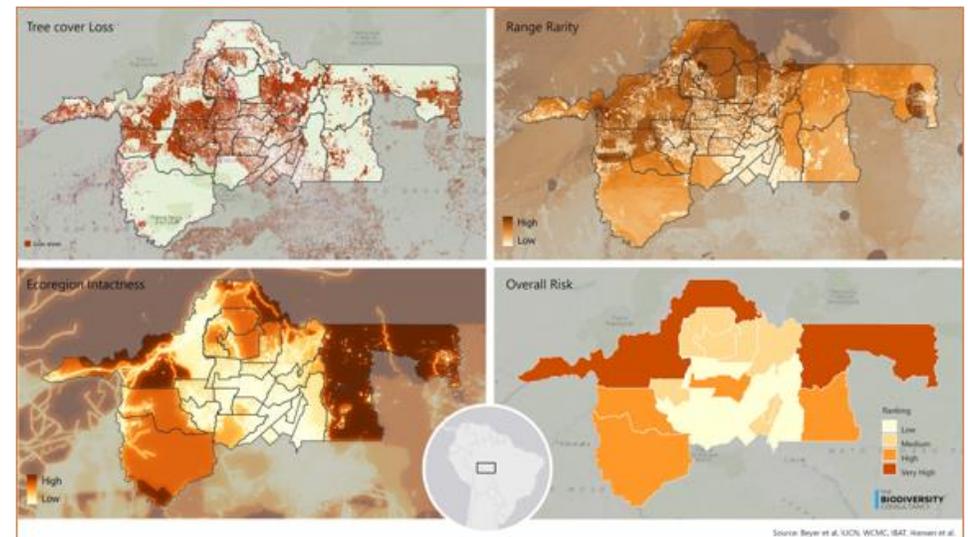


*“PDBs must work upstream if they are serious about achieving better outcomes. Biodiversity issues are solved at landscape level. PDBs can work together here and with governments, and pool resources. Current approaches still tend to be reactive, need to demonstrate the commercial value of a proactive approach in de-risking investments.” - MDB*

# Huge opportunities for risk screening with improving biodiversity data

- Key to enable avoidance of impacts
- Most MDBs and bilaterals screen for biodiversity risk, but level of rigour varies
- Integrated Biodiversity Assessment Tool (IBAT) widely used – but not always paid for
- Methods can lag rapid improvements in biodiversity data availability

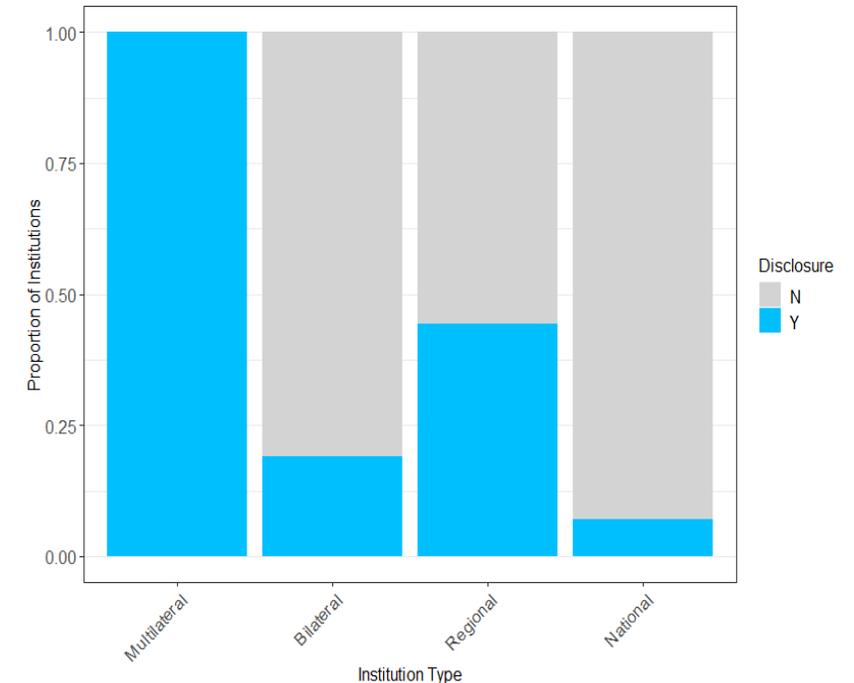
*“Staff need to have tools like IBAT on their desks, with access to the right information” - MDB*



# Banks are focused on climate mainstreaming, biodiversity lagging

- Mainstreaming – going beyond reactive safeguards to integrate with strategies, processes and reporting
- Regulation/guidance advancing in some countries (e.g. Sustainable Banking Network) – for climate
- PDBs at different stages of mainstreaming biodiversity
  - Leaders: a few MDBs and large bilaterals, a handful of smaller banks
  - Off the radar for most national and sub-national banks

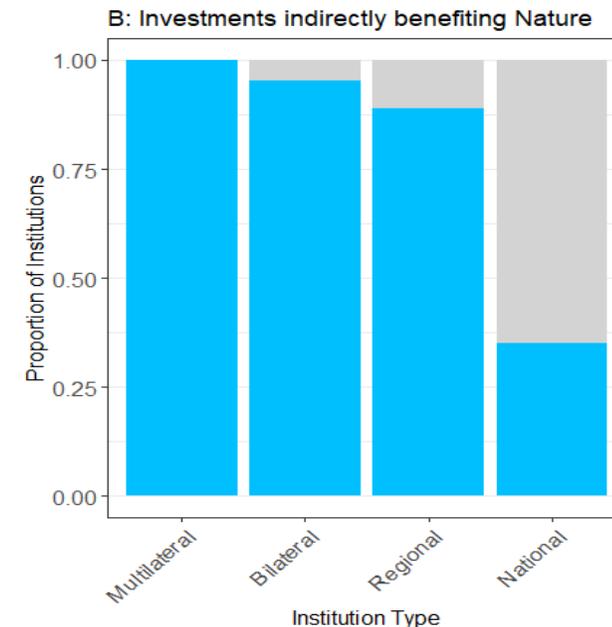
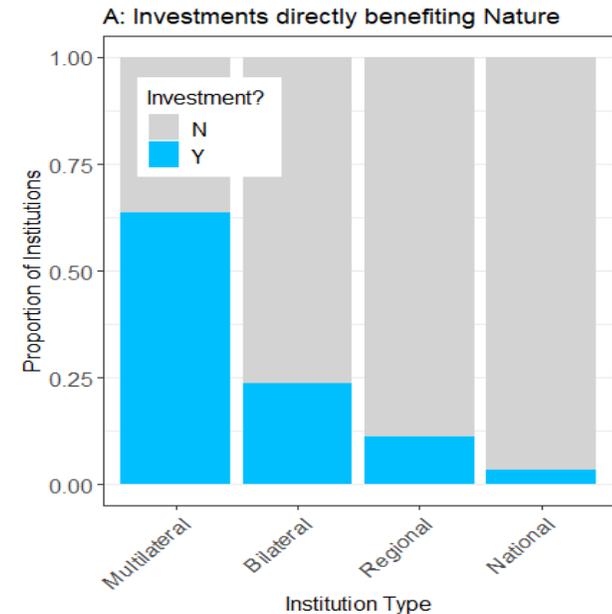
*“Biodiversity is not a familiar concept for finance – especially how biodiversity risk translates into financial risk. We need clearer definitions and identification of risk, and ways to quantify it, which isn’t easy” - MDB*



Proportion of reviewed PDBs (n=98) that disclose information on biodiversity impacts and/or risks

# Financing green

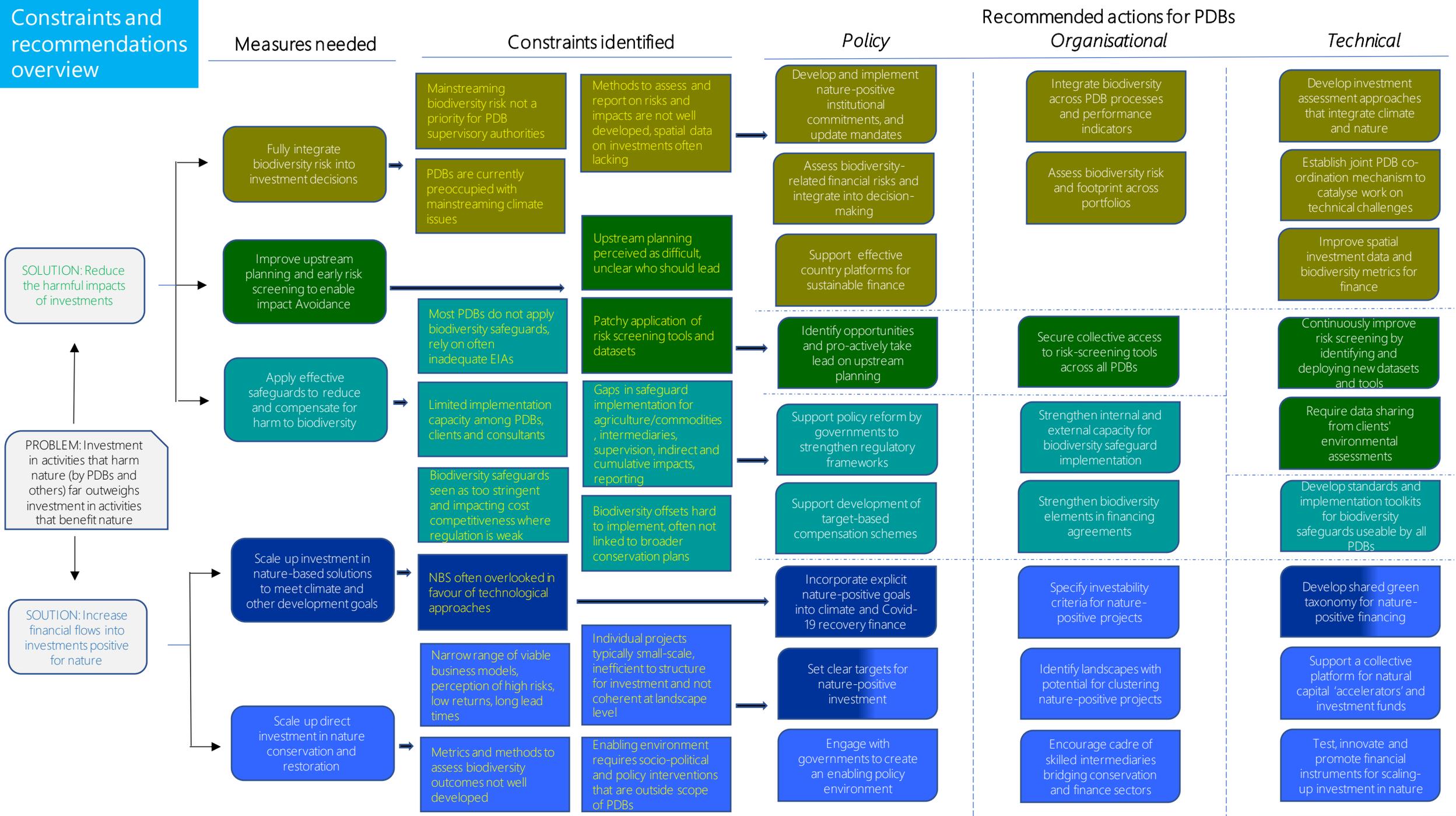
- Climate the priority for PDBs environmental investments
- **Nature-based solutions** (NBS) the crucial link to biodiversity
- PDBs lack consistent policy approach to consider and value NBS in projects
- **Mixed views** on the potential to scale up, and the potential role of PDBs
  - Some very positive about opportunities and scope for PDBs to 'match-make' and facilitate (through technical support, guarantees etc.)
  - Most more cautious – in light of economic, policy and technical challenges
- Opportunities are **supply limited** - lack of investment grade projects of sufficient scale



# Constraints and recommendations



# Constraints and recommendations overview



# Where to start?

## **Greening finance** (avoid harm)

## **Financing green** (nature positive investments)

Easy Wins

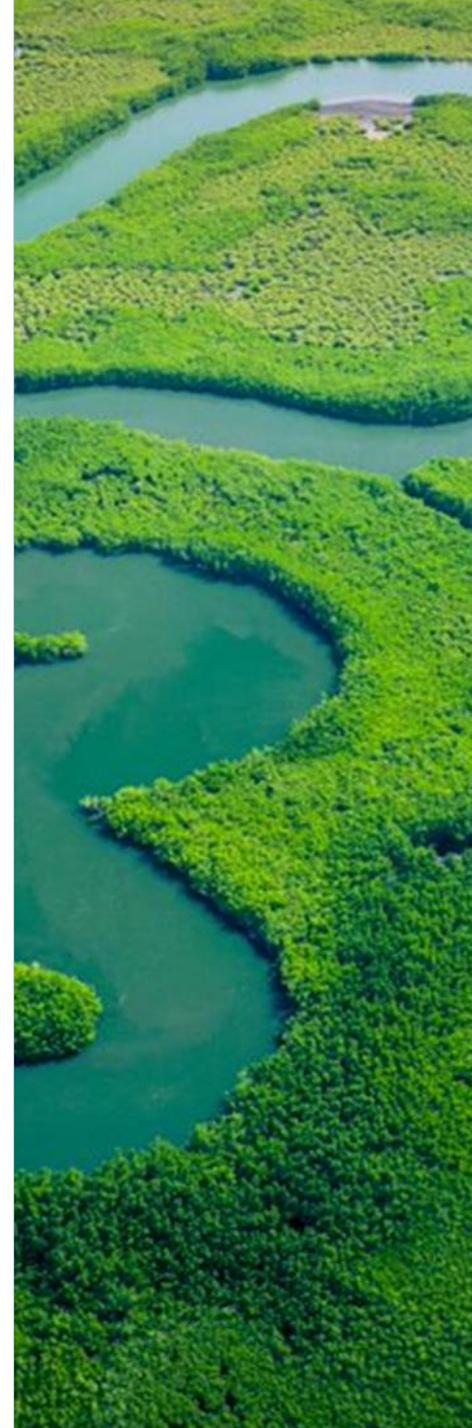
Systematic biodiversity risk screening for investments and portfolios

Incorporate biodiversity KPIs in climate investments

Hard, but important

Upstream strategic environmental assessment

Build the market: set targets, define standards, empower aggregators





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