



The biodiversity finance initiative in Colombia: some advances

The BIOFIN project began activities in Colombia in March 2015, joining the worldwide group of 30 countries implementing this initiative, 10 of which are in Latin American and the Caribbean: Belize, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Mexico and Peru.

Our strategy

- To optimize the allocation of current public expenditure on biodiversity conservation.
- To improve the effectiveness of economic and financial instruments related to biodiversity management.
- To assess, facilitate and intensify the participation of the private sector in biodiversity management in the country.
- To innovate in financial and economic mechanisms that contribute to financial leverage of proposed goals.
- To articulate biodiversity finance with peace, green growth and climate change finance.

Main products and results

[PIR] Policy and Institutional Review

This component approaches the identification process of institutional actors nationally, regionally and locally. This process is to be set with the National Biodiversity Strategy and Action Plan - NBSAP. It aims at promoting the construction of possible scenarios where actors can actively and positively be part of the biodiversity management process.

There are approximately 1,115 public entities of the national, departmental, municipal and district order that have spent public resources associated with biodiversity in the last 10 years.

For more information, see the document available in Spanish at the following [link](#).

[BER] Biodiversity Expenditure Review

This component approaches the estimation of public spending on biodiversity in Colombia, based on a tracking method of national public investing projects. This method works with selected and validated descriptors and uses an experimental logistic regression method.

In addition, it analyzed the budget of 1,102 municipalities and 32 departments in a subnational sphere using sequential codes from public expenditure review of such territorial entities with the classification method of expenditure identification.

BIOFIN has been incorporate the budget execution of own resources in 43 regional environmental authorities according to the information analyzed within the Environmental Economics Accounts in DANE.

According with the results, between 2009-2019 the annual investment in biodiversity is close to USD 536.2 million, which represents 0.12% of the annual GDP, 0.5% of the annual public national general budget and 25% of the annual country's public environmental expenditure during this period. According to BIOFIN methodology, these resources are allocated as follows: 64% for protection, 19% for application, 14% for restoration, 3% for incorporation, 1.2% for sustainable use of biodiversity and less of 1% for benefit participation.

All information was classified according to BIOFIN's taxonomy and BIOFIN has been working on the permanent updating of spending information.

[FNA] Financial Needs Assessment

This component approaches the assessment of the policy goals established in the NBSAP, that includes the guidelines of at least three important public policy documents:

1. The National Policy for the Integrated Management of Biodiversity and its Ecosystem Services 2012, which promotes the management of the biodiversity so that it improves the resilience of socio-ecological systems and which one of its four principles is related to how the management of biodiversity must guide the planning actions of the territory.
2. The Biodiversity Action Plan – BAP 2017, which contains the 6 thematic axes of the Biodiversity Policy:
 - Conservation and nature protection.
 - Governance and creation of public value.
 - Economic development, competitiveness and quality of life.
 - Knowledge management, technology and information.
 - Risk management and Ecosystem Services supply.
 - Co-responsibility and global commitments

From these six thematic axes there were defined 149 strategic actions with their own targets. Each of these targets was built up with a quantitative perspective to ease their economic costing.

3. The last two National Development Plans and the Peace Agreement 2016:
 - The National Development Plan 2014-2018 recognizes the path of unsustainable economic growth, that conflicts are being generated from the inappropriate use of resources and that there is a need for the conservation of biodiversity and its ecosystem services. In addition, it guides the country's environmental policy towards Green Growth, following OECD recommendations, with criteria for the sustainable use of biodiversity and is innovative in that it includes 30 SDG goals related to the country's biodiversity policy.
 - The NBSAP also takes advantage of the peace process that was carried out with the FARC guerrillas between 2012 and 2016 and, aware that many of the nation's resources will be redirected towards the implementation of the final agreement reached in this process, it identifies matching actions of both agendas, bearing in mind that the prioritized territories for consolidation and stabilization of peace are also territories with high biodiversity and fragility.

- Finally, the information from the FNA became an input and a cross-cutting axis of the National Development Plan 2018-2022, that includes a “Pact for Sustainability: producing while conserving and conserving while producing”. Likewise, it is relevant because for the first time in the country, natural capital is defined as a strategic asset of the nation, recognizing its importance for the development and growth of the country.

The total value of the implementation of the goals of the Biodiversity Action Plan by 2030 is projected to USD 6,217 million, at constant 2018 prices.

Financing needs were projected for three periods as follows:

- Between 2017 and 2020, a financing need of USD 1,417 million equivalent to 24% of the total projected resources.
- Between 2012 and 2025, a financing need of USD 1,855 million, equivalent to 30% of the total projected resources.
- Between 2026 and 2030 a financing need of 2,891 million USD equivalent to 46% of the total projected resources.

The financial gap

In Colombia during 2009 - 2019, the average annual expenditure on Biodiversity was USD 536.2 million. Taking this, for the estimation of an austere scenario¹ of the financial gap, the average annual expenditure was reduced by 30% obtaining an adjusted Business as Usual (BAU) of USD 375.4 million.

On the other hand, based on the assessment of BAP's financial needs, it is estimated that the average annual expenditure on biodiversity required for 2030 amounts to USD 578.1 million. When comparing this value with the adjusted annual BAU of USD 375.4 million, it is estimated that the annual financial gap for 2030 will be USD 202.8 million.

[BFP] Biodiversity Finance Plan

This component approaches the identification of potential sources of funding, revenues, and viability of the entities that can help fill the estimated funding gap of \$ 202.8 million for 2030, through the progressive increase of \$ 14.5 million for each year between 2017 and 2030.

Colombia has an additional challenge: taking into account that the country is experiencing a process of economic, social and political transformation, many budgetary adjustments are affecting the annual amounts destined for biodiversity and environmental accounts in general. The variability in oil prices, the depreciation of the national currency and the country's commitments associated with peacebuilding will imply additional efforts in public and private financing. On the other hand, Colombia is facing a situation of loss of biodiversity because of the decrease, loss or degradation of elements of native ecosystems and agroecosystems.

¹ The 30% reduction for modeling the austere scenario corresponds to the increases in Colombia's non-structural spending associated with: the financing of the peace agreement and the volatility of the international price of oil. This scenario becomes more valid in the current Colombian context, due to the impact on national public spending generated by the migration of the Venezuelan population and budgetary adjustments will made by the government to the health crisis caused by the COVID-19 (in 2020).



The Biodiversity Financial Plan was built by articulating three priority themes in the country's Development Agenda: (1) consolidation of the peace agreement; (2) the green growth policy; and (3) the finances of sustainable development: climate change and biodiversity

The mechanisms proposed by BIOFIN Colombia are as follows:

- Collective Payment for Ecosystem Services – PES to be financed with Carbon Tax resources and others.
- Unlocking funds from authorized environmental offsets to reduce deforestation.
- Royalties directed to biodiversity conservation and management in protected areas.
- Institutionalization and sustainability of financial solutions in Colombia.

According to the estimates made by UNDP-BIOFIN from sources of information on public spending, the execution of spending on biodiversity between 2017 and 2019 amounted to USD 1,596.2 million, 44% higher than the amount estimated for this period according to the analysis of financial needs in biodiversity (USD 1,104 million).

The previous outcome reflects that the BAP goals that were valued are not the only actions that guide biodiversity spending in Colombia. This shows the need for a permanent adjustment on the BAP goals.

Additionally, the difference in the figures is due to the fact that the biodiversity expenditure estimated by UNDP-BIOFIN in Colombia is kept updated year by year, while the cost of the BAP goals was projected with the results available until 2017.

Some recommendations for future activities

- It is important to define a baseline for the estimation of the financial gap.
- The targets of the Financial Needs Assessment should be split in medium- and short-term periods to be adapted to the budget planning processes of national or sub-national governments.
- The analysis of financial needs for the NBSAP should be built in an articulated way with the analysis of financial needs of other complementary policies such as climate change, water, agriculture, energy, infrastructure, among others.
- NBSAP targets should be updated periodically, at least with each change of national government. The financing needs are dynamic and, in some cases, the high variability outside the parameters of the analysis scenarios. (Covid-19, accelerated forest losses from fires, deforestation, and others).
- The financial gap must be made by comparing equivalent taxonomies from the perspective of historical spending, such as projected and adjusted synchronously with the updating of these.
- It should be designed, a tool that monitors the mobilization of resources defined in the assessment of financial needs and even more that allows to evaluate the effectiveness of the expenditure executed.