

UNLOCKING NATURE–SMART DEVELOPMENT

An Approach Paper on Biodiversity and Ecosystem Services

Nature loss is a development issue: The risks associated with the global decline of nature are material and are likely to affect the poorest countries the most. Biodiversity and ecosystem services – referred to as “nature” for short, support all Sustainable Development Goals. More than half of global GDP is generated in industries that are highly or moderately dependent on ecosystem services, such as food, pollination, water filtration, and climate regulation (WEF 2020). To illustrate, more than 75 percent of food crops rely on animal pollination (IPBES 2016) and over three billion people depend on marine biodiversity for protein intake and livelihoods (FAO 2020). Yet, nature is in unprecedented decline. Nearly one million animal and plant species (out of an estimated eight million total) are threatened with extinction, and 14 of the 18 assessed categories of ecosystem services have declined since 1970 (IPBES 2019). As with climate change, the associated risks are systemic. Severe degradation of nature threatens communities, value chains, and economies, and low-income countries stand to lose the most in relative terms. Continued degradation can bring ecosystems to collapse. The Economic Case for Nature report estimates that Sub-Saharan Africa and South Asia could forego 26 percent and 18 percent of their 2021-2030 real GDP growth respectively, if a select number of ecosystem services collapse (Johnson et al, 2021).

To be effective, the global response to the biodiversity crisis needs to be comprehensive. Market, policy, and institutional failures facilitate the drivers of rapid nature loss – land use change, overexploitation, pollution, climate change and invasive alien species (IPBES 2019). For example, subsidies that incentivize practices that are harmful to biodiversity are estimated to the tune of \$500 billion per year (OECD 2020). To “bend the curve” of biodiversity loss, a whole-of-economy shift to more sustainable production and consumption practices and restoration of nature is required. This means planning for and undertaking development differently, systematically accounting for its value and the future risks associated with biodiversity loss in decisions at all levels and in all sectors, and ensuring an equitable and inclusive transition (Figure 1).

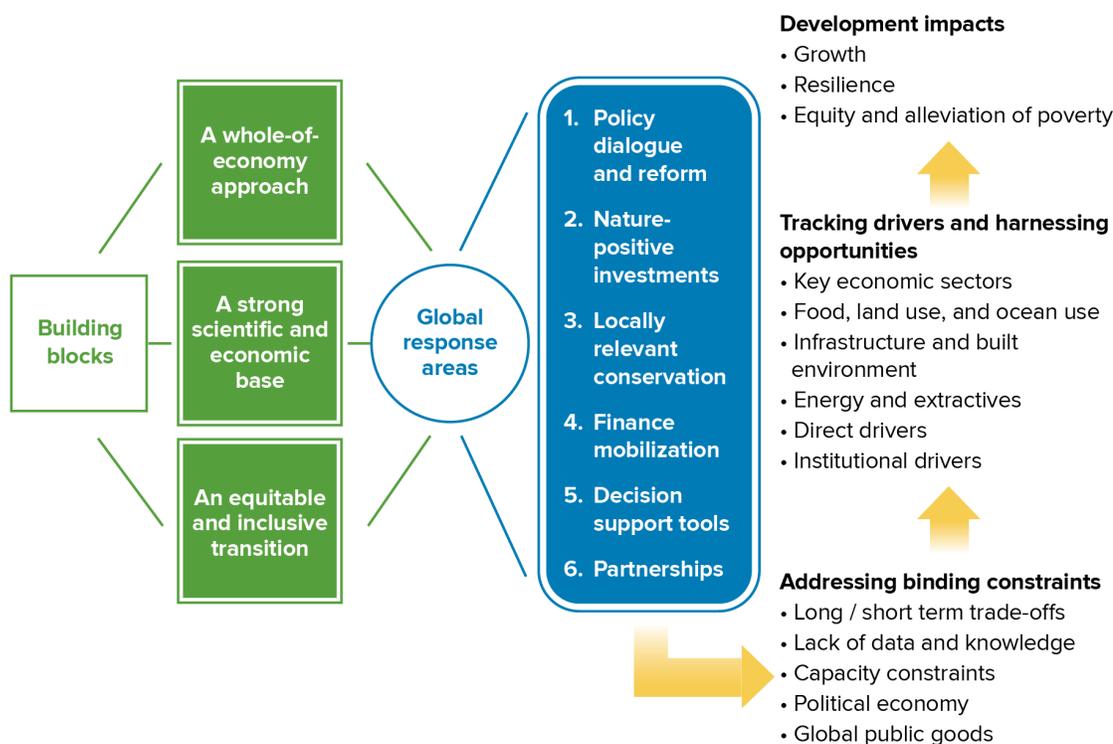


FIGURE 1 Global Response Areas for Nature–Smart Development

The paper proposes six global response areas that could set economies on more sustainable pathways:

- 1 Engage economic and financial decision-makers** to address the drivers of nature loss, by integrating nature considerations into financial decisions, national strategies, and economic and trade policy.
- 2 Integrate nature and nature-based solutions** into sectors that exert the most pressure on nature.
- 3 Enhance and equitably share the local benefits of conserving and sustainably managing nature** by empowering Indigenous Peoples and local communities who depend on nature and play a crucial role in conserving it.
- 4 Mobilize finance for nature** to close the financing gap estimated at US\$711 billion per year through a comprehensive approach involving greening finance – directing financial flows away from projects with a negative impact on nature towards those with positive impact, and financing green - unlocking investment in conservation, restoration, and sustainable use of nature.
- 5 Produce metrics and decision-support tools** such as spatial data, integrated economic-ecosystem models, and nature's value and risk assessment to inform planning, policy, and financial decisions.
- 6 Leverage partnerships** to foster global consensus around ambitious yet realistic targets and establish support mechanisms required to harness sufficient technical and financial resources.

The World Bank Group actively supports client countries in the transition to a greener, more resilient, and inclusive economy through investment in conservation, policy dialogue, financial innovation, and support for the integration of nature-smart practices in sectors such as transport, agriculture, forestry, fisheries, and coastal zone management. As part of supporting biodiversity and provision of critical ecosystem services, this work is also helping client countries mitigate and adapt to climate change.

- **In FY20, the World Bank portfolio included 70 active projects supporting biodiversity in more than 50 countries**, with a net commitment amount of US\$1.18 billion. The portfolio spans investments that are helping 4,000 farmers adopt land restoration and low-carbon-emission agricultural practices in Brazil, bringing 900,000 hectares under sustainable land management practices in Ethiopia, and restoring and afforesting 19,000 hectares of mangroves in India.
- **The IFC is helping the private sector identify ways to be nature-smart.** For example, it has helped a shipping company retrofit 150 vessels with ballast water treatment equipment to reduce the risk of spread of alien invasive species, and has supported development of upstream approaches for better integration of biodiversity into renewable energy development in Jordan and the agricultural sector in Ethiopia.

Investments in nature can also support the COVID-19 response and recovery efforts by offering immediate job creation, pro-poor targeting, while ensuring resilience in the long-term. For example, land rehabilitation and forest work schemes can provide quick employment and income support while investments can enhance or maintain productivity of agricultural, forestry, and fisheries assets.

Sources: FAO (2020) The State of World Fisheries and Aquaculture 2020: Sustainability in Action; IPBES (2016) The assessment report of the IPBES on pollinators, pollination and food production; IPBES (2019) Global assessment report on biodiversity and ecosystem services; World Economic Forum (2020) Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy. Johnson, J., G. Ruta, U. Baldos, R. Cervigni, S. Chonabayashi, et al. (2021) The Economic Case for Nature: A Global Earth-Economy Model to Assess Development Policy Pathways; OECD (2020) A Comprehensive Overview of Global Biodiversity Finance.