



Rethinking the role of multilateral funds in the global biodiversity financial landscape

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Amid growing climate and biodiversity crises, multilateral funds have been established to channel hundreds of billions towards efforts to protect and restore ecosystems, mitigate, and adapt to climate change in developing countries. Debates and questions around the efficiency, adequacy, optimization, accessibility, complementarity of these funding instruments and mechanisms, such as the vertical funds under the GEF or the nascent GBF Fund, are ongoing and are not limited to biodiversity financing.¹ These discussions shape the landscape of international environmental finance and negotiations, especially on the implementation of the Global Biodiversity Framework (GBF) of the Convention on Biological Diversity (CBD), striving not just for adequacy and efficiency of funds but also for equitable effort-sharing² and distribution.

This *Issue Brief* provides a conceptual framework for assessing multilateral biodiversity funds and analyzes their efficiency in addressing dynamic needs. It explores functions and principles of multilateral biodiversity funds, considering current challenges and opportunities in the biodiversity finance landscape. It argues for a strategic positioning of multilateral biodiversity funds that not only supports immediate needs but also ensures transformative change and sustainable financial flows for long-term biodiversity and development goals, while acknowledging that some trade-offs or tensions will be crucial to solve.

- 1 The 2024 G20 Brazilian Presidency has for instance appointed a High-level Expert Group to "compile existing research and literature on environmental and climate vertical funds' financial and operational models" in order to deliver recommendations from the G20 on "optimizing the operations of International Environmental and Climate Funds in delivering sustainable finance". See: <https://g20sfwg.org/wp-content/uploads/2024/02/2024-G20-SFWG-NAP.pdf>
- 2 A recent ODI report (2024) for instance attempted to underline the "fair share" of biodiversity finance from developed countries (DAC members). See: <https://odi.org/en/publications/a-fair-share-of-biodiversity-finance-apportioning-responsibility-for-the-20-billion-target-by-2025/>

KEY MESSAGES

Multilateral funds, though a small part of overall biodiversity finance, are vital for underfunded projects in developing countries and supporting CBD obligations. In recent years, they increasingly supported the alignment of economies with nature-positive policies.

Mobilizing resources is essential, and other key functions like strengthening capacities for policy coherence, capacity building, and partnerships could be further enhanced. Addressing these ensures greater financial leverage, a specific role for multilateral funds, and supports the implementation of the GBF.

To meet expectations from all actors, multilateral funds should be governed by principles of equity, fairness and justice, effectiveness and efficiency, inclusive governance, and transparency, ensuring fair resource allocation and accessibility to key stakeholders.

Funds should evolve to better meet the needs of developing countries. This involves increasing national or subnational ownership of biodiversity initiatives by building capacity for accessing funds and for project implementation and ensuring that funding mechanisms are responsive to local contexts. This will help integrating biodiversity with development strategies, amplifying funding impact and outcomes.

This *Issue Brief* calls for further analysis and reform. These insights should inform upcoming negotiations at COP16 and the next GEF replenishment cycle. The broader discussions on mobilizing biodiversity finance for developing countries should examine these proposed functions and principles in relation to those of key actors in biodiversity finance. Such collaboration would amplify the potential of multilateral funds.

1. INTERNATIONAL BIODIVERSITY FINANCE: WHERE DO MULTILATERAL FUNDS FIT IN?

1.1. Global and structural challenges and barriers to financing biodiversity

Our global economy, societies, and human well-being are intrinsically tied to nature. From an economic perspective, more than half of the world's GDP is moderately or highly dependent on biodiversity and ecosystems (WEF, 2020). Yet, despite this dependence, biodiversity continues to be undervalued and underfunded. In recent years, studies have tried to assess the financial gap to protect nature (OECD, 2020; Deutz *et al.*, 2020; Koplow & Steenblik, 2022 & 2024; UNEP, 2023); they underline the central problem of all financial flows that are currently detrimental to nature (between \$US500 billion and 2.6 trillion per year of directly or indirectly harmful subsidies, 5 trillion of private finance flows per year directly harmful to nature) and, in the face of this, too small amounts explicitly targeted towards biodiversity protection (less than 100 billion spent every year for biodiversity by governments). This calls for a realignment of strategies, policies and financial resources, both from the public and private sectors, towards objectives that are compatible with protecting biodiversity, enhancing livelihoods and combating climate change.

This misalignment between financial flows and the ambition required to protect biodiversity illustrates a core tension: biodiversity is often seen as a cost rather than an asset. Some argue that mainstreaming natural capital into financial systems could correct this (Dasgupta, 2021), while others caution that such an approach will risk reducing biodiversity to an economic calculation, ignoring the complex, indirect drivers of its loss, which include deeply entrenched societal and economic structures (Spash & Hache, 2021). This duality between economic dependency and underinvestment in nature reflects the need to realign not only financial flows but the broader economic system itself.

This is true in all countries but it is worth noting that while developed countries have increasingly adopted economic instruments like environmental taxes, subsidies for conservation, and payments for ecosystem services (OECD, 2019), even if there are crucial problems of coherence (e.g. European Common Agriculture Policy internal consistency problems to deliver on ecosystems protection), developing countries often lack the financial capacity (less budget or fiscal space) or institutional frameworks to implement similar policies effectively, although their economies, resilience, and livelihoods also depend on their ecosystems' health and functions. The current situation, with increasing impacts from climate change, debts, and other parameters, makes it even more difficult for them to access resources to safeguard biodiversity.

Simultaneously, developed countries' official development assistance dedicated to biodiversity protection, even if doubled through the Aichi Biodiversity Targets era (2011-2020), can suffer from a lack of steadiness but more importantly is no silver bullet considering the breadth of needs.

Furthermore, developing countries are often the ones to bear the responsibility to protect an uneven distribution of rich and important biomes and species around the globe. Financing biodiversity thus involves supporting both national development and resilience, as well as what is referred to as the "global commons", making it challenging to draw a clear line between the two.

This is where multilateral funds come into play. These funds are designed to support developing countries in their efforts to protect biodiversity by providing financial resources and assistance. They also complement national efforts by enabling countries with fewer resources to implement economic instruments and policies that align with global biodiversity goals. Multilateral funds thus can play a stronger role in the global financial architecture for biodiversity, ensuring that the economic realignment needed to protect ecosystems extends globally, particularly to the countries that need it most. Effective financial structures at the international level must therefore be aligned with these broader economic strategies to ensure that all countries can contribute to and benefit from biodiversity conservation.

1.2. Financing biodiversity in developing countries: international arrangements and mechanisms

The urgency and imperative of biodiversity protection have thrust the issue of resource mobilization and financial mechanisms to the forefront of global environmental governance. Article 20 paragraph 2 of the Convention on Biological Diversity requests developed countries to provide new and additional resources to developing countries, which should support their efforts to meet national and global biodiversity targets. This is enshrined by the timelines and goals set by the Kunming-Montreal Global Biodiversity Framework (GBF), which mandates financial commitments to halt and reverse biodiversity loss by 2030. Developed countries have committed to providing new and additional financial resources to help developing countries fulfill their biodiversity commitments and implement their National Biodiversity Strategies and Actions Plans (NBSAPs, as their contributions to the GBF). This highlights the need to share the burdens associated with biodiversity loss, especially given that these burdens are not evenly distributed, even though all Parties are expected to act.

One of the key principles guiding this financial support is the concept of "incremental costs". These are the additional costs that developing countries consider incurring when implementing measures to protect biodiversity in line with the CBD (on top of development finance for instance). However, applying this principle has led to different interpretations, complicating the allocation and calculation of resources and raising the following questions: should a project with biodiversity protection being considered a "secondary" objective be marked as biodiversity finance? And how much? How should the principle of "incremental costs" be applied? Rather than compensating for the additional costs to correct the negative impacts of a project on biodiversity, why not redesigning a new project that aligns development and biodiversity?

In December 2022, the consensus at the 15th Conference of the Parties (COP) posits a need for developed countries to increase financial flows to developing countries up to US\$20 billion by 2025 and to US\$30 billion by 2030.³ These financial flows are to come through a mix of bilateral and multilateral channels, including but not limited to funds like the Global Environment Facility (GEF) and the newly created GBF Fund. Multilateral funds play a central role in biodiversity resource mobilization, particularly in responding to CBD obligations. In addition to Article 20, Article 21 indeed calls for a financial mechanism that is accountable to the COP.

The GEF, the designated institutional structure operating the financial mechanism of the CBD in accordance with its article 21 (and of other international conventions), has played a pivotal role in channeling resources based on the incremental cost principle. Over time, the GEF has evolved into a multilateral facility with a strong focus on biodiversity, among other environmental areas such as climate change, pollution, and international waters. In its GEF-8 portfolio, 36% of its total envelope (US\$1.9 billion of US\$5.33 billion) for 2022-2026 is earmarked for biodiversity, with approximately 60% of overall GEF commitments having direct or indirect links to biodiversity. Despite its important role, the proportion of global biodiversity finance managed by the GEF remains relatively small. For instance, in 2021, only 3.3% of the US\$11.1 billion in North-South biodiversity finance flows (OECD, 2023) were managed by the GEF, amounting to around US\$369.5 million (Pettinotti *et al.*, 2024).⁴ The CBD Treaty indeed states that developed country Parties may use bilateral, regional or multilateral channels to support developing countries, however the proportion of funds going through multilateral funds has not been agreed upon. Additionally, funding instruments and amounts provided by multilateral funds vary significantly by country, with Least Developed Countries (LDCs) primarily receiving grants, and Middle-Income Countries (MICs) relying on loans and receiving the most biodiversity-related Official Development Finance (ODF).⁵ This variability underscores the necessity of tailored financial mechanisms that address regional and national specificities to ensure effective allocation and use of funds, but also sustainable development. Flexibility and adaptability are however not intrinsic attributes of multilateralism. Multilateral funds are often seen as rigid and administratively burdensome. The involvement of multiple stakeholders, governance layers, and safeguard policies means that it can be difficult for these funds to adapt quickly to changing circumstances. In order to reduce costs, they tend to focus on larger projects, which can limit their ability to fund smaller, community-driven initiatives that are essential. Access to these funds can also be

complicated by the need to go through implementing agencies. While these agencies are often effective in delivering projects and ensuring compliance with complex financial standards, they can sometimes disempower recipient countries, particularly when it comes to formulating project proposals. This can result in projects that may not fully reflect local priorities or specific needs.

The trade-off between different approaches is also worth highlighting. Community-driven and smaller initiatives tend to be more responsive to local needs, can lead to greater community ownership of biodiversity efforts. However, they often face challenges in scaling up and may lack the broader, structural impact that larger, programmatic, and sectoral approaches can achieve. On the other hand, large-scale programmatic approaches have the advantage of aligning with national and regional policies, can create systemic change, but they can sometimes overlook specific on-the-ground realities and needs.

TABLE 1. What does "international biodiversity finance" aims to do?

<p>Funding underfunded or risky projects, programs and policies in developing countries lacking capacities and resources</p>	<p>Protecting "global commons" that are unevenly distributed (sharing responsibilities) with "global environmental benefits" and important nature's contributions to people</p>
<p>Realigning economies through policy coherence, integrated actions, collaboration, alternative opportunities</p>	<p>Achieving obligations under the international Convention e.g. developing NBSAPs, contributing to global goals and targets, etc.</p>

Diving deeper into the reasons why a multilateral financial mechanism is needed to implement the CBD, one crucial question is: what is it aimed to fund and why?

Many conservation projects and programs lack sufficient financial resources. Biodiversity hotspots and critical ecosystems in need of protection require budget allocations that developing countries, many of which are home to these vital biomes, often cannot afford. These countries face the dual challenge of addressing development needs while also conserving biodiversity. In many cases, areas most in need of protection are considered "global commons", ecosystems whose benefits extend beyond national borders. However, distinguishing between "global environmental benefits" and "national benefits" is a complex and often contentious issue. Some researchers argue for an integrated approach with joint production of local and global benefits (Chan, 2019). Moreover, some biodiversity projects are considered too risky to attract investment or not "ready" enough.⁶ This risk can stem from a variety of factors, including a lack of financial or technical capacity, insufficient data (for example, on biodiversity monitoring), or a lack of human

³ According to a recent OECD report (September 2024), overall biodiversity-specific development finance from all sources increased between 2015 and 2022, rising to US\$15.4 billion in 2022. See: https://www.oecd.org/en/publications/biodiversity-and-development-finance-2015-2022_d26526ad-en.html

⁴ The situation for multilateral climate finance is similar, with 2.9% of North-South climate finance being channelled through multilateral funds (OECD, 2024). This figure has decreased from 4.2% in 2013.

⁵ China is the largest recipient of multilateral biodiversity-related finance, followed by Colombia, Mexico, Indonesia and Brazil.

⁶ This is not just about de-risking investments with guarantees, but also de-risking initiatives at the project-level and supporting an enabling environment with further investments in capacities to absorb funds and manage projects directly, without intermediaries. This could mean increasing the fundraising capacity or addressing other parameters diminishing the effectiveness and outcomes of projects (e.g. lack of spending efficiency).

resources. For developing countries, the ability to “absorb” funds effectively, ensuring that financial resources are properly allocated and used, depends on their institutional readiness and capacities to respond to financial standards. This concept of “readiness” refers to whether conditions are in place to design, implement and enforce policies, lift barriers, and involve the right stakeholders. Addressing these risks often involves strategies to “de-risk” projects and drive solutions to make biodiversity initiatives more attractive to investors. These issues are particularly relevant when considering the readiness of various market-based instruments which are often seen as innovative but may be difficult to implement without adequate capacity, creating inequity between countries which can access this type of resources.

Additionally, many projects are deemed not worth investing in due to the high costs associated with integrating biodiversity protection measures. In economic terms, opportunity costs arise when the short-term costs of protecting biodiversity outweigh immediate benefits. For biodiversity finance to be viable, these projects need to demonstrate long-term benefits, such as avoiding future environmental degradation costs. This could also mean financing complementary initiatives that reduce trade-offs and mitigate short-term economic losses, enabling the progressive realignment of economies.

In some ways, a fund like the GEF has been built in a way that attempts to incentivize developing countries to protect global environmental benefits (while having additional benefits) and to shift towards nature-positive development, trying to support funding to these “unfunded projects”.

While multilateral funds represent only a small percentage of North-South flows, they dominate Parties’ negotiations at the CBD. Donor and recipient countries, as well as other stakeholders involved, have specific demands. This is largely due to the political compromises inherent in their governance structures. For example, the United States of America is a donor to the GEF, despite not being a Party to the CBD, highlighting the unique nature of these funds. Successive reforms of the GEF have influenced its positioning in the financing landscape, either following CBD guidance or other decisions, especially on the concept of “additionality” and the fact that those funds should “green development projects” with the concept of incremental costs. Those last few years, there are clearer priorities being expressed: developing countries seek predictability, accessibility, timely disbursement of funds, additionality (more clearly marking biodiversity funds compared to climate or development finance), and equitable governance. There are however different demands according to their specific needs, whether they are emerging economies or least developed countries. Donor countries, on the other hand, emphasize the risks of finance fragmentation and thus of duplication, the need to benefit from the expertise of existing institutions like the GEF, ensuring compliance and transparency, and maximizing the impact of their contributions through co-financing and private sector engagement.

As we stand on the cusp of critical international negotiations and implementation of global frameworks and Conventions, the stakes are clear: mobilizing sufficient, effective, and equitable financial resources for biodiversity is a foundational task that will

determine many transformative pathways to ultimately achieve the GBF and other global goals. This raises for the financial mechanisms the questions of (i) what developing countries’ needs they can—and cannot—address in terms of biodiversity finance, and (ii) how they should operate to address equitably all developing countries’ needs. These questions will shape future discussions on how multilateral funds can be structured, governed, and implemented to achieve global biodiversity goals.

2. A CONCEPTUAL FRAMEWORK TO DETERMINE THE FUNCTIONS AND PRINCIPLES OF MULTILATERAL BIODIVERSITY FUNDS

Each biodiversity funding avenue (whether it is a Fund, or another channel, such as bilateral or multilateral development banks) could offer specific advantages and specialize in addressing distinct aspects of biodiversity finance in order to improve efficient use of the money, especially as resources are limited. Many types of action are required to achieve the GBF, from conservation and restoration, with small to large conservation projects, to the integration of biodiversity into sectoral and national planning, *via* specific financial or economic instruments (or a mix of instruments), to addressing structural changes in the root causes (or indirect drivers) of biodiversity loss.⁷

A conceptual framework helps assessing the specificities that multilateral biodiversity funding brings to the finance landscape. We propose here to distinguish functions and principles of multilateral funds. Functions describe the ‘what’ and ‘how’ of funding operations, focusing on specific roles and activities.⁸ Principles provide the ‘why’ and ‘under what conditions’ these operations should be carried out, serving as guidelines. This framework may guide the assessment of current funds, such as the GEF and the GBF Fund, as well as discussions around potential improvements. It may also be applied to other multilateral funds, if relevant.

4 key functions of multilateral biodiversity finance

Capacity to mobilize and allocate resources

This is the core function of multilateral biodiversity funding, involving the transfer of resources to developing countries in alignment with responsibilities under Article 20 of the CBD. Effective resource mobilization requires contributions from developed countries primarily but also *via* the engagement of various stakeholders (as other potential donors or implementers). There are several ways to generate and mobilize resources.

⁷ Such as supporting the alignment of economic policies with biodiversity targets and goals.

⁸ A functional perspective is indeed interesting in the context of multilateral biodiversity funding, as a “functional analysis seeks new institutional arrangements or new combinations of existing ones that might improve the performance of the functions, given the specific local economic, political and cultural circumstances” (p.11), in Merton & Bodie (1995).

1. **Mobilizing funding directly.** This involves capitalizing funds by attracting donor countries, currently primarily developed countries, but also others (philanthropies or the private sector for instance) who may find value in contributing through a multilateral fund. Resources can be mobilized for conservation efforts, for instance, responding clearly to obligations under articles 20 and 21 and the first objective of the CBD. Several parameters will influence success in direct mobilization of funds, including political will, which can be circumstantial. Funds can be replenished through a regular replenishment approach or a more flexible voluntary approach enabling a contribution at any moment. While the replenishment approach ensures regular and predictable funding, the voluntary approach allows more flexibility but may generate less momentum (Triponel, 2009).
2. **Enabling financing.** This is about creating the conditions enabling other funding to be invested. This can include supporting projects, programs, or public policies that otherwise lack sufficient funding. This could also address financial shortfalls or risks which would deter other financiers, or challenging socio-economic or institutional contexts. Multilateral funds can offer co-financing or support riskier projects to ensure they are either kick-started or viable in the longer run. Risk management plays a key role in mobilizing more resources by supporting risk mitigation, making biodiversity projects attractive to private and institutional investors.
3. **Innovative financial solutions.** Mobilizing resources can also be achieved through innovative, multi-partner financial solutions, and exploring new potential sources. This includes approaches like blended finance, which combines public and private investment and leveraging innovative mechanisms. As specialists in both financial and environmental issues, multilateral funds can test and implement these innovative solutions, and support readiness programs for the use of such innovative instruments. For instance, engaging MDBs, despite the needs for more concessionality for indebted countries, and attracting other donors such as the private sector through incentives and fiscal policies to generate revenues (OECD, 2019), can represent interesting strategies.

Capacity to generate synergies, co-benefits, and policy coherence

The GBF emphasizes the need to mainstream biodiversity across all sectors and avoid harmful trade-offs, underlining the necessity for policy coherence. Multilateral funds can play a pivotal role in supporting the required transformations at the national level, based on national needs, particularly where such changes are difficult to initiate due to lack of resources. This involves aligning sectors and policies with biodiversity goals and targets to prevent negative impacts on ecosystems, avoiding further costs in the future. For example, integrating biodiversity targets into agricultural systems can prevent

further habitat destruction, relieve major stress on ecosystems, and at the same time support more resilient agri-food systems (IPBES, 2019; Garcia-Vega *et al.*, 2024). GEF integrated programs address such issues, even though the GEF was originally created to tackle biodiversity-specific policies disregarding the need for mainstreaming. Policy coherence requires coordination between national plans and strategies (as well as between the Funds' focal points in environmental ministries and sectoral ministries), considering other international conventions, to ensure cohesive and synergistic implementation (Stafford Smith *et al.*, 2022). Projects and programs funded by multilateral funds particularly aim to deliver biodiversity benefits while also providing other advantages such as socio-economic benefits (e.g. poverty reduction) and climate mitigation. For example, a reforestation project with high environmental and social standards that would not only restore biodiversity but also improve local livelihoods (Landry *et al.*, 2022) and contribute to climate mitigation.

Capacity building

Providing technical and financial support to enhance the capacities of national authorities and local communities is another core function. Multilateral funding should enable these recipients to effectively absorb and strategically use funds. This involves creating readiness programs to support them to access and manage funds efficiently, whether from multilateral or other sources, and decide on their strategic use, through collaborative approaches at the national and subnational levels. For example, training local communities, based on their needs and demands, can enhance their capacity to implement biodiversity projects effectively. Supporting capacity building is essential for developing but also debating biodiversity-compatible development pathways in a larger sense. Beyond enabling fund absorption, it also includes fostering dialogue and expertise among policymakers and stakeholders, therefore contributing to improve policy coherence. This brings added value compared to traditional bilateral ODA, which often reflects the strategic priorities and motivations of donor countries (Rabehajaina, 2022). Additionally, there could be targeted supplementary funds to help certain countries or communities catch up, particularly those lacking the means or resources to initiate projects and relying heavily on implementing agencies or consultancies. Ultimately, this should lead to "direct access" to funds. By empowering national and local stakeholders to articulate their needs and manage funds directly, multilateral funding mechanisms can ensure more effective and locally relevant outcomes.

Capacity to generate collaboration and partnership

Collaboration and partnership have emerged as essential functions, as emphasized by a recent report from the Scientific and Technical Advisory Panel (STAP) of the GEF (Stafford Smith *et al.*, 2022)⁹. Multilateral funds are strategically positioned to encourage collaboration among countries,

⁹ The STAP is the independent advisory body providing advice to the GEF.

international organizations, development banks, NGOs, and other stakeholders. These collaborations can significantly enhance the impact of biodiversity financing by aligning policies and strategies with biodiversity goals and targets and engaging “mainstream” actors. An example of this function is the development of public-private partnerships,¹⁰ which leverage the strengths of both sectors to achieve outcomes. A multilateral fund acts as a common pool, inherently promoting collaboration and partnership, sharing experiences, knowledge, and practices.

Multilateral funds can thus support the realignment of ODA with the objectives agreed upon in international conventions, ensuring a more cohesive approach to address developing countries’ needs identified at the national or subnational level. These funds also bridge the gap between environmental financiers and mainstream funding actors, integrating them into the international efforts for the mobilization of finance for biodiversity. More broadly, this alignment fosters a more unified effort in addressing biodiversity goals, enhancing both the efficacy and reach of conservation and sustainability initiatives.

These four key functions of multilateral funds raise questions to be discussed by the international community: should one or several functions of multilateral funds be prioritized? Should these functions evolve through time and be tailored depending on recipient countries’ needs? What articulation is needed between multilateral funds and other biodiversity finance sources depending on the functions pursued?

Beyond clarifying the functions of the funds, their operation should be guided by several principles to ensure that the diverse needs and priorities of recipient countries are met effectively, and that the funds are used optimally to achieve both local and global biodiversity goals.

4 key principles for multilateral biodiversity funding

Equity, justice, and fairness

Biodiversity finance is deeply intertwined with the principles of equity, justice and fairness (Pickering *et al.*, 2022), given the disproportionate impact and benefits of biodiversity protection across different communities.^{11,12} These principles have many aspects. First, effort-sharing among contributors involves determining who contributes to the multilateral funds. This can be based on historical and/or current contributions to biodiversity loss, on contributors’

capacity to mobilize resources, and/or on benefits gained from biodiversity protection or ecosystems more generally. Applying this principle is complex and often debated, with some advocating for a pluralist approach combining all three aspects (Pickering *et al.*, 2022). Additionally, a multilateral fund should ensure the fair and equitable distribution of funds among countries with different development issues, safeguarding key ecosystems providing global public goods but also key ecosystems providing for a sound environment as well as material and non-material contributions to people locally, especially for low-income and climate-vulnerable populations. Funds’ accessibility by major stakeholder groups, including indigenous peoples, and incorporating social and ecological safeguards (Norton & Greenfield, 2023) to protect their rights and well-being relates to this principle.

Inclusive & equitable governance

This principle is emphasized by developing countries and other stakeholders, including indigenous peoples and local communities. A multilateral fund should ensure broad participation in the fund governance from countries and stakeholders (such as IPLCs for instance) directly benefiting from funded projects and programs, with many different options to do so.

This principle also relates to the inclusion of all finance sources committing to the fund, including the private sector and philanthropic organizations if relevant. Roles of all stakeholders, donors or recipients, in the fund’s governance may be differentiated to avoid conflicts of interest or at least ensure some balance of powers.

Inclusive governance ensures that diverse voices are heard and considered in decision-making processes. Reforming governance structures to achieve true equity (first principle, above) is often a challenging endeavor, but it is a necessary discussion to address the imbalances in current governance models. This includes reevaluating how decision-making power is distributed among stakeholders to ensure a more balanced and fair representation. By fostering a more equitable governance structure, multilateral funds can better align with the needs and priorities of all stakeholders, leading to more effective and just outcomes.

Efficiency and effectiveness

Both donors and recipient countries increasingly emphasize the principles of efficiency and effectiveness. Access and execution speed are critical components of efficiency. Funds need to address intrinsic issues that often make processes burdensome, ensuring that recipient countries can swiftly access and use resources. However, this must be balanced with maintaining necessary safeguards to ensure accountability and proper use of funds. There are inherent trade-offs between execution speed and the maintenance of safeguards. While quick disbursement of funds can enhance project impact and responsiveness, it is essential to uphold a rigorous oversight framework to prevent misuse and ensure long-term sustainability. By striking the right balance, multilateral funds can enhance their effectiveness while minimizing administrative hurdles, thereby facilitating more significant and timely contributions to biodiversity and other development goals.

¹⁰ Such as the mechanism of “Project Finance for Permanence”. See: <https://www.redstonestrategy.com/wp-content/uploads/2016/07/2013-01-04-PFP-Paper.pdf>

¹¹ “Climate change and biodiversity loss pose significant threats for human livelihoods, food security and public health, and such negative impacts are disproportionately felt by communities that are socially, politically, geographically and/or economically marginalized”, in IPCC-IPBES Workshop report.

¹² “Nature’s contributions to people are often distributed unequally across space and time and among different segments of society. There are often trade-offs in the production and use of nature’s contributions”. IPBES (2019). *Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services*.

Transparency

Processes must be implemented per compliance safeguards. Regular reviews and a robust 'back office' are essential to ensure transparency and accountability. This principle not only enhances trust among stakeholders, donors, and recipients but also helps identify areas for improvement in the funding process. For example, transparent criteria for project selection ensure that funds are allocated to the most impactful and necessary initiatives. Ongoing monitoring and reporting of resource allocation allow stakeholders to track the progress and effectiveness of funded projects and their sustainability in the longer run. This can help address issues such as the disconnect between "biodiversity stakeholders" and "finance stakeholders", ensuring better communication and coordination, including at the national level. When transparency is prioritized, it can lead to improvements across various functions and principles by providing a clear and objective view of what is happening in the financing landscape. Transparency is a significant issue for organizations like multilateral funds, where clear communication and accountability are essential for managing large-scale funding operations. By fostering transparency, multilateral funds can ensure that all stakeholders are informed about the status of funding, the success of projects, and any challenges that arise. Reciprocally, beneficiaries should be fully transparent about the support received. This, in turn, supports more effective and efficient use of resources.

Functions need to be strategically aligned with principles. For instance, capacity-building efforts must align with the principle of equity, justice and fairness, enabling national and local stakeholders to convey their needs and the multilateral funds to be more demand-driven.

There may however be trade-offs in the implementation of these functions and principles, such as the political necessity of earmarking biodiversity funds to assess levels of resource mobilization *versus* the importance of an integrated approach to financing environmental and socio-economic issues, i.e. financing sustainable development. To address these trade-offs, improved financial reporting and inclusive governance structures must be implemented, while being mindful of increasing transaction costs and losing efficiency.

3. PRELIMINARY ANALYSIS OF THE FUNCTIONS AND PRINCIPLES OF THE GEF AND THE GBF FUND

The GEF has historically been a cornerstone in international biodiversity finance, responding to evolving global needs through various reforms and innovations. This section examines the GEF's capacity to meet biodiversity financing demands, including *via* both the GEF Trust Fund and the new GBF Fund, assesses its flexibility and responsiveness to recipient countries, and explores transformative pathways as recommended by science (IPBES) and put forward by the COP15 GBF.

Some principles and functions pertain to the institutional operations of the funds, while others will depend on the nature of the projects, which are highlighted in this analysis ([Table 2](#)).

CONCLUSION

The dynamic role of multilateral biodiversity funds is central to addressing both immediate and long-term objectives outlined in the CBD and the GBF. The preliminary analysis provided points to several areas requiring deeper investigation, particularly in relation to the implementation challenges and efficiency of funds like the GEF and the GBF Fund. Further exploration in these areas could help refining this analysis, ensuring these funds are better equipped to respond to both global and national biodiversity priorities.

As the focus shifts to COP16 and the future replenishment of the GEF, continued dialogue will be crucial to shaping the future of biodiversity finance. These discussions should prioritize strengthened resource mobilization, enhancing the complementarity and accessibility of funds, and addressing the specific needs of developing countries, thereby reinforcing equitable, transparent, and effective solutions in dealing with the biodiversity loss crisis.

TABLE 2. Preliminary analysis of the GEF and GBF Fund through the lens of functions and principles

	GEF Trust Fund	GBF Fund
Resource mobilization and allocation	<p>The GEF has mobilized substantial funds for biodiversity since its creation, but recipients often view these resources as inadequate, particularly in international negotiations like the CBD. GEF's strength lies in its ability to attract co-financing from national agencies and other financial sources, such as market-based instruments.</p> <p>The GEF's reliance on replenishment cycles leads to predictability in funding.</p> <p>The GEF relies mostly on governmental contributions. The private sector does not yet see significant value in voluntarily contributing to a multilateral fund, partly due to concerns about creating an uneven playing field where some companies contribute while others do not, potentially leading to competitive imbalances.</p> <p>The capacity to attract private capital <i>via</i> blended finance instruments remains limited due to the misalignment between private investors' priorities and the long-term needs of biodiversity projects.</p> <p>On the allocation side, the GEF has been criticized for its bureaucratic burden, which makes accessing funds challenging. Despite efforts to streamline, many recipients face high administrative costs to access funds.</p>	<p>Created at COP15, the GBF Fund aims to mobilize more resources for biodiversity but is currently underfunded. Unlike the GEF, it does not operate on a replenishment cycle, which could discourage regular contributions from governments.</p> <p>One key condition for success is its ability to disburse funds quickly: in 2024, it allocated US\$39.7 million within months of its establishment, followed by US\$70.6 million later this year. However, the amounts remain small for many countries.</p> <p>No non-sovereign direct contributions so far.</p>
Synergies, co-benefits, and policy coherence	<p>The GEF has developed integrated programs that address biodiversity through multi-focal approaches, combining climate change, land degradation, and pollution control efforts. This aligns various environmental objectives and strengthens sectoral coherence. This was progressively strengthened through a focus on sectoral issues, e.g. integrated programs for the agrifood sector within GEF-8.</p> <p>Its financial contributions are not yet sufficient to outweigh the harmful finance flowing from sectors.</p>	<p>The GBF Fund aims to support the implementation of the GBF and GBF-aligned NBSAPs.</p> <p>Issue of complementarity with other sources of funding for biodiversity: the GBF Fund has smaller amounts, which makes it complicated to work on large-scale policy coherence activities.</p>
Capacity building	<p>The GEF supports countries in developing NBSAPs and national reports.</p> <p>The GEF supports training workshops and the creation of national coordination committees (Country Engagement Strategy GEF-8).</p> <p>The impossibility of many countries to access direct financing limits the effectiveness of these efforts, as many rely on external implementing agencies (UNDP, UNEP, FAO mainly).</p> <p>Capacity building initiatives must go hand-in-hand with the improvement of lending conditions through reforms of other key actors (like MDBs, Credit Rating Agencies, etc.). In addition to reforming global mechanisms, there must be a concerted effort to build capacity within developing countries, including to strengthen accessibility to funds.</p>	<p>Similar to the GEF, the GBF Fund has shown early promise in supporting capacity-building efforts, particularly through its focus on IPLCs (20% of total resources of the GBF Fund).</p> <p>However, it still relies on established agencies to deliver much of this support.</p>
Collaboration and partnership	<p>A special program: GEF-8 Blended Finance Global Program.</p> <p>The GEF has fostered innovative partnerships, such as the Rhino Bond, which combines public and private sector resources. This example highlights the GEF's ability to leverage partnerships for biodiversity.</p> <p>Influence through implementing agencies (MDBs, national PDBs, international organizations, NGOs, etc.). However, a few implementing agencies dominate.</p> <p>Collaboration with other multilateral funds sharing similar objectives is necessary to avoid overlaps, leading to inefficiencies (see below).</p> <p>Effectively mainstreaming biodiversity will require stronger partnerships between international institutions and local implementers, which is difficult as the GEF functions with implementing agencies.</p>	<p>25% of programming through implementing agencies that are international financial institutions: the performance of this direction will need to be assessed.</p> <p>Although in its early stages, the GBF Fund is focused on engaging a wide range of stakeholders, including non-sovereign participants, civil society and the private sector.</p>

<p>Equity, justice and fairness</p>	<p>Allocation to SIDS and LDCs (39%).</p> <p>The GEF has often been criticized for distributing most of its funds to middle-income countries leaving low-income and climate-vulnerable countries with less access. This imbalance raises concerns about fairness in the allocation of global biodiversity finance, as well as evolving needs.</p> <p>The STAR allocation lacks a dynamic approach to needs. It could include a vulnerability index like: https://www.un.org/ohrls/mvi</p>	<p>The GBF Fund places more emphasis on supporting IPLCs (20%). This signals a stronger focus on equity, though broader distribution challenges remain.</p> <p>IPLCs "actions" are mostly capacity building, which question the direct funding IPLCs get and prevent ownership and equity. A more direct access (without government endorsement) could be a model for future funding.</p> <p>Allocation to SIDS and LDCs (36+3%)—not a strong evolution from the GEF Trust Fund.</p> <p>The implementing agencies are the same as for the GEF Trust Fund, preventing the involvement of other actors such as the national development banks or microfinance institutions.</p>
<p>Inclusive and equitable governance</p>	<p>While the GEF governance has always been based on consensus, the ability to vote for donor countries creates a power imbalance, especially since recipient countries rarely have equal say (some "constituencies" represent many countries). This governance structure has led to concerns about inclusivity.</p> <p>The establishment of an Indigenous Peoples Advisory Group (IPAG).</p>	<p>The creation of a non-sovereign advisory group and the creation of the "megadiverse" group: while these groups were created, a critical assessment is needed on whether they are truly inclusive and supportive of a more equitable governance.</p>
<p>Efficiency and effectiveness</p>	<p>Efficiency is a contentious issue for the GEF: while it has made progress in streamlining processes, the need to work through implementing agencies increases costs and slows down project implementation.</p> <p>There is an increasing recognition of the need for greater dialogue between multilateral environmental funds. Sharing similar objectives, funds often serve overlapping purposes and activities, leading to inefficiencies. Coordination between funding agencies to standardize processes could further enhance efficiency.</p> <p>The GEF's focus on integrated programs has been a positive step, but there is still room for improvement in terms of making funds more responsive directly to recipients' needs. Hence, the importance of national biodiversity finance plans to ensure that resources are mobilized effectively and tailored to specific national priorities.</p>	<p>The GBF Fund has shown early signs of being more agile in fund distribution: a new and quicker "project approval cycle".</p> <p>However, the challenge will be to maintain this efficiency as the fund grows in scale. It also remains to be seen whether the GBF Fund can operate with the same degree of effectiveness under more complex projects.</p> <p>The GBF Fund is seen as not distinct enough from the GEF Trust Fund, which could create duplication.</p>
<p>Transparency</p>	<p>The GEF has developed a robust monitoring and evaluation system, providing detailed reports on its website.</p> <p>This is necessary given the scrutiny multilateral funds are subject to.</p> <p>However, stakeholders often find the system difficult to navigate, and the reporting can be overly complex.</p> <p>This makes it too bureaucratically costly for MDBs to use GEF funds given the comparatively small amounts they receive.</p> <p>The GEF's Independent Evaluation Office (IEO) also provides periodic reviews of fund performance.</p>	<p>The GBF Fund has prioritized open reporting and frequent updates to stakeholders, to build trust among participants, particularly in the early phases of fund distribution.</p> <p>The GBF Fund, like the GEF, reports back to the CBD COP on a regular basis. COP18 will undertake and act upon a stocktake review on the operations and performance of the Fund, regarding its scale, speed, accessibility, and arrangements.</p>

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