

December 12, 2022

An Open Letter to Public Banks and Financiers on their Role in Stopping and Reversing the Biodiversity Crisis

The world is in crisis. The deeply interrelated web of nature, biodiversity, and ecosystem functions underpin all life on the planet, but it is collapsing. The accelerating rate of biodiversity loss and ecosystem collapse is leading humanity towards the sixth extinction, in which our collective futures, whether bright or dim, are dependent upon our decisions and actions today. Without urgent, concrete, and time bound actions, we will soon face the worst, if not irreversible, impacts of the biodiversity crisis.

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) has highlighted the role of the financial sector in both causing and addressing biodiversity loss. The international banking and finance sector has long ignored the biodiversity risks of their financing. This has led to a complex dynamic in which biodiversity loss poses double materiality risks, where financiers are exposed to immediate risks associated with particular financed activities or projects, as well as longer term risks to the sustainability of their financial institution itself.

Fifty-one civil society organizations have signed this open letter to impress the importance of the banking and financial sector's role in stopping and reversing biodiversity loss. If the world is to survive the biodiversity and climate crisis, multilateral banks must heighten their institutional ambition and take action. **This means establishing and formalizing clear, concrete plans to ensure their financing protects and enhances biodiversity, instead of causing, driving, or exacerbating biodiversity loss.**

With the Fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15) occurring in this month, there is a critical opportunity for banks to do more in demonstrating ambition and resolve to take responsibility in stopping and reversing biodiversity loss. Banks should comply and implement relevant international and national policies and laws related to biodiversity protection, as well as follow and implement the spirit of biodiversity protection as set forth in the three overarching objectives of the [Convention on Biological Diversity](#), which includes conserving biodiversity, using biodiversity sustainably, and ensuring equitable and sustainable use of genetic resources.

Banks Drive Biodiversity Loss

Currently, public banks are directly and indirectly tied to driving the biodiversity crisis. In 2019, the world's largest banks invested more than [USD 2.6 trillion](#) in sectors that are the primary drivers of biodiversity destruction. According to IPBES, land use change, pollution, climate change, and over-exploitation of resources are major drivers of biodiversity loss. Public banks finance and support sectors driving and exacerbating biodiversity loss, such as oil and gas, large hydropower, industrial agriculture, in addition to indirectly financing these harmful sectors

via intermediaries. **All industries, especially commodity-based sectors, depend on well-functioning ecosystems and natural resources, and so the rapid destruction of the planet's remaining intact and critical ecosystems should be considered a major, if not existential, risk to the long-term sustainability of financial institutions themselves. Public bank policies and practices are failing to monitor and measure the impact of their financing on driving systemic, negative biodiversity impacts, and as a result, are not doing enough to avoid, reduce or mitigate negative impacts on biodiversity.** Continuing to do business as usual will result in devastating consequences on people and the planet.

Protecting the Rights of Indigenous Peoples Is Protecting Biodiversity

Increasingly, research shows that Indigenous Peoples play a critical role in protecting the world's remaining biodiversity hotspots. Although Indigenous Peoples constitute [6% of the world's population](#), they [safeguard 80% of the world's biodiversity](#). Research also shows that lands managed by Indigenous Peoples yield the same, if not better, biodiversity outcomes than protected areas. Nature and [biodiversity decreases](#) at a [slower rate](#) on Indigenous lands, and yet these areas are facing increasing threats and pressures for industrial and harmful development. **Protecting biodiversity cannot be separated from protecting the rights of Indigenous Peoples. Protecting Indigenous Peoples rights yields positive biodiversity outcomes.** This is why establishing or strengthening banks' Indigenous Peoples policies, including requiring free, prior, and informed consent (FPIC) as prescribed by the United Nations Declaration on the Rights of Indigenous Peoples, is important not only in its own right, but also as a crucial condition for achieving positive biodiversity outcomes.

The Responsibility of Public and Multilateral Banks in Stopping and Reversing Biodiversity Loss

Public and multilateral banks have an obligation to work for the public good. This should include efforts to slow, stop, and reverse biodiversity loss. However, amongst multilateral banks' safeguards systems, there are disparate and diverging approaches to biodiversity protection. For instance, according to the Asian Development Bank's Analytical Study on Biodiversity and Natural Resource Management, there is a lack of cohesion on defining Critical Habitats; a practice of discounting the "no project" option; and a need to consider exclusion of funding to the most sensitive sites. There is also a longstanding record of policy and implementation failures on the project level, in which biodiversity and local communities have been negatively impacted or destroyed. Examples of these failures include the [Mahaweli Water Security Project](#) in Sri Lankaⁱ, the [Olkaria Geothermal Plant](#) in Kenyaⁱⁱ, [coal and gas development](#) in the Philippines and Vietnam via financial intermediariesⁱⁱⁱ, among many others^{iv}.

Furthermore, just as it is important for banks to identify and measure their climate footprint, it is equally important for public, multilateral financiers to understand their institutional impact in driving biodiversity loss. This means public and multilateral banks should assess not only the biodiversity risks of their direct financing, but also the negative biodiversity impacts of financial intermediary lending. In order to do so, public and multilateral banks should disclose any

potential financing to high-risk sub-projects in order to ensure that relevant safeguards are applied at the sub-project level.

Lastly, public and multilateral financiers play a major role in setting international norms and standards in the banking sector. There is thus an obligation for public and multilateral financiers to acknowledge where current biodiversity and Indigenous Peoples policies are falling short, and take clear, concrete, and time bound steps to lead and positively evolve policies and safeguard systems. This is especially relevant for banks which are currently undergoing or will soon revise their environmental and social safeguards frameworks, including the International Finance Corporation, European Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank.

Recommendations to Public and Multilateral Banks and Financiers

In order to address their role in driving the biodiversity crisis, civil society groups call on public and multilateral banks to:

- 1. Stop financing activities and sectors which drive biodiversity loss:** Prohibit the development and expansion of sectors that are associated with the systemic drivers of biodiversity loss, i.e. fossil fuels (including natural gas), industrial agriculture, industrial factory farming, industrial mining, large hydropower, industrial logging, the production and use of pesticides and other toxic substances, per findings from [IPBES](#).
- 2. Improve due diligence and screening processes:** This includes:
 - Verifying the validity of client-obtained licenses and permits.
 - Requiring robust, credible analysis on project alternatives.
 - Requiring field visits.
 - Disclosing due diligence findings to the public.
 - Excluding clients with repeated record of environmental, social, human rights failures from access to future financing.
- 3. Develop guard rails for intermediary financing:** As public, multilateral financiers have significantly expanded their lending through financial intermediaries, it is important that banks:
 - Ring fence intermediary financing, including funds, financial products, and underwriting services, so as to avoid negative environmental and social impacts.
 - Ensure social and environmental standards of public and multilateral banks are included in legal contracts with financial intermediary clients, and supervise their application in practice.
 - Disclose all activities or sub-projects financed via financial intermediaries, and establish measures to ensure environmental and social protections are applied and implemented at a sub-project level.
 - Require clients to provide proof that financial intermediary financing does not lead to negative environmental and social impacts.

- 4. Ensure Full Implementation of Environmental and Social Policies and Safeguards:** Require and leverage loan contracts to obligate better environmental and social performance, based on safeguards and policy requirements, develop and publish key performance indicators in measuring implementation of policies, establish methodologies for assessing bank staff and board performance in ensuring environmental and social safeguards are fully implemented, and develop an institutional climate safeguard which incorporates and integrates biodiversity concerns given their mutually intertwined relationship.
- 5. Explore new mechanisms for ensuring implementation of environmental, social, and biodiversity policies:** Assess Board performance in meeting institutional targets for reducing biodiversity loss, and establish separate funds in order to provide reparations and remedy for past bank financed harms
- 6. Uphold relevant international norms and standards relevant to biodiversity protection, such as the Paris Agreement, Convention on Biological Diversity, and United Nations Declaration on the Rights of Indigenous Peoples:** This includes designing and developing biodiversity policies to harmonize and complement other cross-cutting issues, such as climate change and Indigenous Peoples.
- 7. Respect the right to self-determination and sovereignty for Indigenous Peoples and rights of local communities:** This includes:
 - Strengthening existing Indigenous Peoples Rights policies, and/or establish Indigenous Rights Peoples policies.
 - Requiring Free, Prior and Informed Consent (FPIC) whenever there are any impacts on Indigenous Peoples, their territories, or resources, in addition to requiring FPIC as a best practice for engaging with local communities.
 - Recognizing the importance of Indigenous and local communities in the equitable governance and effective management of such areas.
 - Recognizing and respecting areas governed by Indigenous and local communities.
- 8. Take a precautionary approach in biodiversity protection:** This includes implementing a moratorium on biodiversity offsets and establishing “no loss” approaches to biodiversity protection, as offsets are baked into “no net loss” and “net gain” approaches.
- 9. Fortify accountability mechanisms:** Require and implement an effective project level complaints and whistleblower policy to allow Indigenous Peoples, community members, and civil society organizations to report policy violations, and which also accounts for and protects against potential retaliation or harassment against those who voice grievances.
- 10. Develop, strengthen, and implement transparency and disclosure policies:** Relevant information regarding all clients or project activities that are receiving direct or indirect bank financing should be published publicly in a timely manner. This includes: feasibility studies,

environmental and strategic impact assessments, environmental and social action plans or contract clauses, list of all current clients, due diligence findings, and other documents relevant to environmental, social, biodiversity, or climate risks and impacts.

Thank you for your consideration. We ask that you please confirm receipt of this letter by contacting us at stopbiodiversitylossnow@gmail.com. We welcome any questions or feedback.

Sincerely,

AbibiNsroma Foundation (Ghana)
Accountability Counsel (International)
Action for Ecology and People's Emancipation (Indonesia)
African Climate Reality Project (South Africa/Africa)
Angir Nuden Munduuhuu (Mongolia)
Australian Forests and Climate Alliance (Australia)
Bank Information Center (United States)
BankTrack (International)
Bankwatch Network (Central and Eastern Europe)
Biodiversity Conservation Center (Germany)
Blue Dalian (China)
Brighter Green (United States)
BROC (Russia)
Center for Energy, Ecology, and Development (Philippines)
Civil Initiatives Support Fund (Tajikistan)
Community Empowerment and Social Justice Network (Nepal)
Community Resource Centre (Thailand)
Cultural Survival (United States)
DRONT Ecological Center (Russia)
Forum Ökologie and Papier/Ecology and Paper Forum (Germany)
Finance Working Group of the Environmental Paper Network (International)
Forests and Finance Coalition (International)
Friends of the Earth US (United States)
Gender Action (International)
Gobi Soil (Mongolia)
Green Advocates International (Liberia)
Indus Consortium (Pakistan)
International Association of Technicians, Experts and Researchers (France)
International Attac Network (France)
International Rivers (United States)
Jamaa Resource Initiatives (Kenya)
Lamu Youth Alliance (Kenya)
Lumière Synergie Pour le Développement (West Africa)
Legal Aid Institute Angsana (Indonesia)
NGO Forum on ADB (Philippines)

Ei polteta tulevaisuutta/Not Burning The Future (Finland)
Oyu Tolgoi Watch (Mongolia)
Psychological Responsiveness (Mongolia)
Public Interest Law Center (Chad)
Profundo (Netherlands)
Recourse (Netherlands)
Rivers Without Boundaries International Coalition (International)
Rivers Without Boundaries Mongolia (Mongolia)
Russian Social-Ecological Union/Friends of the Earth Russia (Russia)
Save Virunga (International)
Socio-Ecological Union International (International)
Tajik Social and Ecological Union (Tajikistan)
Trend Asia (Indonesia)
Urgewald (Germany)
WALHI/Friends of the Earth Indonesia (Indonesia)
Women's Earth and Climate Action Network (International)

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- ⁱⁱ The Olkaria Geothermal Plant is financed by the European Investment Bank, World Bank, Kreditanstalt für Wiederaufbau (KfW), and the French Development Agency. <https://bankwatch.org/wp-content/uploads/2020/11/2020-Can-the-EIB-become-the-EU-Development-Bank-Online.pdf>
- ⁱⁱⁱ Coal and oil activities are financed by the International Finance Corporation via financial intermediaries. <https://www.re-course.org/wp-content/uploads/2022/10/Paris-Alignment-Principles-What-IFIs-need-to-do-to-align-their-financial-intermediary-investments-with-Paris-and-tackle-climate-change.pdf>
- ^{iv} Examples of other harmful projects include:
- “Kampala-Jinja Expressway Public Private Partnership Project”, Bank Information Center. <https://bankinformationcenter.org/en-us/project/kampala-jinja-expressway-public-private-partnership>
 - “Honduras Remote Area Rural Electrification Program”, Bank Information Center. <https://bankinformationcenter.org/en-us/project/honduras-remote-area-rural-electrification-program>
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 - Jonathan Morley, Graeme Buchanan, Edward T.A. Mitchard, Aidan Keane, “Potentially harmful World Bank projects are proximate to areas of biodiversity conservation importance”, Global Environmental Change, Volume 70, September 2021.