

The Biodiversity Finance Initiative (BIOFIN)

- **Creating sustainable financing solutions for people and the planet.**



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1. Introduction

■ What is the Biodiversity Finance Initiative?

The Biodiversity Finance Initiative (BIOFIN) of the United Nations Development Programme (UNDP) is a cross-sectoral initiative that analyses the context of public policies, stakeholders, expenditures, and investments influencing biodiversity.

BIOFIN Mexico understands that the financial gap would be unsurmountable through the fiscal budget. The current priorities and key objectives are to develop innovative financial solutions by involving other actors and sectors beyond increasing the public budget.

The financial and private sectors are increasingly looking to incorporate and consider biodiversity in their finance portfolios, either as a profitable investment or as an element to consider in their financial and non-financial potential risks.

BIOFIN is seizing the opportunity to involve these sectors and develop finance mechanisms that provide economic benefits and social and environmental impacts.



2. Country context: Biodiversity in Mexico

■ Mexico is a megadiverse country:



Between 10 and 12% of the world's species can be found in its territory



Mexico is the third place globally in mammal diversity, with over 564 species (30% of them being endemic)



... and the second in reptiles with 864 different species (45% of them are also endemic).



The country is also a biocultural hotspot, being the center of origin of globally widespread species and hosting a rich natural heritage safeguarded by indigenous peoples and local communities.



Over 5,000 species of flora (equivalent to 23%) have a traditional use, with over 3,000 medicinal plants used in the country.



The land in Mexico is mostly owned by private landlords, communities and ejidos (communal land) who mainly depend on primary sector activities (specifically agriculture, extensive livestock, forestry, fisheries, and hunting).

Therefore, conservation and sustainable use actions must consider the social governance of these biodiversity-rich territories to succeed.

Mexico faces complex underlying causes of biodiversity degradation. According to the National Geography and Statistics Institute (INEGI, 2019), **the Environmental Degradation and Resource Depletion Total Costs that have a negative impact on natural resources account for 4.5% of the GDP.**

Additionally, federal biodiversity expenditures have decreased since 2015, with USD 732 million spent on biodiversity in 2019, the **lowest expenditure in a decade.**

Since 2006, Mexico steadily increased the public federal expenditure for biodiversity and allocated it mainly through the protected areas, forestry, climate change and biodiversity commissions. **This budget increase continued until 2014, reaching a maximum allocation of around USD 1 billion.** This budget increment was also accompanied by a strong capacity development process that allowed the country to access international cooperation, develop innovative financial mechanisms and build solid biodiversity monitoring systems.

Since 2015, federal expenditures started to decrease. This reduction has accelerated since 2018 and is close to levels not seen since 2007. This situation is especially complicated

within the Ministry of Environment, whose budget in 2021 accounts for only 44% of the 2015 budget.

This complicated context at the national level has mobilised BIOFIN and most international cooperation agencies to redirect resources and knowledge towards subnational governments and the private and financial sectors.



3. BIOFIN's objectives

■ What does BIOFIN do?

The current priorities and key objectives are to **develop innovative financial solutions by involving other actors and sectors beyond increasing the public budget.** The financial and private sectors are increasingly looking to incorporate and consider biodiversity in their finance portfolios, either as a profitable investment or as an element to consider in their financial and non-financial potential risks.

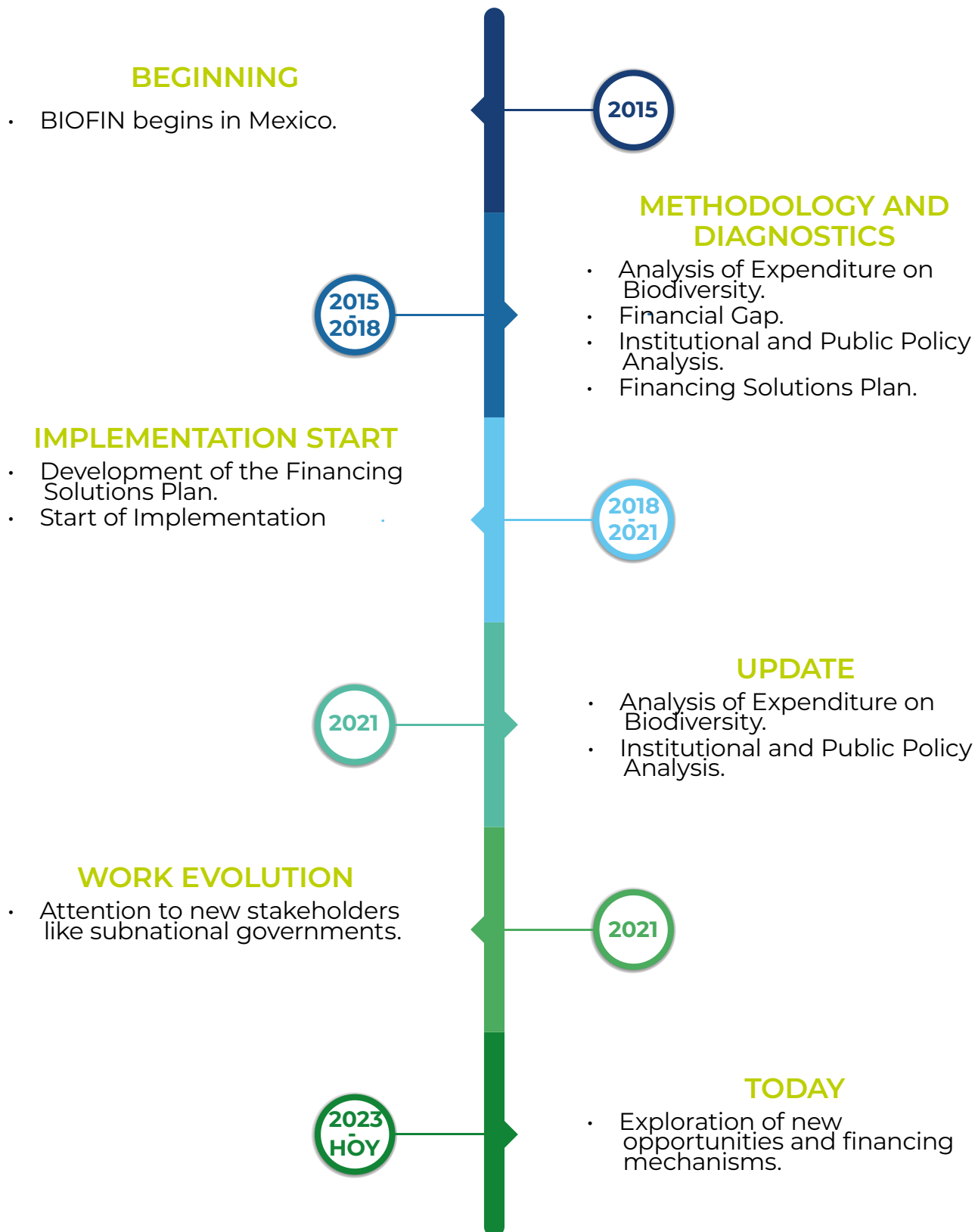
BIOFIN is seizing the opportunity to involve these sectors and develop finance mechanisms that provide economic benefits and social and environmental impacts.

The finance solutions are expected to mobilise from all sources for biodiversity conservation and sustainable use, including subsidies' reform, international cooperation and mainstreaming.

These resources will ensure that **Mexico aligns its priorities to the new Kunming-Montreal Global Biodiversity Framework** whilst meeting the commitments made in its National Biodiversity Strategy and its sub-national priorities and goals.



4. BIOFIN's history



5. Our work

■ Biodiversity finance solutions.

BIOFIN works through 5 finance solutions, as shown in the following diagram.



Finance solution 1: Greening Financial Flows in Cross-sectoral policies

This finance solution intends to mainstream biodiversity criteria into cross-sectoral programs, create and strengthen federal financial mechanisms and achieve the reform of harmful subsidies to diminish their impact on biodiversity. This finance solution is expected to deeply impact policy reforms for biodiversity related to subsidies, information, and capacity development.

Finance solution 2: Climate Change and Biodiversity Finance

BIOFIN Mexico's efforts in this finance solution have been oriented towards mobilising resources for biodiversity that are, in principle, allocated for climate change and taking as a building block the international mandate to promote convergence among the Rio Conventions. The initiative has mainly focused on strengthening and developing national trust funds with a wide environmental perspective, integrating nature-based solutions in public policy and promoting biodiversity elements in the voluntary carbon market.

Finance solution 3: Strengthening biodiversity finance at the subnational level

Mexico's efforts in this finance solution have focused on implementing the BIOFIN approach at the subnational level and implementing finance solutions and mechanisms in some of Mexico's most biodiverse states.

This solution focuses on implementing BIOFIN's approach at the subnational level and introducing finance mechanisms in biodiverse states. The notable achievements include:

- Increased capacities in Guanajuato's fund, a successful capitalisation strategy securing an additional USD 150,000.
- Creation of a Green Investment Office in Jalisco with the ability to structure nature-related financial mechanisms.
- Fiscal savings for more than USD 3 million annually in Mexico City.
- Creating an environmental trust fund in Yucatan for protected areas.
- Creating a private trust fund in Queretaro to mobilise climate finance.
- Support for GEF 8 funds and ecological taxes in various states.

Finance Solution 4: Bioeconomy

BIOFIN's strategy to promote resource mobilisation within the private sector in line with target 15 of the Kunming-Montreal GBF. This solution shifts its vision to consider the role of corporations and SMEs. The bioeconomy solution has engaged potential investors and experts in green commodities and offered seed capital for biodiversity-related entrepreneurs. BIOFIN is also exploring opportunities for biodiversity credits in the private sector in the future.

Finance Solution 5: Greening the National Development and Commercial Banking

This solution involves collaboration with Mexico's Central Bank (BANXICO), the Securities and Exchange Commission (CNBV) and private banks. BIOFIN supported these institutions to follow up the findings of the TNFD technical group, actively participated in Mexico's Sustainable Finance Taxonomy construction, and collaborated closely with BANXICO on biodiversity integration. The initiative also supports an informal group on communities and the financial sector, aiming to enhance the role of IPLCs in biodiversity conservation. Additionally, BIOFIN commenced collaboration with the Rural Sector Capitalization and Investment Fund (FOCIR) in 2023, focusing on integrating best practices related to social and environmental risk management.



Learn more

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biofin.org/mexico

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BIOFIN Mexico Solutions
Available [here](#)

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Financing Resources (FIRE)
Available [here](#)

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