Analysis and proposals for Targets 18 and 19 of the First Draft of the post-2020 Global Biodiversity Framework

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Introduction

Resource mobilization is a key component of biodiversity financing, and the first draft of the post-2020 Global Biodiversity Framework (GBF) addresses this issue in Goal D and Targets 18 and 19. These efforts to mobilize resources for the effective implementation of the GBF should also be situated in the wider discussions on resource mobilization for the Convention on Biological Diversity (CBD), including under the Subsidiary Body on Implementation (SBI). The successor to the current strategy for resource mobilization is due to be adopted at the 15th Meeting of the CBD Conference of Parties (COP 15) to be held virtually on 11-15 October 2021 and in person in Kunming, China from 25 April to 8 May 2022.

This briefing note focuses mainly on Targets 18 and 19 of the first draft of the GBF.

Context

Resource mobilization for biodiversity has to be seen within the larger context of the deeply extractive and inequitable global economy that exists both historically and today. This situation has been largely driven by wealthy and powerful elites, corporations and governments. While more resources are undoubtedly required to halt biodiversity loss, it is not just a problem of a funding deficit. Structural and systemic political-economic root causes blight biodiversity funding.[1]

These root causes include:
(i) Governments actively subsidizing extractive and biodiversity-harming industries and encouraging extractivism through trade and investment deals;
(ii) Austerity and debt loads on developing countries depleting public finances, impeding government action and further pushing developing countries to double down on extractivism;
(iii) Tax evasion by wealthy elites and corporations draining public coffers.

Not only do these root causes lead to biodiversity loss, but they also pose threats to indigenous peoples and local communities (IPLCs), women and the most vulnerable, who are disproportionately affected because of persistent inequalities along racial, gender, caste and wealth hierarchies. Furthermore, in a vicious cycle, these inequalities legitimize and fuel further extractivism because the resulting societally-produced hierarchies render some peoples more dispensable than others, or to have their land and communities polluted or extracted from.

[1] See the research report, Beyond the Gap: Placing Biodiversity Finance in the Global Economy (2021) by the Biodiversity Capital Research Collective, published by Third World Network and University of British Columbia.

Nothing in the current goals and targets of the first draft of the GBF addresses these structural issues. This is a fundamental flaw.

Analysis of Target 18

Target 18 currently reads: *Redirect, repurpose, reform or eliminate incentives harmful for biodiversity, in a just and equitable way, reducing them by at least US$ 500 billion per year, including all of the most harmful subsidies, and ensure that incentives, including public and private economic and regulatory incentives, are either positive or neutral for biodiversity.*

Harmful incentives

Target 18 addresses incentives or subsidies that are harmful to biodiversity. These should be rightly redirected, repurposed, reformed or eliminated. However, these efforts must be done in a just and equitable way at two levels: Firstly, there is a need to recognize the socio-economic contexts of developing countries and ensure that subsidies, to the extent that they benefit marginalised communities, are reformed and coupled with alternatives so as to not disproportionately impact those communities. Secondly, when financial savings are generated from subsidy reform, the resources should be equitably redistributed, especially to those who are conserving and sustainably using biodiversity.

The OECD conservatively estimated in 2020 that the flow of biodiversity-harmful subsidies was about US$ 500 billion per year – five to six times greater than the monetary resources flowing toward biodiversity. More recently, the Dasgupta review estimated the total global cost of subsidies that damage biodiversity at US$ 4-6 trillion per year when environmental costs, other externalities and lost tax revenue are taken into account. This is clearly a key issue that needs to be addressed.

The failure to meet Aichi Biodiversity Target 3[2] however means that previous efforts have been ineffective. Mistakes are still being repeated – a new report that tracks US taxpayer funds flowing to fossil fuel companies since pandemic-related bailouts began found that a total of US$ 110 billion went to 66 companies, including US$ 10.4 to US$ 15.2 billion in direct disbursements to coal, oil, and gas companies.[3]

Missing elements and rationale for inclusion

There has been exponential growth in public and private financial flows, fueling biodiversity-degrading industries and sectors. While Target 18 focuses on harmful incentives, it is silent on the need to actually ***regulate*** financial actors, ***penalize and***

[2] By 2020, at the latest, incentives, including subsidies, harmful to biodiversity are eliminated, phased out or reformed in order to minimize or avoid negative impacts, and positive incentives for the conservation and sustainable use of biodiversity are developed and applied, consistent and in harmony with the Convention and other relevant international obligations, taking into account national socio economic conditions.

[3] Bailed Out and Propped Up (2021). Bailout Watch, Public Citizen and Friends of the Earth.

divest from the industries that damage biodiversity and violate the rights of IPLCs and others.

This would be an important justice component that ensures that those who are responsible for biodiversity loss are held accountable. Simply relying on voluntary mechanisms that depend on businesses to "do the right thing" is folly, as these have failed to drive action at the necessary pace or scale. Voluntary efforts like the Taskforce on Nature-related Financial Disclosures (TNFD) will be ineffective if they are not coupled with regulatory action and robust conflicts of interest procedures.

In addition to regulation, the Target should compel governments to ***disclose*** subsidies, as identifying harmful subsidies is the first step to eliminating them. Disclosure of specific subsidies, at the national and sub-national levels, helps identify them across all sectors. What is further needed is ***subsidies accountability***, a research agenda that identifies which subsidies are harming biodiversity, who benefits, and what policy alternatives will have the best social and ecological outcomes.[4]

Finally, the financial savings from eliminating harmful subsidies should be redirected to ***support ongoing stewardship*** and legal and political rights of IPLCs, women and smallholder producers who are conserving and sustainably using biodiversity.

Positive incentives

Target 18 also talks about incentives that are neutral or positive for biodiversity, and the one-pager drafted by the Co-Chairs of the Working Group provides examples, noting that there is interest in payment for ecosystem services (PES).

Research however shows that market-based approaches like PES are not a major new source of funding for biodiversity. Some PES schemes do not even include biodiversity at all. The few biodiversity-focused PES schemes show narrow scope and uncertain results. Evidence also shows that these efforts are marginal at best, and, at worst, entrench the power of elites, at the expense of IPLCs.[5]

While there is energy behind accounting for nature-related financial risks, it is important to note that the incorporation of environmental risks can lead to increased costs of capital for the most impoverished countries. This has been the case with climate risk.[6] The implications of such risk approaches need careful study,

Missing elements and rationale for inclusion

The evidence shows that PES programmes that have been most successful have integrated with local traditions and institutions, with strong representation of local

[4] Dempsey, J., Martin, T. G., & Sumaila, U. R. (2020). Subsidizing extinction? *Conservation Letters*, 13(1), e12705.

[5] Biodiversity Capital Research Collective (2021). Beyond the Gap: Placing Biodiversity Finance in the Global Economy (2021), Third World Network and University of British Columbia.

[6] Ameli, N., Dessens, O., Winning, M. et al. Higher cost of finance exacerbates a climate investment trap in developing economies. Nat Commun 12, 4046 (2021).

values and knowledge and equitable benefit-sharing. This points to a strong role for governments in prioritising equity objectives while putting in place locally appropriate and robust ***safeguards*** against market risks, and ***governance*** arrangements that empower local participants in decision-making, integrate local knowledge and recognize IPLC rights. These aspects are missing from the current target.

Proposed text

We therefore propose that Target 18 be amended as follows (additions in bold, deletions in strikethrough). We also propose separating out the different ideas into three separate targets for clarity:

Disclose, ~~*R*~~*redirect, repurpose, reform or eliminate* ***all*** *incentives harmful for biodiversity, in a just and equitable way, reducing them by at least US$* ~~*500 billion*~~ ***6 trillion*** *per year, including all of the most harmful subsidies, and* ***ensure that financial savings are channelled to support biodiversity stewardship by indigenous peoples and local communities, smallholder producers and women.***

Regulate and divest from harmful financial flows, and penalize financial actors who cause biodiversity loss or violate human rights.

E~~*e*~~*nsure that incentives, including public and private economic and regulatory incentives, are either positive or neutral for biodiversity,* ***with appropriate safeguards against market risks, including those that could increase costs for developing countries, and advance governance arrangements that empower local participants in decision-making, integrate local knowledge and recognize the rights of indigenous peoples and local communities.***

Analysis of Target 19

Target 19 currently reads: *Increase financial resources from all sources to at least US$ 200 billion per year, including new, additional and effective financial resources, increasing by at least US$ 10 billion per year international financial flows to developing countries, leveraging private finance, and increasing domestic resource mobilization, taking into account national biodiversity finance planning, and strengthen capacity-building and technology transfer and scientific cooperation, to meet the needs for implementation, commensurate with the ambition of the goals and targets of the framework.*

Increasing financial resources

While a target to increase financial resources is welcome, the quanta are too low. And particularly if we consider the trillions invested in biodiversity-harmful industries, the amount earmarked for developing countries is akin to a drop in the ocean.

Article 20 of the CBD points to Parties' common but differentiated responsibilities – developed countries obligation to provide new and additional financial resources to enable developing countries to effectively implement the CBD. This obligation has simply not been met.

Not to mention the ecological and climate debts that rich industrialised countries have accrued over the last 500 years through their overuse of the world's resources. To make matters worse, extractive economic development has social and environmental costs that fall disproportionately upon IPLCs, smallholder producers, women and people of colour.

Missing elements and rationale for inclusion

The evidence consistently shows that it is IPLCs who are effectively conserving and sustainably using biodiversity.

This is a glaring gap in the current target, which is silent on the need for ***resources to be channeled to support ongoing stewardship*** by IPLCs, and to protect their rights, so that they can continue autonomously to safeguard biodiversity.

Leveraging private finance

Target 19 includes the phrase "leveraging private finance". This is based on the claim that the public sector cannot provide all the finance needed, therefore the need for private sector financing.

"Leveraging private finance" is essentially about blended finance – the use of public, philanthropic or supranational funding to "leverage", "unlock" or "catalyse" private investments.

Yet the track record of private, for-profit biodiversity finance shows that flows are actually small, and pose risks to livelihoods and rights, with examples of dispossession of IPLCs. Furthermore, the track record of blended finance is uneven, with evidence suggesting that it would take a lot of blending before biodiversity becomes an investment opportunity for investors; that is, large amounts of public capital will be needed to leverage the desired private capital.[7]

Other risks of blended finance include a lack of transparency and oversight as investments are made in private entities, and the potential for it to become a drain on existing and often scarce public resources, insofar as blended deals are made with public guarantees or used for issuing debt.[8]

Finally, there is a risk of private gains and social losses with blended finance, as it guarantees the incomes of investors and investment bankers, rather than peoples and nature.[9] Harms to biodiversity are often created by the priority on investment returns, rather than on considerations for social rights, biodiversity protection and equity.[10]

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[7] Christiansen, J. and Lim L.C. (2021). Unheeded risks in the turn towards blended biodiversity finance. TWN Briefing Paper, August 2021, Third World Network.
[8] Ibid.
[9] Ibid.
[10] Biodiversity Capital Research Collective (2021). Beyond the Gap: Placing Biodiversity Finance in the Global Economy (2021), Third World Network and University of British Columbia.

Missing elements and rationale for inclusion

Instead of leveraging private finance, the target should rather point to other ways of ***mobilizing public funds*** and establishing policies that disincentivize environmental degradation in the first place.

If we address the key structural barriers that countries face – debt, austerity and tax avoidance – there will be adequate public funds. For example, Fortune 500 companies have an estimated US$ 2.3 trillion in tax havens, costing governments US$ 500-600 billion a year with losses to low-income economies of US$ 200 billion, eclipsing development assistance.[11] Developing countries' debt is around UDS$ 11 trillion, with debt service payments at US$ 3.4 trillion annually.[12]

Multilateral tax reform and ***sovereign debt restructuring and forgiveness*** in line with CBD objectives would allow governments to prioritize investments in biodiversity as well as pandemic recovery that are just and sustainable. In the discussions on resource mobilization under the SBI, there is a proposal for the Executive Secretary "to prepare a report on the relationship between public debt, austerity measures and the implementation of the Convention, with a view to removing specific impediments to the implementation of the Convention."

This has not yet been agreed to by Parties, but at least reflects interest in addressing these structural issues that contribute to biodiversity loss.

Proposed text

We therefore propose that Target 19 be amended as follows (additions in bold, deletions in strikethrough):

In accordance with Article 20 of the Convention, ~~*I*~~*increase financial resources* ~~*from all sources*~~ *to at least US$* ~~*200*~~ ***xxx*** *billion per year,* ~~*including*~~ ***through*** *new*~~*,*~~ ***and*** *additional* ~~*and effective*~~ *financial resources, increasing by at least US$* ~~*10*~~ ***xxx*** *billion per year international financial flows to developing countries,* ***ensuring that x% of funds are channeled to support biodiversity stewardship by indigenous peoples and local communities, smallholder producers and women****,* ~~*leveraging private finance*~~ *and increasing domestic resource mobilization****, including through multilateral tax reform and addressing sovereign debt in just and equitable ways****, taking into account national biodiversity finance planning, and strengthen capacity-building and technology transfer and scientific cooperation, to meet the needs for implementation, commensurate with the ambition of the goals and targets of the framework.*

[11] Shaxson, N. Tackling tax havens. International Monetary Fund Finance and Development, 56, (2019).

[12] United Nations Conference on Trade and Development (UNCTAD). COVID-19 is a matter of life and debt, global deal needed. UNCTAD. Retrieved from https://unctad.org/news/covid-19-matter-life-and-debt-global-deal-needed (2020).