TWN
Third World Network
Email: twn@twnetwork.org
Websites: www.twn.my, www.biosafety-info.net
Address: 131 Jalan Macalister, 10400 Penang, MALAYSIA
Tel: 60-4-2266728/2266159 **Fax:** 60-4-2264505

Briefings on the Post-2020 Global Biodiversity Framework

6

Beyond the Gap: Placing Biodiversity Finance in the Global Economy

Biodiversity Capital Research Collective[1]

** This is a summary of a larger research report of the same title, available at www.twn.my.*

Facing decades of inaction on multilateral agreements and goals, there is growing consensus that "transformative change" is needed to address the ongoing biodiversity crisis. But what must be transformed?

In the area of biodiversity finance, governments and conservation organisations often point to a large gap between existing financial resources and the resources needed to achieve biodiversity objectives. But the gap is almost always presented without context, as though biodiversity loss will be resolved through increased funding alone. To illuminate crucial pathways for transformative change, this report examines the political and economic dimensions of biodiversity loss.

Beyond the Gap: Placing Biodiversity Finance in the Global Economy, a joint effort between an international team of researchers and Third World Network, addresses two questions: how does the organisation of the global economy drive biodiversity loss, and how has existing biodiversity finance performed? Trade, investment and financial regulation (or lack thereof), global economic pressures that push biodiverse countries into debt, and inequality across racialised, gender, class and colonial lines, all drive biodiversity loss and require urgent attention. These issues are not usually considered in international environmental negotiations; this report demonstrates why these structural patterns must be addressed if we are serious about changing the current trajectory.

Instead of transformation, a series of voluntary measures and market-based mechanisms such as payments for ecosystem services or blended finance schemes have been presented as tools to span the resource gap. This report shows that these efforts are marginal at best, and, at worst, entrench the power of rich-world governments and non-state institutions like banks, large international NGOs, and supranationals, at the expense of the Indigenous peoples and local communities who are at the forefront of safeguarding biodiversity. Pursuing voluntary or innovative financial mechanisms rather than addressing the extractive world economy is best understood as a form of extinction delayism, which postpones substantial action on the fraying web of life for another year, another decade, with devastating consequences for people and planet.

It is apparent that we must move "beyond the gap". Only by placing biodiversity loss in the context of the global economy will it be possible to realise transformative, inclusive and equitable change. The report offers concrete recommendations for negotiators, civil society organisations, and activist groups to push questions of biodiversity finance beyond the gap.

[1] Contributors include, alphabetically, Patrick Bigger, Jens Christiansen, Jessica Dempsey, Adriana DiSilvestro, Audrey Irvine-Broque, Sara Nelson, Fernanda Rojas-Marchini, Andrew Schuldt, Elizabeth Shapiro-Garza.

Part 1. Ecological debts mount alongside ongoing inequalities and biodiversity loss

Article 20 of the Convention on Biological Diversity (CBD) points to countries' Common but Differentiated Responsibilities (CBDR) in fulfilling the commitments to halt biodiversity loss – developed countries' governments have an obligation to provide new and additional financial resources to enable governments in developing countries to effectively implement their commitments. We ask: Have governments lived up to obligations in line with CBDR? What has been the role of the Global Environment Facility (GEF) in relation to CBDR? In the third section of Part 1, we ask a related question: Who is responsible for biodiversity loss? Can this responsibility or debt be calculated?

1.1 Wealthy states have not lived up to CBDR and commitments made under Article 20

Twenty-eight years after the CBD was ratified in 1992, countries around the world not only have failed to halt biodiversity loss, but they have also neglected a fundamental principle of this Convention: that despite all countries' responsibility for the loss of biodiversity, rich industrialised nations have a greater share of responsibility and must, consequently, contribute with more resources to stop this crisis. Neither the GEF itself – established as the CBD's financial mechanism in 1994 – nor the private finance mechanisms it promotes have met these obligations.

1.2 Investments through the Global Environment Facility have been insufficient

Approximately 30 years on from the GEF's launch, it is clear that the fund and its approach have been insufficient to "implement the CBD", one of its key objectives. The amounts committed to the GEF are inadequate, with the most recent GEF-7 seeing a nominal decline in new pledged amounts as well as total funding. The GEF's emphasis on leveraging co-financing from governments, development finance institutions, non-governmental organisations, and commercial actors is symptomatic of an approach that assumes that public funding, not the natural environment and its diversity, is the main resource that is scarce. Some research suggests that current funding strategies are not just insufficient, but can further long-term international power inequalities where countries with the most financial resources dictate the terms and conditions under which capital will flow towards biodiversity-rich countries, consolidating geopolitical power relations, rather than working towards full CBD implementation. The emphasis on co-financing, and increasingly the use of market-led funding for "nature-based solutions" (NBS), can be seen as a result of these power inequalities. The GEF's inability to effectively implement the three objectives of the CBD[2], combined with the geopolitics in the background of negotiations, suggests the need to reform this multilateral financial mechanism.

1.3 Wealthy countries and the affluent have mounting ecological debts

In this section we draw on research attempting to quantify historical ecological and climate debts that rich industrialised countries have accrued over the last 500 years through their overuse of the world's resources and waste sinks. We describe concepts such as "material footprint" and "national responsibility for climate breakdown", together with statistics indicating the overconsumption of developed countries and affluent elites in developing countries, to flesh out historical patterns that demonstrate who benefited from ecological damage, and who bore the costs of these changes. This uneven distribution of ecological degradation continues to this day, with one study concluding the US is responsible for 40% of climate change and the EU 29%. Other studies point to how current trade regimes further feed inequality, through conditions described as "ecologically unequal exchange", where high-income countries appropriate resources and generate higher levels of economic value. Through these processes, the ecological and climate debts of developed countries to developing countries continue to accrue.

Part 2. Understanding the global political economy of biodiversity loss

What is hampering the adequate resourcing of CBD implementation? Across Part 2, we ask: what are the overarching political economic conditions constraining CBD implementation? We

[2] These objectives are: 1) conservation of biological diversity, 2) sustainable use of its components, and 3) the fair and equitable sharing of the benefits arising out of the utilization of genetic resources.

centre the political economic drivers that fuel extractivism, drivers that render the relatively much smaller funding for conservation inadequate to address the three objectives of the CBD. This section travels some distance from what is usually considered in discussions of biodiversity policy and finance, but we argue that many of the changes required to reshape structural drivers will have to occur through a range of institutions that shape the global economy.

2.1 The ability of countries to implement the objectives of the CBD is hampered by the debt-austerity nexus

Austerity and debt put a straightjacket on national governments throughout the globe, but in particular in developing countries. Austerity – policies that aim to reduce government spending and deficits – means inadequate levels of official development assistance (ODA), multilateral contributions, or domestic funding for environmental ends. Austerity emerges from ideological preferences found in institutions, but it is also concretely caused by a "race to the bottom" in corporate tax rates, tax havens, and high levels of international debt, particularly in developing countries. If governments are focused – or made to focus – on repaying debt, they are not investing in public goods; they lack resources to implement biodiversity policies that advance sustainable use, conservation and equitable benefit-sharing of biodiversity use. Adding fuel to the fire, high levels of debt repayment also force governments to double down on the resource extraction for export that is at the root of much biodiversity loss. With many developing countries facing soaring debt levels in the face of the COVID-19 pandemic, the International Monetary Fund (IMF) has once again stepped in to demand fiscal consolidation, despite clear linkages between austerity, debt, and biodiversity loss. Such austerity measures will once again structurally limit government spending in developing countries, with all the attendant impacts on public health, both human and ecosystemic.

2.2 Inequity-reinforcing policies, corporate-focused trade rules, and investment policies further entrench drivers of biodiversity loss

The rules that govern international trade contribute, directly and indirectly, to biodiversity loss. The free movement of goods and finance that has been at the heart of global trade policy over the last 45 years has not only exacerbated wealth inequality in much of the world, but pushed the biodiversity loss embodied in that trade to unprecedented levels. Unmitigated financial flows and the operations of footloose extractive firms have opened new, fragile, biodiversity-rich spaces for commodity production, widening the gap between those who live with the environmental consequences of extraction and those who benefit from consuming the goods those commodities comprise. The rules that govern international capital flows do little to restrict detrimental, large-scale movements of money in and out of countries, producing fiscal vulnerability that, perversely, incentivises countries to increase raw material exports. Furthermore, extractivism not only leaves highly differentiated costs and benefits in its wake, but existing inequalities along racial, gender and wealth lines can provide a legitimation or even fuel for extractivist developments. Overall, the last few decades of hyperglobalisation and free-floating finance have led to further concentrations of wealth and power that impede both policy change and functioning multilateralism.

2.3 Biodiversity finance is outpaced by harmful subsidies that are challenging to identify and reform

Parties to the CBD recognise the need to "eliminate, phase out or reform" incentives that are harmful to biodiversity as a primary strategy for halting biodiversity loss. Yet institutional commitments to action on this matter remain largely unfulfilled; reforming harmful incentives is one of the worst-performing of the 20 Aichi Biodiversity Targets. Public spending on harmful incentives and subsidies continues to eclipse domestic and international spending on biodiversity initiatives while undercutting biodiversity finance's goals. Harmful subsidies have been on the CBD agenda since at least 1995, but roadblocks to reform have won out: lack of transparency, entrenched political interests, and proportionally marginal but still significant impacts on community livelihoods that, in turn, generate political capital. While harmful subsidies tend to disproportionately benefit the wealthy and powerful, they also represent a wider range of interests enmeshed in state politics, making them challenging to write off altogether. Targeted research and reporting into the political functions and environmental and social outcomes of these subsidies is required in order to create

accountability and enact reform against this driver of biodiversity loss.

Part 3. Understanding biodiversity-related financial flows

Working within the framework of global political economic norms, such as austerity and the consistent prioritisation of trade and investment interests over public goods, governments, parts of civil society, and international institutions promoted voluntary measures and innovative financial mechanisms, including payments for ecosystem services (PES), private finance and blended finance. To what extent have these private, market-based, and voluntary financial initiatives advanced the implementation of the CBD? What are the primary challenges? To what degree can these approaches support the broader transformative change called for by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) in 2019 and by Indigenous, environmental justice, and social movements for many decades previous?

3.1 Market-oriented approaches, such as PES and REDD+, offer insufficient finance and mixed results for biodiversity

PES programmes have been increasingly promoted in the past few decades, including within the CBD, as a way of generating new sources of revenue for conservation and for compensating individuals and communities for the livelihood impacts of conservation, with over 550 programmes worldwide. We define PES as direct payments or in-kind transfers to individual or collective landholders that aim to incentivise, compensate, or reward land uses beneficial for the production of pre-defined ecosystem services. We include programmes such as water funds and some REDD+ projects that may not self-define as PES but share these same characteristics. Four main lessons are evident in the literature with regard to the role of PES in supporting biodiversity conservation: 1) PES do not represent a major new source of private conservation finance; 2) there are few biodiversity-focused PES, and those that exist tend to prioritise habitat for a single species; 3) there are research gaps regarding biodiversity outcomes for PES, but existing studies show mixed results; and 4) programmes that have been most successful at addressing land use change linked with biodiversity loss have been integrated with local traditions and institutions with strong representation of local values and knowledge and equitable benefit-sharing of biodiversity use. Many PES schemes, particularly those that are also meant to deliver climate benefits (like REDD+), are now being promoted as NBS that can minimise the costs and domestic actions that rich countries must undertake to stabilise rates of environmental change, with often dubious social and environmental outcomes in the countries in which they are deployed.

3.2 Private investment in biodiversity-enhancing projects is small, geographically constrained, and in a perpetual state of "proof of concept"

The state of play regarding the scale and scope of "private investment" – return-generating, profit-oriented biodiversity conservation finance – depicts an emerging but halting, precarious, and still largely promissory global economic sector concentrated in developed countries. Such evidence is at odds with how this sector is commonly portrayed in international policy and within conservation literature, which often looks to the sector as a primary solution to their funding issues. Based on the last 30 years of efforts – from bioprospecting to forest-based carbon offsets – it is difficult to make biodiversity conservation into a profitable enterprise, raising questions about the role of private finance in future implementation of the CBD objectives, particularly through NBS. However, it is crucial to note that even these relatively small amounts of financial investment can have negative social impacts and further entrench social inequalities. They can also serve as narrative "bandaids" that, through constant promotion as the primary solution to biodiversity loss, pose barriers to achieving the more difficult but needed transformative change. We argue that, rather than using public capital to catalyse private sector investment, the efforts of governments and multilateral organisations should be focused on modifying global political economic relations – such as tax regimes, trade agreements, and regulations – to prevent negative impacts on biodiversity.

3.3 Blended finance is unlikely to deliver a sustainable future

The notion of blended finance has gained traction within development policy circles since the advent of the Sustainable Development Goals and has

recently been hailed as a tool for mobilising private investments in CBD implementation. While there is still confusion and debate about its definition, blended finance is often defined as any use of public, philanthropic or supranational funding to "leverage", "unlock" or "catalyse" private investments. This concessional or grant capital is said to be necessary to drive private capital into areas like biodiversity conservation or sustainable use that are seen by investors as too risky or offering too little return. We argue that blended finance should be seen in the longer history of development finance which has been used to facilitate private investment. Blended finance is better understood as a continuation of public-private-partnership-style approaches that come with reduced transparency and risks of private gain/public loss, and fail to benefit countries with the lowest incomes. Further, it is important to complicate this need to attract private capital into CBD implementation, as it is symptomatic of broader political economic trends like austerity and inadequate financial sector regulation. The literature also raises questions about the efficiency of blended finance. For example, between 2008 and 2015, multilateral development banks (MDBs), states and supranationals disbursed EUR17.2 billion through various channels to directly support the development of REDD+ programmes across the world. This public investment has netted all of EUR162 million in direct private investment for REDD+ projects and while "indirect" private investment is higher, it is unclear how much of that investment is "additional" to what might have happened otherwise. Additional biodiversity benefits are also unclear.

3.4 Voluntary certification and disclosure schemes may have some impact, but rarely on the scale necessary to halt biodiversity loss

Since the 1992 Rio Earth Summit, where global corporate elites and developed countries pushed aside a regulatory approach to harmful environmental activities, voluntary approaches, such as certification and disclosure schemes, have proliferated. The commonality between these approaches is that compliance – and thus authority – is predominantly rooted not in the state, but in the market, which may have little incentive, authority or ability to enforce binding actions. In this section we examine the outcomes of various voluntary strategies in the decades since Rio, and consider the significance of their role in halting global biodiversity loss. Measuring the real impact of these schemes is difficult not only due to lack of controls and baselines, but also because many are private and thus difficult to scrutinise. Despite this, there is a growing body of research pointing to their limitations. Overall, the nature of voluntary mechanisms – that is, the lack of enforcement or accountability – leaves us with a great deal of publicity surrounding these alternatives to strong state-driven policies, but, ultimately, very marginal impacts. We question the continued rollout of new voluntary efforts such as the Task Force for Nature-related Disclosure (TFND), when there is little evidence that they will be able to provide change on the scale or within the time frame needed to meaningfully halt biodiversity loss.

A related Briefing Paper 'Resource mobilization and the Convention on Biological Diversity: Moving beyond the gap' is available at: https://twn.my/title2/briefing_papers/post2020/Post2020%20BP5_resource%20mobilisation.pdf

About the authors:

Our team is composed of social scientists from the University of British Columbia in Canada (Jessica Dempsey, Adriana DiSilvestro, Audrey Irvine-Broque, Fernanda Rojas-Marchini, Sara Nelson, Andrew Schuldt), Lancaster University in the UK (Patrick Bigger, Jens Christiansen), and Duke University in the US (Elizabeth Shapiro-Garza). The emphasis in this briefing stems from our particular areas of expertise: political ecology, political economy of nature, multi-scalar environmental governance and environmental change, and the uneven distribution of environmental damage and biodiversity loss.