TWN
Third World Network
Website: www.twn.my

Briefing Paper

December 2022

The CBD must address debt as a driver of biodiversity loss

Tova Gaster, Jessica Dempsey, Audrey Irvine-Broque (Centre for Climate Justice, University of British Columbia), Patrick Bigger (Climate and Community Project) and Lim Li Ching (Third World Network)

For the first time, there are potential decisions by the Conference of the Parties (COP) to the Convention on Biological Diversity (CBD) that address the connections between debt, austerity, and biodiversity loss. The draft decision on resource mobilization – arising from Recommendation 3/6 of the CBD's Subsidiary Body on Implementation (SBI), paragraph 40(f) – asks the CBD Secretariat: "[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 text is currently bracketed, indicating no consensus as yet.

Additionally, text proposals from a developing country Party for Target 19.1 of the post-2020 global biodiversity framework (GBF) include the need to address sovereign debt in just and equitable ways, in order to increase domestic resource mobilization. Another developing country Party proposed that the Target take into consideration the fiscal space and the levels of sovereign debt.[1] These text proposals have however not been included in the "streamlined" text resulting from the Informal Group on the Post-2020 Global Biodiversity Framework (CBD/WG2020/5/2). They should be reinstated given the importance of the issue.

A developing country Party has also asked for the draft elements of a possible decision operationalizing the post-2020 global biodiversity framework to include the issue of debt. Among others, it proposes that the CBD Executive Secretary "*...initiate a process for considering the debt cancellation and efforts to put in place a multilateral debt restructuring process in order to allow financing for biodiversity conservation, in particular for the benefit of developing countries and megadiverse countries*".[2]

---

1 Open-Ended Working Group on the Post-2020 Global Biodiversity Framework, "Report of the Open-Ended Working Group on the Post-2020 Global Biodiversity Framework on Its Fourth Meeting" (Nairobi, Kenya: Convention on Biological Diversity (CBD), UN Environment Programme, June 2022), https://www.cbd.int/doc/c/3303/d892/4fd11c27963bd3f826a961e1/wg2020-04-04-en.pdf.

2 "Submission from the Plurinational State of Bolivia: Draft Elements of a Possible Decision Operationalizing the Post-2020 Global Biodiversity Framework", National Submission, Open-Ended Working Group on the Post-2020 Global Biodiversity Framework (Nairobi, Kenya: Convention on Biological Diversity (CBD), UN Environment Programme, June 2022), https://chm.cbd.int/database/record?documentID=261526.

Third World Network (TWN) is an independent non-profit international research and advocacy organisation involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.

Published by Third World Network Berhad (198701004592 (163262-P))
Address: 131 Jalan Macalister, 10400 Penang, MALAYSIA Tel: 60-4-2266728/2266159 Fax: 60-4-2264505
Email: twn@twnetwork.org Website: www.twn.my

This briefing lays out three key reasons why debt is relevant to the CBD and should remain on the agenda of the SBI and in Target 19.1 of the GBF, as well as operationalized throughout the relevant decision adopting the GBF:

1) Debt can incentivize ecologically-damaging resource extraction for export
2) Debt can limit fiscal policy space for biodiversity protection
3) The debts of heavily-indebted poor countries may violate the principle of common but differentiated responsibilities (CBDR), as debt imposes fiscal and ecological costs on those nations least responsible for the biodiversity crisis, yet which stand to suffer the greatest damage.

As such, it is crucial to the implementation of the Convention that the relationship between debt and biodiversity loss be further interrogated and options for contending with an important indirect driver of biodiversity loss explored.

1) Conditions on sovereign debt for developing nations often incentivize overexploiting primary exports in order to earn foreign currency in the short term, driving biodiversity loss

- Most major external debts are foreign-denominated, resulting in a reliance on foreign currency to make payments. The high pressure to earn foreign exchange creates a reliance on export commodities, many of which are directly linked to high levels of biodiversity loss. According to one study, 927 species are projected to go extinct due to global land use change (prominently including deforestation, mining, and agriculture), and 25% of these extinctions have been directly linked to the production of exports.[3]
- Compounding this, unfavourable conditions on these debts (for example, short-term debt tenors that inhibit investment in long-term sustainable development projects) often force nations to double down on commodity exports. Studies have drawn connections between structural adjustment programmes and deforestation due to export pressures,[4] but more research is needed to determine which specific conditions on debt create conditions which will limit the implementation of the CBD and the post-2020 GBF.
- Conserving biodiversity requires reducing intensive resource extraction and land use change. This will require that all Parties are able to invest in long-term sustainable development projects and diversify their economies to meet the social and environmental needs of their people without reliance on biodiversity-degrading exports. An SBI-mandated study on the links between sovereign debt conditionalities and CBD implementation would provide vital information to support such action.

2) High levels of debt servicing also reduce fiscal space to invest in protecting biodiversity

- High levels of debt distress make addressing this matter increasingly urgent. The International Monetary Fund (IMF)'s *World Economic Outlook* from July 2022 reported that "60 percent of low-income countries [are] in or at high risk of government debt distress"[5] while 135 Global South countries are considered critically indebted by the *Global Sovereign Debt Monitor*.[6]
- Such an outlook means that a large proportion of government spending is being directed to repayment of foreign debts, rather than investment in meeting social and environmental objectives. In 2022, low-income indebted nations' debt servicing exceeds 170% of social spending on average. In nations currently in default, debt represented twice the budget allocation for social spending.[7]

---

3 Abhishek Chaudhary and Thomas M. Brooks, "National Consumption and Global Trade Impacts on Biodiversity", *World Development* 121 (1 September 2019): 178-87, https://doi.org/10.1016/j.worlddev.2017.10.012.

4 John M. Shandra et al., "Debt, Structural Adjustment, and Biodiversity Loss: A Cross-National Analysis of Threatened Mammals and Birds", *Human Ecology Review* 17, no. 1 (2010): 18-33, https://www.jstor.org/stable/24707512.

5 International Monetary Fund (2022), *World Economic Outlook July 2022: Gloomy and More Uncertain*. Available at: https://www.imf.org/en/Publications/WEO.

6 Bodo Ellmers et al., *Global Sovereign Debt Monitor* (Germany: A joint publication by erlassjahr.de - Entwicklung braucht Entschuldung e.V. and Bischöfliches Hilfswerk MISEREOR e.V, March 2022).

7 Matthew Martin, David Waddock, and Debt Relief International, *A Nordic Initiative to Resolve the New Debt Crisis* (Norwegian Church Aid, September 2022), https://www.kirkensnodhjelp.no/contentassets/c1403acd5da84d39a120090004899173/a-nordic-solution-to-the-new-debt-crisis-sep22.pdf.

- In many cases, the poorest countries are in the most precarious state in terms of both environmental change and debt distress; recent figures show that without substantial increases in non-lending finance, countries in Sub-Saharan Africa will need to take on almost US$1 trillion in debt to adapt to climate change, raising debt-to-GDP ratios by nearly 50% and dramatically curtailing investment potential in other social and environmental protection priorities.[8]
- Because debt service must be prioritized in order for borrowing countries to maintain access to further lending, biodiversity action is perpetually neglected, allowing the ecological systems which underpin public health, national economies, food, and water to collapse. Without urgent, substantial investments in biodiversity protection and climate change-resilient food system reform, costs will continue to increase as ecosystem functions reach tipping points.[9]
- The SBI recommendation will enable systematic study of the ways that debt occupies vital fiscal space needed to invest time, personnel, and money into biodiversity protection and sustainable use.

3) Without action, heavily-indebted poor countries will pay more than their fair share for managing the effects of global environmental degradation

- Wealthy states have failed to live up to their obligations under Article 20 of the CBD, which operationalizes the CBDR principle.
- This principle was established as a result of the history of colonial resource theft in Latin America and other formerly-colonized regions, during which developed nations benefited from environmental destruction and racked up their own ecological debts.[10] One recent study values the cumulative net "drain" of resources flowing from the developing to developed countries between 1990-2015 at US$242 trillion.[11]
- Meanwhile, indebted nations which are the least responsible for the ecological crises are forced to pay escalating sums in debt servicing rather than address their own urgent biodiversity needs.
- Debt cancellation is one crucial mechanism to distribute fiscal responsibility for biodiversity more equitably, an area which deserves further study. The draft text proposed for the post-2020 GBF, to consider debt cancellation and restructuring in order to meet biodiversity objectives, should be supported by Parties to the Convention.

In 2019, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) called for "transformative change", defined as "fundamental, system-wide reorganization" to preserve the ecosystems on which all life on earth depends. This necessarily means economic transformation, including reckoning with the vast wealth inequalities that accrued over centuries of exploitation in the Global South.[12] The COP must begin to take these on, and including debt in the resource mobilization and GBF decisions, and in the GBF itself, is a vital preliminary step towards this "transformative change".

8 Tess Woolfenden and Dr Sindra Sharma Khushal, "The Debt and Climate Crises: Why Climate Justice Must Include Debt Justice", Discussion Paper (CAN International, Debt Justice, October 2022), https://debtjustice.org.uk/wp-content/uploads/2022/10/Debt-and-the-Climate-Crisis-Briefing-October-2022-UPDATED.pdf.

9 World Wildlife Fund, *IPBES 2019 Report*, accessed 28 November 2022, https://lp.panda.org/ipbes; Alexandra Pinzón et al., *The Sovereign Transition to Sustainability* (The Grantham Research Institute on Climate Change and the Environment and Planet Tracker, 2020), https://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2020/02/The-sovereign-transition-to-sustainability_Understanding-the-dependence-of-sovereign-debt-on-nature.pdf.

10 Christian Dorninger and Nina Eisenmenger, "South America's Biophysical Involvement in International Trade: The Physical Trade Balances of Argentina, Bolivia, and Brazil in the Light of Ecologically Unequal Exchange", *Journal of Political Ecology* 23, no. 1 (1 December 2016): 394-409, https://doi.org/10.2458/v23i1.20240.

11 Jason Hickel et al., "Imperialist appropriation in the world economy: Drain from the global South through unequal exchange, 1990-2015", *Global Environmental Change* 73 (March 2022), https://doi.org/10.1016/j.gloenvcha.2022.102467.

12 Biodiversity Capital Research Collective, *Beyond the Gap: Placing Biodiversity Finance in the Global Economy* (Third World Network, UBC Geography, 2021), https://twn.my/title2/books/Beyond%20the%20Gap/BeyondTheGap%20complete%20report.pdf; Esther Turnhout et al., "Enabling Transformative Economic Change in the Post-2020 Biodiversity Agenda", *Conservation Letters* 14, no. 4 (2021): e12805, https://doi.org/10.1111/conl.12805.