Updated Briefing Note:
Target 19.1 of the Post-2020 Global Biodiversity Framework

Third World Network, December 2022

Text from the Fourth Meeting of the Open-ended Working Group on the post-2020 Global Biodiversity Framework (OEWG-4) (see CBD/WG2020/4/4) has been 'streamlined' by the Informal Group on the post-2020 Global Biodiversity Framework (CBD/WG2020/5/2). A decision has yet to be taken on the basis for negotiations for the Montreal meetings. This analysis is on the 'streamlined' text, while bringing in important substantive elements and text proposals from the OEWG-4 text that were excluded by the Informal Group.

* *TWN's previous briefing on Targets 18 and 19 of the First Draft of the post-2020 Global Biodiversity Framework:* https://twn.my/title2/biotk/2021/btk210808.htm

<u>'Streamlined' text from the Informal Group:</u>

[[In accordance with Article 20 of the Convention,] substantially and progressively increase the level of financial resources from all sources, [aligning [financial flows][with the post-2020 global biodiversity framework and towards nature-positive economies] to implement national biodiversity strategies and action plans, [by] [closing the global financing gap of]/[reaching] [at least] [700 billion United States dollars, including a reduction of 500 billion United States dollars in harmful subsidies and conservation action amounting to 200 billion United States dollars through raising 1 per cent of GDP by 2030] [200 billion United States dollars [annual] per year] by:]

(a) Increasing new, additional, effective, timely and easily accessible international [finance flows]/[public financial resources from [developed-country Parties] [and countries with a capacity to do so] [and existing instruments and institutions, including international finance institutions and multilateral development banks] in the form of international grants to developing countries [reaching]/[by] at least [[--] billion United States dollars per year] [10 billion United States dollars per year [at an increasing percentage]] financial resources of at least 100 billion United States dollars annually until 2030 an amount to be revised for the period 2030–2050, to address the needs of developing countries] by 2030 [avoiding double counting and] [acknowledging common but differentiated responsibilities].

(b) leveraging private finance [and strategies for raising new and additional resources, including payment for ecosystem services, global biodiversity impact funds and consumer-based approaches – for example, 1 per cent of retail and increasing domestic resource mobilization] [including the development of new and innovative financial instruments as well as the promotion of blended finance];

(c) [increasing] / [doubling] domestic resource mobilization [through preparation of national biodiversity finance plans or similar instruments] [by 2030];

[(d) establishing a new international financing instrument,] [By 2023, establish a global biodiversity fund that is fully operational by 2025, to serve as a dedicated mechanism for the provision of financial resources to developing-country Parties as determined in Article 21 of the Convention, complemented by the Global Environment Facility;]

[(e) Building on climate financing], [recognizing that biodiversity financial mobilization and provision are [separate and distinct from those in] [aligned with] [maximize co-benefits and synergies with] the Paris Agreement concluded under the United Nations Framework Convention on Climate Change, as well as of [their] official development assistance [and other international finance flows;]

[(e)*bis* enhancing the effectiveness, efficiency and transparency of resource use;]

[(f) Stimulating innovative schemes [such as [nature-based solutions and ecosystem-based approaches] payment for [environmental]/[ecosystem] services[, green bonds, biodiversity offsets, carbon credits, benefit-sharing mechanisms in the context of digital sequence information on genetic resources, and debt-for-nature swaps.]]

Proposal (see notes for rationale):

~~[[~~In accordance with Article 20 of the Convention,~~]~~ substantially and progressively increase the level of financial resources ~~from all sources~~[1], ~~[~~aligning ~~[~~financial flows~~][~~with the post-2020 global biodiversity framework and~~ towards nature-positive economies]~~[2] to implement national biodiversity strategies and action plans, ~~[~~by~~]~~ ~~[closing the global financing gap of]/[~~reaching~~] [~~at least~~] [~~700 billion United States dollars~~, including a reduction of 500 billion United States dollars in harmful subsidies~~[3]~~ and conservation action amounting to 200 billion United States dollars through raising 1 per cent of GDP by 2030] [[200 billion] United States dollars [annual]~~ per year~~]~~ by:~~]~~

(a) Increasing new, additional, ~~effective,~~ timely and easily accessible international ~~[finance flows]/[~~public financial resources from ~~[~~developed-country Parties~~] [and countries with a capacity to do so]~~[4] ~~[and existing instruments and institutions, including international finance institutions and multilateral development banks]~~ in the form of international grants to developing countries~~, [reaching]/[by] at least [[--] billion United States dollars per year] [10 billion United States dollars per year [at an increasing percentage]] financial resources~~ of at least 100 billion United States dollars annually until 2030**,** an amount to be revised for the period 2030–2050, to address the needs of developing countries[5]~~] by 2030 [~~avoiding double counting and~~]~~ ~~[~~acknowledging common but differentiated responsibilities[6]~~].~~**;**

(b) ~~leveraging private finance [and~~ strategies for raising new and additional resources, including ~~payment for ecosystem services, global biodiversity impact funds and~~ consumer-based approaches – for example, 1 per cent of retail ~~and increasing domestic resource mobilization] [including the development of new and innovative financial instruments as well as the promotion of blended finance]~~[7];

(c) ~~[~~increasing~~] / [doubling]~~ domestic resource mobilization ~~[~~through preparation of national biodiversity finance plans or similar instruments~~] [~~by 2030~~],~~ **, and through addressing sovereign debt in just and equitable ways**[8];

~~[~~(d) ~~establishing a new international financing instrument,] [By 2023,~~ establish**ing** a global biodiversity fund[9] **by 2023**, that is fully operational by 2025, to serve as a dedicated mechanism for the provision of financial resources to developing-country Parties as determined in Article 21 of the Convention, complemented by the Global Environment Facility~~;]~~, **while also channeling resources to indigenous peoples and local communities, women and youth through direct access modalities**[10]**;**

~~[~~(e) ~~Building on climate financing], [~~recognizing that biodiversity financial mobilization and provision are~~ [~~separate and distinct from those in~~] [aligned with] [maximize co-benefits and synergies with~~] the Paris Agreement concluded under the United Nations Framework Convention on Climate Change, as well as of ~~[their]~~ official development assistance [and other international finance flows~~;]~~[11].

~~[(e)*bis* enhancing the effectiveness, efficiency and transparency of resource use;]~~[12]

~~[(f) Stimulating innovative schemes [such as [nature-based solutions and ecosystem-based approaches] payment for [environmental]/[ecosystem] services[, green bonds, biodiversity offsets, carbon credits, benefit-sharing mechanisms in the context of digital sequence information on genetic resources, and debt-for-nature swaps.]]~~[13]

<u>Clean text proposal:</u>

In accordance with Article 20 of the Convention, substantially and progressively increase the level of financial resources, aligning financial flows with the post-2020 global biodiversity framework and to implement national biodiversity strategies and action plans, reaching at least 700 billion United States dollars per year by:

(a) Increasing new, additional, timely and easily accessible international public financial resources from developed-country Parties in the form of international grants to developing countries, of at least 100 billion United States dollars annually until 2030**,** an amount to be revised for the period 2030–2050, to address the needs of developing countries**,** avoiding double counting and acknowledging common but differentiated responsibilities;

(b) strategies for raising new and additional resources, including consumer-based approaches – for example, 1 per cent of retail;

(c) increasing domestic resource mobilization through preparation of national biodiversity finance plans or similar instruments by 2030**, and through addressing sovereign debt in just and equitable ways**;

(d) establish**ing** a global biodiversity fund **by 2023,** that is fully operational by 2025, to serve as a dedicated mechanism for the provision of financial resources to developing-country Parties as determined in Article 21 of the Convention, complemented by the Global Environment Facility, **while also channeling resources to indigenous peoples and local communities, women and youth through direct access modalities;**

(e) recognizing that biodiversity financial mobilization and provision are separate and distinct from those in the Paris Agreement concluded under the United Nations Framework Convention on Climate Change, as well as of official development assistance and other international finance flows.

Rationale:

1. ***"all sources"***

The term "all sources" undermines Article 20[i] of the Convention, on financial resources, which clearly obliges developed country Parties to provide new and additional financial resources to developing countries. It is also used to undermine the Rio Principle of common but differentiated responsibilities[ii] which Article 20 makes operational in a number of ways, through differentiated obligations of developed and developing country Parties[iii].

The term "all sources" would include South-South cooperation, the private sector, foundations, non-governmental organizations and academia. At the same time, there is increasing emphasis on domestic resource mobilization by all Parties. Both obfuscate the obligation for developed country Parties to provide new and additional financial resources.

Hence, a group of developing country Parties has proposed a clear distinction at two levels for Target 19.1 – the first, where all Parties mobilize resources from a variety of sources, which could include the international finance institutions and multilateral development banks, and the second, which elaborates specifically on the responsibility of developed country Parties to provide financial resources to developing country Parties, in accordance with Article 20. The first is reflected in the Chapaeu, paragraphs (b) and (c), and the second is reflected in paragraph (a) of the target. It is important to maintain this distinction, so that the GBF does not erode legally binding obligations under the Convention.

2. ***"nature-positive economies"***

The meaning of "nature-positive economies"[iv] is unclear in the context of the CBD. "Nature" can be many things which are not biodiverse but do have "natural elements", such as monoculture plantations which lack biodiversity. "Positive" is related to other concepts such as "net gain" and "no net loss". A "net" approach implies that it's acceptable to keep losing elements of nature (e.g. carbon or biodiversity) as long as losses are compensated elsewhere.

There are several problems with this "offsetting" approach, including the assumption that one can compensate one type of ecosystem or species for another, ignoring their uniqueness and multiple biodiversity values. We cannot offset the loss of one species with another, or replace the destruction of one habitat or ecosystem with another. Such approaches promote the financialisation of nature, as these offsets commodify nature by putting an economic value on it, to be traded in markets, and further financialised.

How "nature-positive economies" will be measured is also unclear, with carbon sequestration and storage likely to be used, even though it is not necessarily the best indicator for biodiversity. An example is reforestation with species that capture high amounts of carbon but are very poor in ecosystem functioning. Neither is equity factored in, with developing countries likely to face the greater burden of becoming "nature positive", as biodiversity is largely in these geographies, with no consideration of the role that developed countries have historically played, and continue to play[v], in fostering biodiversity loss.

3. ***"harmful subsidies"***

While it is critical that the trillions of dollars in harmful subsidies are addressed, this issue should be separated from the resource mobilization target. It would otherwise be used to reduce the amount of financial flows that developed country Parties are legally obliged to provide to developing country Parties. The failure to achieve Aichi Target 3 shows that there is no guarantee that the issue will be addressed sufficiently to mobilize new funds for biodiversity, neither are the financial savings necessarily channeled to address biodiversity loss. Harmful subsidies have to be addressed to remove the threat of incentivizing activities that are harmful to biodiversity and peoples, and savings channeled to prioritize biodiversity actions and those who can best steward it. Harmful subsidies are taken up in Target 18 of the GBF.

4**. *"developed-country Parties"***

The obligations in Article 20 of the Convention clearly place responsibility on developed country Parties to provide new and additional financial resources to developing country Parties. The attempt to place the responsibility on "countries with a capacity to do so" or "existing instruments and institutions, including international finance institutions and multilateral development banks" obfuscates the obligation for developed country Parties to provide new and additional financial resources. Voluntary contributions are already being made by some developing country Parties, despite no obligation to do so, whereas developed country Parties have collectively failed to meet their Article 20 obligations.

5. ***How much biodiversity finance?***

A group of developing country Parties has proposed that the financial resources provided by developed country Parties reach at least 100 billion US dollars annually until 2030**,** and should be revised for the period 2030–2050. Paragraph (a) also clearly centres the obligations of developed country Parties to provide new and additional financial resources to developing country Parties. See also #1.

6. ***"avoiding double counting", "acknowledging common but differentiated responsibilities"***

Financial resources that are provided should not be double counted, whether as climate financing, ODA or other means. This enables a clear assessment and monitoring of the new and additional financial resources provided to developing country Parties in accordance with Article 20 of the Convention.

"Common but differentiated responsibilities" is enshrined in Principle 7 of the Rio Declaration on Environment and Development (see Endnote ii) and operationalized in the CBD through differentiated obligations of developed and developing country Parties. Most significantly, Article 20 on financial resources clearly obliges developed countries to provide financial resources to developing countries. CBDR is clearly articulated in Article 20.4 of the Convention (see Endnote iii).

7. ***"leveraging private finance"/"blended finance", "new and innovative financial instruments"***

"Leveraging private finance" and "blended finance"[vi] are about the use of public, philanthropic or supranational funding to "leverage", "unlock" or "catalyse" private investments, often through direct grants, tax relief or debt-based instruments like loan guarantees. The notion is that development finance institutions, philanthropists and NGOs can offset private investors' risk-return requirements and thereby attract capital, while leveraging or scaling up financial returns and the scale of private investments.

To what extent should public funds be used to subsidise and assume the risks of private investments? The evidence suggests that the promises of blended finance have been overstated. It would take large amounts of public capital to leverage the desired private capital, before biodiversity becomes an investment opportunity. There is also no guarantee that more private capital will bring about sustainability. If blended deals are made with public guarantees or blended finance is used for issuing debt, there is a risk that such deals instead become a drain on already scarce public resources. This can also become a debt accumulation mechanism.

Whereas investors and investment bankers receive public guarantees to make sure they get a return, discourses on blended finance do not put any emphasis on the need for guaranteeing public goods or environmentally beneficial and socially just outcomes. There is thus a risk of private gains and social losses. Harms to biodiversity can also be created by the priority given to investment returns.

"New and innovative financial instruments" is generally understood to point to market-based mechanisms, including payments for ecosystem services (PES), private finance and blended finance (discussed above). They are essentially means for the commodification and financialization of biodiversity and its functions, creating tradable financial assets out of species and ecosystems. In addition, there are associated risks, including perverse incentives for ecological harm, and dispossession of indigenous peoples and local communities.

As with blended finance, the promises of innovative financial instruments have been overstated. For example, the evidence[vii] is that PES do not present a major new source of funding for biodiversity. The few biodiversity-focused PES have narrow scope and uncertain results, while monitoring is inconsistent and/or insufficient. When driven by user demand (the market), PES initiatives are vulnerable to market fluctuations and tend to have a narrow focus on species and solutions of direct interest to buyers, potentially exposing both biodiversity and livelihoods to new market risks.

8. ***"addressing sovereign debt in just and equitable ways"***

Instead of the fixation on private sector, blended and innovative financing, governments should instead find other ways of mobilising public funds and make policies that disincentivise environmental degradation in the first place. Two key means by which to generate further financial resources are by ensuring tax and debt justice[viii]. The proposal in Target 19.1 on "addressing sovereign debt in just and equitable ways", to start undoing the debt-austerity nexus that limits public funds for biodiversity, should be reinstated.[ix]

9. ***"global biodiversity fund"***

A group of developing country Parties, along with their proposal for increased financial resources from developed country Parties to developing country Parties (see #5), has also proposed that a dedicated global biodiversity fund be established for this purpose. This fund is envisaged to be complementary to existing financial support arrangements such as the Global Environmental Facility (GEF). Under the UN Framework Convention on Climate Change (UNFCCC), for example, to support and enhance the implementation of its climate finance-related provisions, the Green Climate Fund was established, and is a new operating entity for the UNFCCC's Financial Mechanism. This is additional to the GEF, through which climate finance from developed countries could be channeled to support developing countries to take action on climate change under the UNFCCC and its Paris Agreement. Additionally, following on from the UNFCCC COP27 meeting in November 2022, a new Loss and Damage Fund has been established to specifically help developing countries that are particularly vulnerable to the adverse effect of climate change, by providing, assisting and mobilizing new and additional resources. There are also additional funding arrangements, such as the Adaptation Fund.

10. ***"chanelling resources to indigenous peoples and local communities, women and youth through direct access modalities"***

The contribution of indigenous peoples and local communities, women and youth to biodiversity protection is immense. It would be desirable for such rightsholders to be able to access and receive funds directly, in support of the work they are already doing to conserve and sustainably use biodiversity.

Direct access modalities refer to the means by which funds are channelled directly to a recipient, rather than mediated through other entities. For example, the Global Environment Facility (GEF) and Green Climate Fund (GCF) have direct access modalities whereby funds can be directly received by an accredited national entity.

11. ***"separate and distinct"***

It is important to ensure that climate finance is separate and distinct from that in the Paris Agreement. "Maximising co-benefits and synergies" or "aligned with" would allow double counting, i.e. developed countries would say that their climate financing is biodiversity financing (and therefore there is no need to provide more funds for biodiversity). This will allow them, once again, to renege on their obligations in both the CBD and UNFCCC to provide new and additional financial resources to developing countries. See also #6.

12. ***"effectiveness, efficiency, transparency"***

While developing countries Parties will of course strive to use the funds they receive effectively, efficiently and transparently, this should not be used by developed country Parties as an excuse to reduce their financial flows.

13. ***"innovative schemes" such as "nature-based solutions", "biodiversity offsets", "carbon credits"***

These particular examples of so-called innovative schemes are based on the notion that carbon emissions or biodiversity harm can be compensated for, respectively, by biodiversity-based carbon removals, or restoring biodiversity in another location. Such market-based financial instruments not only carry risks, but also assume that offsetting is desirable and possible. As a result, rather than addressing the root causes of biodiversity loss, these instruments only delay the real urgent action that is needed. It is also questionable whether they can generate substantive amounts of funding.

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[i] **CBD, Article 20(2):** "The developed country Parties shall provide new and additional financial resources to enable developing country Parties to meet the agreed full incremental costs to them of implementing measures which fulfil the obligations of this Convention and to benefit from its provisions and which costs are agreed between a developing country Party and the institutional structure referred to in Article 21, in accordance with policy, strategy, programme priorities and eligibility criteria and an indicative list of incremental costs established by the Conference of the Parties. Other Parties, including countries undergoing the process of transition to a market economy, may voluntarily assume the obligations of the developed country Parties."

[ii] **Rio Declaration on Environment and Development (1992), Principle 7:** "States shall cooperate in a spirit of global partnership to conserve, protect and restore the health and integrity of the Earth's ecosystem. In view of the different contributions to global environmental degradation, States have common but differentiated responsibilities. The developed countries acknowledge the responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command."

[iii] **CBD, Article 20(4):** "The extent to which developing country Parties will effectively implement their commitments under this Convention will depend on the effective implementation by developed country Parties of their commitments under this Convention related to financial resources and transfer of technology and will take fully into account the fact that economic and social development and eradication of poverty are the first and overriding priorities of the developing country Parties."

[iv] See **How positive will "nature positive" be?** (2022), Global Youth Biodiversity Network and Friends of the Earth International, https://www.gybn.org/nature-positive

[v] Hickel et al., (2022). **National responsibility for ecological breakdown: a fair-shares assessment of resource use, 1970–2017,** *Lancet Planet Health* 2022; 6: e342–49, https://www.thelancet.com/pdfs/journals/lanplh/PIIS2542-5196(22)00044-4.pdf

[vi] See **Unheeded risks in the turn towards blended biodiversity finance** (2021), Third World Network, https://twn.my/title2/briefing_papers/twn/Blended%20finance%20TWNBP%20Aug%202021%20JC&LLC.pdf

[vii] See **Resource mobilization and the Convention on Biological Diversity: Moving beyond the gap** (2021), Third World Network, https://twn.my/title2/briefing_papers/post2020/Post2020%20BP5_resource%20mobilisation.pdf

[viii] Dempsey et al. (2021) **Biodiversity targets will not be met without debt and tax justice.** *Nat Ecol Evol, https://doi.org/10.1038/s41559-021-01619-5*

[ix] See **Addressing debt is critical to halting biodiversity loss** (2022), Third World Network, https://twn.my/title2/briefing_papers/twn/Debt%20biodiversity%20TWNBP%20Mar%202022%20Dempsey.pdf