Briefing Note for UN Biodiversity Conference 2024 – Financial resources, debt and tax (COP16, October 2024)

Jessica Dempsey and Audrey Irvine-Broque, University of British Columbia

Key points on finance to be championed at COP16:

- Increased public finance as a necessity for KMGBF implementation
- Private finance as insufficient for KMGBF implementation
- Debt restructuring and cancellation beyond debt-for-nature swaps
- Tax justice to open up new sources of public finance for KMGBF
- A loss and damage approach accounting for compounding ecological debts

Increased public finance in alignment with Rio principle of common but differentiated responsibilities, and obligations under Article 20 of the CBD, is a necessity for KMGBF implementation

Increased funding is crucial for the implementation of the Kunming-Montreal Global Biodiversity Framework (KMGBF). Research shows that public finance will necessarily form the foundation of this financing.[1] Recent increases in overall financial flows have come mostly in the form of loans, rather than grants. [2] As we outline below, attempts to entice private capital to fund biodiversity conservation face a number of persistent limitations, the result of which is that private flows of biodiversity finance remain marginal in size with unproven impact. This reality points to the importance of increasing public finance for biodiversity action and lessening fiscal pressures that increase countries' dependence on activities that harm biodiversity. As the final point in this briefing notes, these flows of public finance should recognize the ecological debts that the Global North has accrued, advance the Rio principle of common but differentiated responsibilities, and obligations under Article 20 of the CBD.

Private finance is insufficient for KMGBF implementation

Facing a persistent funding gap, the focus at CBD negotiations often turns towards catalyzing private financial resources towards CBD objectives and the KMGBF. The advice to countries is to scale up private finance for biodiversity conservation and sustainable use, including using public finances to attract private finance. Yet research consistently concludes that due to low rates of return, high risk, long timelines and high transaction costs, the private market in biodiversity conservation and sustainable use will remain marginal, at best.[3] Recent data from the OECD puts private finance mobilized by public finance as only 3% of total financial flows,[4] with the majority (67%) of this private finance in the form of loan guarantees. The distribution of this finance continues to reflect existing inequalities, with the majority of private finance (62%) concentrated in upper-middle income countries.[5]

Moreover, with the integrity and stability of the carbon market in constant question[6] and turmoil,[7] and the biodiversity offset market still troubled by uncertainty and poor performance record,[8] a different approach to land, ecosystem health, and human rights is desperately needed. There are many alternative approaches to generating finance circulating, outlined below.

Debt restructuring and cancellation can unlock public financial flows and lessen the drivers of biodiversity loss

Unprecedented global debt distress – and the unequal conditions that underlie it – is exacerbating numerous social and environmental crises including biodiversity loss: in 2023 an estimated "3.3 billion people are living in countries that spend more on interest payments than on education or health."[9] This situation is the end point of high interest rates on debt issued in foreign currencies - Global South nations are borrowing at rates up to 12 times more expensive[10] than those in the Global North and this debt is issued in mostly US dollars. In the constant, uphill battle to earn enough money to repay these debts, governments are incentivized, and sometimes mandated, to hasten their production of extractive exports.[11] For example, in Argentina, high external debt and inflation, and IMF directives, contribute to expanded soy sectors, driving deforestation and biodiversity loss.[12]

These conditions not only deepen countries' reliance on extractive exports, but limit their ability to direct public finance towards social and environmental priorities. A September 2024 UNDP report on South Africa, for example, announced that increasing debt servicing costs and lower public revenues, "have led to significant budget cuts for biodiversity entities."[13] Because debt conditionalities can drive extractive commodity production, curb public spending on environmental commitments, and incentivize subsidization and de-regulation of harmful sectors, debt must be addressed by Parties to the Convention on Biological Diversity.[14]

We believe that these unequal conditions of access to debt financing needs to be championed as a broader constraining condition on KMGBF implementation. So far, debt shows up mostly in relation to debt-for-nature swaps, which, while potentially an important stop-gap measure, will ultimately not be able to provide substantial debt reduction, nor create sufficient fiscal space for Global South countries to tackle biodiversity, climate and other SDG objectives.[15] Assessments of debt-for-nature swaps also suggest there are major limitations in effectiveness, efficiency and transparency.[16] Furthermore, the intransigence of debt must be understood as part of a broader global financial system that drives biodiversity loss and meaningful action on debt would target these underlying inequalities that give historically colonial countries and financial institutions the power to determine who gets access to capital and seats at decision-making tables.

Public financing could be expanded through tax justice

Estimates from tax researchers point to trillions that could be more fairly captured to meet social and environmental priorities across the Global South.[17] Furthermore, there are billions of untaxed extractive sector profits left on the table; a recent IMF study points to an annual $44 billion in global tax loss from extractive sectors[18] – a far cry from polluters paying their fair share. Another study finds annual illicit financial flows out of African countries to be USD 88.6 billion, with almost half (USD 40 billion) related to the export of extractive commodities.[19]

As such, the resource mobilization conversation ought to pivot from a focus on private finance to a focus on both tax justice and debt relief to both relieve the pressures on biodiversity-rich countries to expand commodity production, and increase public revenues to meet KMGBF targets. For example, the Cali negotiations could support the Bridgetown 3.0 proposal to tax windfall profits and the super rich, and other ideas to tax excessive ecological footprints.[20] Further, the COP 16 outcomes could include references to important multilateral efforts like the UN Tax Convention, ensuring that CBD-aligned outcomes are front and center as that agreement is elaborated over the coming year.

Compounding ecological debts suggest the need for a loss & damage approach

Global North countries are most responsible for biodiversity loss (e.g. high-income nations are responsible for 74% of excess global resource use that drives biodiversity loss,[21] between 1970-2017, high income countries use 6 times more materials per capita[22]), and are underdelivering on their obligations under common but differentiated responsibilities. A recent ODI report found that only two countries are paying their share of the $20 billion/year agreed to under the KMGBF, accounting for their responsibility for biodiversity loss and their capacity to pay.[23] The 20 billion dollars is a gross underestimate of the actual amount of ecological debt accrued to the Global North, and owed to the Global South, where the majority of biodiversity loss is taking place. Given this, scholars have pointed to the need for a loss and damage approach to biodiversity as in climate.[24]

The long arc of ecological debts points to the importance of a redistributive and reparative approach – one that recognizes the current structure of the international financial architecture as an underlying driver of biodiversity loss, among other crises.[25] Moreover, in the context of this unequal financial system, market approaches will not succeed at remedying the hundreds of years of unequal capture of the benefits of plundering human and non-human communities. If these 5 key points are championed at this COP16, there will be a historic opportunity to change the trajectory of the Convention, reverse this long arc, and meet the targets of the KMBGF.

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[1] E.g., Kedward, Katie, Ermgassen, Sophus Zu, Ryan-Collins, Josh and Sven Wunder, "Heavy reliance on private finance alone will not deliver conservation goals" *Nat Ecol Evol* 7, no. 9 (2023): 1339-1342, https://doi.org/10.1038/s41559-023-02098-6; Chausson, Alexandre, Welden, E. A., Melanidis, Marina S., Gray, Erin, Hirons, Mark and Nathalie Seddon, "Going beyond market-based mechanisms to finance nature-based solutions and foster sustainable futures," *PLOS Clim* 2, no. 4 (2023), https://doi.org/10.1371/journal.pclm.0000169; Convention on Biological Diversity, "Contribution to a draft resource mobilization component of the post-2020 biodiversity framework as a follow-up to the current strategy for resource mobilization: Third report of the panel of experts on resource mobilization," Convention on Biological Diversity (2022), https://www.cbd.int/meetings/SBI-03; Deutza, Andrew, Healb, Geoffrey M., Niu, Rose et al., "Financing nature: Closing the global biodiversity financing gap," The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Center for Sustainability (2020), https://www.paulsoninstitute.org/conservation/financing-nature-report/.

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