

Politics and Equity of Financing Biodiversity

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The sustainable development context

- Need for “paradigm shift” from unsustainable economic model and the 1992 Rio “compact”
- A new and equitable global partnership among States, key sectors of society and people
- International agreements which respect the interests of all and the integrity of the global environmental and developmental system
- Equity within and between generations
- People at the centre of concerns for sustainable development, entitled to a healthy and productive life in harmony with nature
- Integration of the 3 dimensions of sustainability
- Human rights-based approach to sustainable development
- Rights of nature

Principles underlying financing commitments – equity and polluter pays

- Rio 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.”
- CBD Art 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 ...”
- Public sources of finance to constitute the core and primary sources

Reaffirmed biodiversity financing commitments

- CBD COP reaffirmed “the commitment to meet the obligations set out in the provisions of Article 20 of the Convention and in accordance with the Rio Principles,” and emphasised “that any new and innovative funding mechanisms are supplementary and do not replace the financial mechanisms established under the provisions of Article 21 of the Convention.”
- *Question: what are the principles and criteria to ensure that “new” and “innovative” meets the objectives of the CBD and sustainable development generally?*

Concerns over some approaches and models of IFMs

- “Internalising externalities” is not just a matter of pricing – challenges of poverty eradication, social justice and equity
- The political economy of natural resource control and management is about power within society, between countries and has a historical dimension
- Implications of creating more property rights in a market-based approach
- Financialisation of the economy has created instabilities in the financial sector and worsened inequalities within and between countries
- Financialisation of the commodities markets and new instabilities
- Financialisation of nature a growing trend?

The “green economy” debate in the Rio+20 process

- Rio+20 mandate: renew political commitment for sustainable development, address implementation gaps, new and emerging issues, two themes (green econ in the context of SD and poverty eradication; institutional framework for sustainable development)
- Disproportionate time spent on green economy debate due to controversy over what it means – different things to different people – a concept, paradigm, tool? Will it add value to sustainable development framework or detract from it?
- Concerns: misused for trade protectionism? deeper financialisation of nature? How does social justice, equity and human rights figure? Role of the state in regulation, investments and policy framing? Role of the market?
- Back to sustainable development framework and the Rio Conventions

Supportive global economic, trade and finance systems to increase domestic resources

- Financing sustainable development generally is not restricted to ODA or the transfer of funds through various Conventions.
- However the global economy greatly influences the amount and volatility of the flow of financial resources to developing countries, and their ability to manage/retain those resources
- More financial resources can be made available to developing countries for biodiversity, climate actions etc through better terms of trade, development-oriented trade policies, corrections to the imbalances in the multilateral trading system, debt relief to developing countries facing debt-related difficulties, a more sustainable development-oriented intellectual property system, and appropriate reforms to the international financial and monetary system.

Lost tax revenues

- **USD 160 billion** lost by developing countries each year in tax revenues due to the profit shifting of some unscrupulous multinational companies and other businesses through ‘Transfer Pricing’ and ‘False Invoicing’ ; Ability of countries to collect revenue effectively is systematically undermined by the financial secrecy of tax havens and abuse of transfer pricing rules designed by and for OECD countries in close consultation with multinational companies (Christian Aid, 2009)
- 2005-2007 lost tax revenue to the EU and US: South Africa (USD 1.717 billion); Venezuela (USD 1.097 billion); Nigeria (USD 956 million); Costa Rica (USD 785 million); Egypt (USD 556 million); Argentina (540 million)
- Need for just and equitable international taxation system and just domestic systems

Role of the State/Public Sector

- ***Regulatory role*** – using policy tools such as regulation, pricing policies, taxes and subsidies to limit pollution and emissions and to control over-exploitation of natural resources; make prices better reflect environmental values, whilst protecting the access of the poor to essential goods and services
- ***Strategic policy making*** – to re-orientate various economic and social sectors towards a sustainable development pathway.
- ***Public expenditure on restoring damaged ecosystems***
- Addressing the ***opportunity costs*** of conservation, so that conservation becomes a more prevalent part of national policies.
- Reconcile the principle of allowing prices to play a role in reflecting environmental values, with ensuring satisfaction of basic needs, and social equity.
- ***International cooperation framework***
- Appropriate governance structures and institutions at all levels

Potential “innovative” public sources of finance

- **Financial transaction tax:** small levy on *all* financial market transactions. Austrian Institute for Economic Research estimate that a global transactions tax of 0.05% could yield between \$447bn and \$1022bn a year, even assuming a drastic reduction in market activity by 65%. Center for Economic and Policy Research (CEPR) estimates that a varied tax (0.5% for stock transactions, 0.01 for bond trading, and 0.01 for swaps) would generate approximately \$350 billion in US markets alone. Both estimate that a 50% drop in trading could still generate more than ODA (France, Germany, Austria, Belgium, Finland, Greece, Spain, Portugal, Italy)
- **Special Drawing Rights:** An important potential source of finance for developing countries and should be considered further, especially in a period when government budgets in developed countries are coming under stress, affecting the ability or will to increase budgetary support to developing countries.