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Policy brief

Why the $700 billion funding gap for biodiversity is dangerous nonsense: Implications for the oceans and small-scale fisheries

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Closing the funding gap for biodiversity conservation is one of the critical topics at the 16th Conference of the Parties (COP 16) to the UN Convention on Biological Diversity (CBD), hosted in Colombia in October 2024. The funding gap has been estimated at $700 billion in Goal D of the Kunming-Montreal Agreement, based on a report, "Financing Nature", published in 2020. Taking the example of fisheries and ocean conservation, this article shows the $700 billion figure is based on highly dubious calculations and assumptions. The author argues the funding gap report is not a serious effort to estimate the needs for supporting conservation efforts. Instead, it is a performative publication marketing opportunities for private investment and market-based mechanisms. Therefore, the $700 billion figure should be rejected by those opposed to the continuing financialisation of conservation.

Introduction

In 2020, three American organisations published a report entitled, *'Financing Nature: Closing the Global Biodiversity Financing Gap'*.[1] It has become one of the most widely cited reports on biodiversity conservation. It is referenced in Goal D of the Kunming-Montreal Biodiversity Framework and was used to establish precise targets for resource mobilisation by the Parties of the United Nations Convention on Biological Diversity (CBD). How far the world has closed this funding gap will be one of the critical topics for debate at the COP16 in Colombia (21 October-1 November 2024), just as money for loss and damage and climate finance have taken centre stage at the annual meetings of the United Nations Framework Convention on Climate Change. The message from COP16 is predictable: the funding gap is still massive, and much more needs to be done urgently. In fact, closing the gap has become a rallying cry for many governments and NGOs in the South, linking this to social justice and compensation for an *ecological debt* owed by the North.[2]

The three organisations that produced *Financing Nature* were the Paulsen Institute, established by Henry Paulsen, former US Secretary of the Treasury and, before that, a senior Goldman Sachs banker; the Nature Conservancy, the world's largest conservation organisation, which, at the time *Financing Nature* was published, was led by a former senior banker also from Goldman Sachs, and the Cornell Atkinson Centre for Sustainability, a US think-tank established by David Atkinson, former vice president of JP Morgan.

The power of *Financing Nature* is indicated by the long list of personal endorsements in its preface, including from the heads of the IMF, the World Bank, the Inter-American Development Bank, the European Central Bank, the United Nations Environment Programme, as well as from John Kerry, Mark Carney, and Michael Bloomberg. The credits for people contributing to the report and being part of the external review team cover a vast number of leading conservation groups and business consulting firms working on conservation finance in North America. Conspicuously absent were any organisations from the Global South.

Financing Nature opened with a stark statement: "*To slow and stop the global loss of biodiversity, we must fundamentally rethink our relationship with nature and transform our economic models and market systems.*" **Yet the report did not expand on what a new relationship would look like, nor how economic models and market systems will be transformed into something else. Its message, instead, was the need to massively increase spending to save biodiversity.**

The authors estimated an annual funding gap of between $700 and $900 billion, with existing spending being between $124 billion to $143 billion. They described that bridging the gap requires a cut in harmful subsidies of about $270 million (money they envisage could be redirected towards conservation) and an increase in nature-positive expenditures of about $500 to $700 billion annually. They described that at least $192 billion is needed to expand protected areas on both land and sea to deliver the 30x30 target. Transitioning to sustainable marine fisheries requires additional funding of between $23 billion and $47 billion annually until 2030 and conserving

[1] DEUTZ, Andrew, *et al.*, "Financing Nature – Closing the Global Biodiversity Funding Gap", 2020. The full report of *Financing Nature* can be accessed here: https://www.paulsoninstitute.org/wp-content/uploads/2020/10/FINANCING-NATURE_Full-Report_Final-with-endorsements_101420.pdf

[2] This argument has been promoted in particular by the Third World Network, see for example, DEMPSEY, Jessica & IRVINE-BROQUE, Audrey, "Addressing debt is critical to halting biodiversity loss", TWN Briefing Paper, March 2022: https://www.twn.my/title2/biotk/2022/btk220305.htm

coastal habitats a further $37 billion. The major part of the funding gap is transitioning to sustainable agriculture, which needs between $315 billion and $420 billion a year—and transitioning to sustainable (or nature-regenerative) livestock management, another $81 billion a year.

The report says these sums may seem huge, but they are not. They represent a drop in the ocean compared to all the money circulating in the global economy, especially that controlled by investment banks and private asset management firms, valued at well over $100 trillion. Moreover, the report describes that closing the biodiversity funding gap will produce economic dividends far greater than the costs. This optimistic vision was celebrated by the statements of world leaders in the preface. John Kerry wrote:

> "*Sweeping policy changes by governments won't be enough if they're not coupled with unprecedented private-sector investment. But that's where the optimism comes from in this report, because if we spur massive movements in finance, we not only conserve nature and save lives, but create jobs and spark an economic boom that helps us build back better from this moment on earth.*"

The delusions of "Funding Gap Mania"

Financing Nature is not an isolated publication. Since the late 2000s, several organisations, including IUCN, UNEP, OECD, and WWF, have produced funding gap reports, working in partnership with banks such as Credit Suisse and business consulting firms such as McKinsey. There has also been the proliferation of national and regional funding gap reports. In 2012, it was agreed that all parties to the CBD should produce National Biodiversity Expenditure Reviews, which would establish how much public and private money was being spent on biodiversity and what the financing needs would be to meet the CBD biodiversity targets. The UN Development Programme (UNDP) has supported this work by launching the Biodiversity Finance Initiative (BIOFIN), which provides national gap reports for selected participating countries. Countries like the UK have also produced national biodiversity funding gap reports,[3] while the EU recently did the same.[4]

This obsession with gap reports is not unique to biodiversity. Gap reports are now standard across so many aspects of society. They follow the same formula and consistently show that the gap is so big that public funding cannot possibly close it, so private finance must come to the rescue. Their recommendations always include strategies such as 'blending' public money with private investment. The most extraordinary example is the funding gap analysis applied to the Sustainable Development Goals. In 2015 United Nations Convention on Trade and Development (UNCTAD) concluded that the world needed to spend $2.5 trillion annually until 2030 to ensure the SDGs are reached. That figure was recalculated in 2023 to $4 trillion.[5]

[3] See GREEN FINANCE INSTITUTE, "The Finance Gap for UK Nature", 2021. Available at: https://legacy.greenfinanceinstitute.com/wp-content/uploads/2021/10/The-Finance-Gap-for-UK-Nature-13102021.pdf
[4] See EUROPEAN COMMISSION, "Biodiversity Finance and Tracking", 2022. Available at: https://ieep.eu/wp-content/uploads/2022/12/final_report.pdf
[5] See UNCTAD, "SDG investment is growing, but too slowly: The investment gap is now $4 trillion, up from $2.5 in 2015", 2023. Available at: https://unctad.org/publication/sdg-investment-trends-monitor-issue-4

Financing Nature needs to be seen in this broader context of what some depict as 'gap mania'.[6] As with almost all gap reports, it contains some arguments that look progressive, such as reducing harmful subsidies. It also compliments arguments that specific sectors, such as fisheries, have underfunded state agencies, which could explain why parts of the fisheries sector are poorly managed. **Yet the figures produced in *Financing Nature* on what is spent and what is needed are based on such dubious evidence no one should take it seriously.** It also advances an unconvincing and superficial view of addressing the biodiversity crisis. This is a convenient story that requires minimal changes to the current governance of natural resources without addressing root causes.

What is presented in gap reports such as *Financing Nature* is, therefore, an illusion. There is no reason to believe that the biodiversity crisis will be averted if the world spends an additional $700 billion a year on biodiversity finance. **This view simply equates money with success, ignoring that so much spent on conservation has ambiguous or even adverse outcomes.** But the most worrying dimension to *Financing Nature* is that it presents an ominous vision. In this future, global capital markets provide the vast majority of funding for conserving biodiversity, inevitably opening up new frontiers for asset management firms. As such, *Financing Nature* should not be mistaken as an objective study on the financial needs of global conservation; it is a performative publication marketing opportunities for private investment.

It is hard to find any literature that exposes the calculations presented in *Financing Nature*. This paper will try to fill that gap. It will also highlight why **it is objectionable for organisations working on issues such as the rights of indigenous peoples and small-scale fishers to legitimise the funding gap and link it to the concept of ecological debt. This merely reinforces the idea that the ability of people in the South to live sustainably is dependent on receiving vast amounts of financial resources and external support.**

Why *Financing Nature* is dangerous nonsense

Financing Nature looks impressive. The full report is over 230 pages long, and contains 837 references, suggesting it is an authoritative study based on an enormous amount of original research. A closer look reveals something entirely different.

Financing Nature, as with all funding gap reports, involves three steps: calculating the amount of money flowing to biodiversity conservation, determining how much money is needed to solve the biodiversity crisis, and determining where this money should come from. Let us consider each of these steps in isolation, with a particular focus on the case of marine biodiversity and fisheries.

STEP 1: ESTIMATING THE FLOW OF FUNDS TO BIODIVERSITY CONSERVATION

One of the first difficulties in measuring the flow of money going into biodiversity conservation lies in determining what funding biodiversity conservation means. In

[6] BIGGER, Patrick, *et al.*, *"Beyond The Gap: Placing Biodiversity Finance in the Global Economy"*, Third World Network, 2021. Available at: https://eprints.lancs.ac.uk/id/eprint/155366/1/BeyondTheGapcompletereport.pdf

Financing Nature, biodiversity conservation finance is defined as "*financial resources toward conservation, restoration, and sustainable use of biodiversity as well as investments into the biophysical systems supporting biodiversity.*" The report does not elaborate on this further. It is, therefore, hard to know what is included and what is not. A problem is the fuzzy notion of 'sustainable use of biodiversity'. It is unclear how anyone, using this definition, will navigate the expanding claims made by various industries that their business practices promote sustainability, given the widespread existence of greenwashing.

With this vague definition as the starting point, the report describes that the total amount spent on biodiversity conservation finance in 2019 was between $124 and $143 billion. This comes from three sources: government spending, official development aid and private finance. *Financing Nature* provides a further breakdown, summarised in the following table:

MECHANISMS THAT INCREASE POSITIVE FINANCIAL FLOWS INTO BIODIVERSITY CONSERVATION	FINANCIAL FLOWS IN 2019 *(US$ Billion/year)*
Domestic budgets and tax policy	74.6 - 77.7
Natural infrastructure	26.9
Sustainable supply chains	5.5 - 8.2
Biodiversity offsets	6.3 - 9.2
Official Development Assistance (ODA)	4.0 – 9.7
Green financial products	3.8 – 6.3
Philanthropy, conservation NGOs	1.7 – 3.5
Nature-based solutions and carbon markets	0.8 – 1.4
TOTAL POSITIVE FINANCIAL FLOWS INTO BIODIVERSITY CONSERVATION	**123.6 – 142. 9**

One of the odd line items from this table is 'natural infrastructure'. This label is used for spending that supports the health of 'biophysical systems', such as rivers, forests and coral reefs. Most of the spending on this derives from governments, so it is confusing why it is listed as separate from 'domestic budgets and tax policy', and it seems likely that there are problems with double accounting.

Putting the coherence of these categories to one side, *Financing Nature* arrives at these figures through a convoluted and inconsistent approach. The result is a broad brush of international financial flows, with the distinction between what is spent in African countries compared to North America or Europe, for example, impossible to know.

Domestic budgets and biodiversity expenditure

The calculation in *Financing Nature* for public budgets and tax spending derives mainly from an OECD study published in April 2020, which offered its own

estimation of existing funding flows for biodiversity conservation.[7] This research compiled information from the national 'Biodiversity Expenditure Reviews' (BERs) submitted by countries to the CBD, as well as the reports undertaken through the BIOFIN project. This information was supplemented by data from the OECD's government expenditure accounting system, called the 'Classification of Functions of Government' (COFOG). This system asks governments to assign many categories to their expenditures, including the category of biodiversity spending.

BERs submitted to the CBD have been produced by 49 countries since 2015, and usually only once. The OECD considered 19 of these to be so incomplete that they were rejected for their study. BIOFIN's financing reviews are only produced by participating developing countries. There are 40 listed on the BIOFIN website, but only 18 of them have completed these studies. More countries report on COFOG. However, the national expenditure reviews produced for the CBD and those created for the BIOFIN use different methodologies, which makes them hard to compare. Data for the COFOG is also quite distinct from BERs and BIOFIN data, and is mainly used to track public spending on water management and pollution control. Therefore, combining data from the COFOG with data from BERs and BIOFIN reports makes little sense. Combining all three datasets to arrive at a global figure on how much governments spend on biodiversity (which requires extrapolating data from selected countries to all countries) produces a mess.

A closer examination of the information provided in national reports on biodiversity spending through BERs and the BIOFIN reports throws up more problems. Governments employ consultants to produce these reports who are tasked with finding and making sense of government spending across various government agencies at the national and sub-national levels. For each of these institutions, the review requires examining how much of the funds spent should be considered fully used for biodiversity conservation and sustainable use or only partially used. This is a mind-boggling task beset with difficulties, including navigating restrictions on access to government information and dealing with considerable political sensitivities.

Consultants are also given considerable leeway to include all sorts of expenditures. In Thailand's national report to BIOFIN, for example, the list of biodiversity expenditures includes money spent on environmental impact assessments in the oil industry, the cost of establishing and maintaining zoos, and the work of the livestock ministry to ensure genetic diversity in cattle breeds.[8]

Regarding fisheries and marine biodiversity, the annual budget of the Ministry (or department) in charge of fisheries is always considered part of the government's biodiversity funding for both BERs and BIOFIN reports. However, a tricky question is, how much of this spending really contributes to saving marine biodiversity? In the Seychelles, the consultants undertaking the 2018 review of spending for BIOFIN included the *total* budget of the Seychelles Fishing Authority (SFA) on the basis that the SFA is engaged in the sustainable management of fisheries.[9] In Vietnam's report

[7] See OECD, "A comprehensive view of global biodiversity finance", 2020. Available at: https://www.oecd.org/en/publications/a-comprehensive-overview-of-global-biodiversity-finance_25f9919e-en.html
[8] Thailand's national BIOFIN report can be accessed here: https://www.biofin.org/sites/default/files/content/knowledge_products/Thailand%20BER%20Final%20report.pdf
[9] Seychelles' BIOFIN report can be accessed here: https://www.biofin.org/sites/default/files/content/knowledge_products/BIOFIN%20BER%20March%202018.pdf

for BIOFIN, 93% of the Department of Fisheries annual budget was classified as biodiversity funding, with the remaining 7% being classified as operational costs.[10] Tanzania and Zanzibar's report not only includes government expenditure on managing fisheries, but also their expenditures on developing the blue economy and promoting aquaculture.[11]

National reports on biodiversity spending are, therefore, widely inconsistent between countries. They include things that stretch the definition of biodiversity spending to its limits and count money almost certainly unrelated to biodiversity conservation.[12] They also provide next to nothing on understanding governments' success in preserving or increasing biodiversity. Information on how much governments spend on fisheries management is no doubt part of the puzzle in understanding the sustainability of fisheries. Still, most fisheries management authorities are more interested in promoting fisheries' expansion than controlling its impact on marine biodiversity. Using government expenditures on fisheries departments as a proxy for marine biodiversity conservation is like using data on the budgets of police forces to infer levels of criminal justice.

ODA and the credibility of the "Rio Marker"

When it comes to estimating the amount of money provided to biodiversity from donors, the data used in *Financing Nature*—as well as in all other funding gap reports—derives from information reported by donors to the Creditor Reporting System, managed by the OECD. Since the mid-1990s, donors have been required to report whether aid spending relates to so-called *Rio Markers*, which includes climate mitigation and adaptation, desertification, and biodiversity. Donors must categorise their spending by indicating if a project is fully targeted at biodiversity conservation, in which case it is marked as a '2', or if it is only partially aimed at biodiversity conservation, in which case it gets a '1'. If the project has nothing to do with biodiversity conservation, it gets a zero. What is reported in funding gap reports is, therefore, the total aid spending categorised by the biodiversity marker. The protocol agreed to by members of the OECD for calculating the value of ODA projects for specific categories is to assign 100% of the value of the project for those categorised as a '2' and 40% of the value of projects categorised as a '1'.

This donor reporting system is important as it tracks donor performance on pledges for biodiversity spending through the CBD, and the climate marker is used for donor reporting to the UNFCCC. Yet, donors self-report on their Rio markers. No system provides an external review of these decisions. In many cases, donors report so little on the purpose and activities of their projects that it would be impossible for an outsider to question their Rio marker decisions.

More research has been done on the reliability of donor reporting on the climate marker than on the biodiversity marker. A comprehensive review of over 5000 donor projects tagged with the climate marker in 2017 concluded that the system was

[10] Vietnam's BIOFIN report can be accessed here: https://www.biofin.org/sites/default/files/content/knowledge_products/Viet%20Nam%20BER%20report_0.pdf
[11] Tanzania and Zanzibar's BIOFIN report can be accessed here: https://www.biofin.org/sites/default/files/content/knowledge_products/BER-%20Report%20-%20Final.pdf
[12] This is discussed by one consultant who undertook the national biodiversity financing report for Ireland, See MORRISON, Rachel, *et al.*, "Exploring the rise of expenditure reviews as a tool for more effective biodiversity conservation and the protection of ecosystem services", *Ecosystem Services*, Vol 47, 2021. Available at: https://www.sciencedirect.com/science/article/pii/S2212041620301832

completely unreliable; most projects were mislabelled, and consequently, the reported aid flows to climate projects were massively exaggerated.[13] There is no reason to imagine these problems do not apply to the biodiversity marker as well.

We should anticipate that donors are incentivised to assign as much as possible to the Rio markers as this gives the impression they are meeting international commitments. The system also allows donors to get away with double accounting. For example, the European Union funded project in Africa called 'Ecofish' has a budget of 28 million Euros. This is reported as a '2' on the Rio biodiversity marker, meaning 100% of the Ecofish funds are for biodiversity conservation, but it is also categorised as a '1' for climate, meaning 40% of the funds are for climate. Therefore, an expenditure of 28 million Euros is presented as if it was providing 39.2 million Euros to Southern countries for meeting climate and biodiversity commitments.

Again, the biggest problem with this reporting system is that it assumes donor-funded projects categorised as biodiversity-orientated positively impact biodiversity conservation. A sector such as fisheries illustrates why this assumption is wrong. **There is no evidence showing that billions of dollars spent on development projects for fisheries—including ones such as Ecofish—have been a resounding success in improving marine biodiversity, and substantial evidence shows that many projects have been costly failures.**

The World Bank, for instance, is the single largest donor for fisheries programmes in Southern countries. The World Bank assigns a '1' score for these programmes under the biodiversity marker on the OECD Credit Reporting System. Yet the Bank's record in improving fisheries management is relatively poor. The World Bank's Independent Evaluation Group published a report in 2021 that reviewed 253 projects financed by the Bank between 2009 and 2019, addressing natural resource degradation and vulnerability, with a combined value of $33 billion.[14] Of these, 53 projects focused on improving the environmental and economic performance of small-scale fisheries. The evaluation found that few of these 253 projects could demonstrate a positive environmental outcome; hardly any of the 53 small-scale fisheries projects collated data on fishing intensity changes or the welfare of targeted coastal communities. Some of the costliest failures in World Bank fisheries projects are in Africa. This includes, for example, the $55 million programme designed to improve the sustainability of fishing in Ghana which **was cancelled early because the government of Ghana increased licenses for Chinese-owned trawlers. Yet, despite this failure, 40% of the budget for this project is added to the spending list that saves nature.** No system under the Rio Marker allows donors to subtract money where projects fail.

Private financial flows: ecolabelling, offsetting and green bonds

The problem in *Financing Nature* continues with the estimates of biodiversity finance from the private sector. The data on finance for 'sustainable supply chains', for

[13] WEIKMANS, Romain, *et al.*, "Assessing the credibility of how climate adaptation aid projects are categorized", *Development in Practice*, 27:4, pp. 458-471, 2017. Available at: https://unfccc.int/sites/default/files/resource/Assessing%20the%20credibility.pdf
[14] WORLD BANK, "The Natural Resource Degradation and Vulnerability Nexus:
An Evaluation of the World Bank's Support for Sustainable and Inclusive Natural Resource Management (2009–2019)", 2021. Available at: https://ieg.worldbankgroup.org/evaluations/natural-resource-degradation-and-vulnerability-nexus

example, derives from an estimate of the market value of products subject to ecolabelling schemes, including those supplied by the Marine Stewardship Council, the Forest Stewardship Council and 'sustainable palm oil'. It is assumed in *Financing Nature* that between 1% and 1.5% of the market value of these labelled products is invested by companies in improving the environmental impact of their operations. This ends up with a figure of between $5.5 and $8.2 billion a year spent by corporations on improving biodiversity, similar to the amount from ODA categorised by the Rio marker. What to make of this?

All of these corporate-friendly ecolabelling schemes lack credibility. **Considerable evidence shows many eco-labelled products are not sustainable, while there are many products not labelled by expensive third-party schemes, including those produced by small-scale fishers and farmers, that are more sustainable.** Furthermore, *Financing Nature* provided no evidence that 1% to 1.5% of the market value of eco-labelled products is spent by companies engaged in these schemes for protecting or conserving biodiversity. It is a made-up figure. What is remarkable is that when it came to estimating the amount spent in fisheries, the authors of the report decided that the 1% – 1.5% could be applied to 25% of the global production of seafood—including aquaculture—but with no explanation on why they did this:

> "*For the sustainable fisheries products, it is assumed that 1% (US$ 1.1 billion lower estimate) and 1.5% (US$ 1.6 billion upper estimate) of the US$ 102.25 billion value of the sustainable certified seafood market was used to finance biodiversity-related conservation measures. To generate these values, we estimated the size of the total global sustainable seafood market. The first sale value of fisheries and aquaculture in 2018 has been estimated by FAO at US$ 401 billion/annually; this is a conservative value as it does not include value added along the supply chain nor any mark-ups involved in the sale of an end-product. Of this market we assume that 25% is estimated to qualify as "sustainable seafood" production.*"[15]

Then, there is data on 'green investment products'. This is private finance derived predominantly from green and blue bonds. *Financing Nature* describes carefully screening these eco-themed bonds for those directly supporting biodiversity. They report that about 3% of all eco-themed bonds issued by governments and corporations focus on biodiversity (most focus on reducing greenhouse emissions or lowering pollution). For 2019, *Financing Nature* reported that biodiversity-themed bonds provided a total of between $3.6 and $8.3 billion in biodiversity finance.

There is no access to the list of bonds *Financing Nature* identified, but they do give some examples of positive case studies. One of the bonds highlighted is the green bond that raised $95 million, issued by Michelin Tyres, for establishing sustainable rubber production in Indonesia and helping to enlarge protected forests. This was one of the most significant green bonds for forest biodiversity when *Financing Nature* was published. It was supported by several bilateral donors, including France, the UK, Norway, and the US, and was also developed in partnership with WWF and UNEP. However, when *Financing Nature* was launched, NGO investigations showed that Michelin Tyres had deliberately misled investors about its environmental impact on primary forests in Indonesia and that its operations in expanding rubber

[15] See page 210 in *Financing Nature*, which discusses the assumptions used for arriving at this calculation.

plantations had been an ecological disaster.[16] **It was revealed that a large part of the green bond's proceeds was used for reducing short-term debts of the company, not for biodiversity spending. Promises of using the funds to support enlarging natural forests to protect biodiversity were a lie. This is just one of many examples showing that greenwashing has become normalised in the green bond market.**

Finally, *Financing Nature* also takes the market value of biodiversity offsetting schemes at face value—measured between 6 to 9 billion dollars a year—despite compelling evidence that few lead to net benefits for biodiversity.[17] The same flaw applies to how, in *Financing Nature*, money paid through carbon trading markets for forestry is added to the list of positive nature spending without considering the extensive research exposing these schemes as fraudulent, although hugely profitable for so-called carbon cowboys.

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In summary, the first step in identifying the biodiversity conservation funding gap is incoherent and illusionary. **The claim that governments, international organisations, philanthropists, and the private sector spend about $140 billion a year on mechanisms that increase biodiversity is untrue.** The authors of *Financing Nature* ignore all of the literature that questions the reliability of underlying data. **The most obvious flaw is to assume that funds reported for biodiversity conservation have a positive impact.** By making this error, *Financing Nature* provides legitimacy to many bogus forms of financing, including many that civil society organisations and social movements in the South have resoundingly rejected.[18] What is also unacceptable in this—and other funding gap reports—is that what is entirely missing is the costs of protecting and saving nature by rural communities and Indigenous peoples, including the millions of hectares of forests and coastal areas used and managed by communities. They do not make it onto the ledger, although the money generated by carbon cowboys and bond traders do.

STEP 2: ESTIMATING THE FINANCIAL NEEDS

The second step of the funding gap report is to estimate how much more money is needed to conserve and increase biodiversity. To make matters confusing, this part of *Financing Nature* does not continue with the categorisation of funding used in the first part. Instead, this is broken down by sector, including fisheries, forestry, agriculture, and livestock farming, and by theme, including protected areas. Because of this switch in focus, it is impossible to work out what the funding gap is for particular sectors. **Part 1, for example, did not describe how much money is going to fisheries management, whereas Part 2 provides data on how much fisheries management needs.** It makes following the logic of the report impossible. But that is not the main problem. The more significant issue is that the authors of *Financing*

[16] See the article on this produced by Investigative Journalism for the EU published in 2021, entitled "Fake Green Finance". See VALENTINO, Stefano, *et al.,* "European green finance is paying for deforestation in Indonesia: the case of Michelin", VOXEUROP, 2021. Available at: https://voxeurop.eu/en/greenwashing-european-green-finance-paying-deforestation-indonesia-case-michelin/ For more information about this journalism project, see also; https://www.investigativejournalismforeu.net/projects/fake-green-finance/

[17] For a concise review of the evidence, see the public statement on offsets issued by civil society and academics in advance of COP16. "Civil society statement on biodiversity offsets and credits", available at: https://www.biodmarketwatch.info

[18] Joint statement, "Financing the 30x30 agenda for the Oceans: Debt for Nature swaps should be rejected", 6 December 2022. Available on CFFA's website: https://www.cffacape.org/publications-blog/joint-statement-financing-the-30x-30-agenda-for-the-oceans-debt-for-nature-swaps-should-be-rejected

Nature, again, arrive at figures based on highly dubious assumptions derived from surprisingly limited research. Consider the example of marine fisheries.

Financing Nature reports that transitioning to sustainable fisheries requires spending between $23 billion and $47 billion annually until 2030. This figure derives from just one academic paper published in 2018 by a group of North American marine biologists advocating for expanding catch share programmes as the most efficient way to increase the profitability and productivity of commercial fisheries.[19] In what the authors refer to themselves as a 'back of the envelope study', they had to fill in several gaps in data, including information on what governments spend on fisheries management and how profitable fisheries are under different management regimes. This paper presented an 'extreme' scenario which suggested global fisheries management expenditures would need to rise to $30 billion by 2050 if every country in the world went down this route. However, the authors argued this was probably an overestimate because catch-share schemes are not always more expensive to administer than alternatives. The paper also suggested governments could recoup these costs by charging fishing companies more money. It is not clear how in *Financing Nature* the figure of $30 billion by 2050 was turned into an estimate of between $23 and $47 billion by 2030.

The authors of this research paper on the cost of catch shares emphasise that this was a theoretical experiment based on limited data intended to stimulate further work. Their arguments are open to criticism, including that this thought experiment assumed that all countries could move to a fisheries management system favoured in advanced developed fishing nations, such as the USA, Canada and Australia. The problem with that is fisheries in most Southern countries are different, and **imposing fisheries management geared toward profit maximisation would be disastrous for millions of people who rely on fishing for their livelihoods. There are also contested views on the extent to which different types of catch-share programmes promote sustainable fisheries and an acceptance that this depends on many other factors.**[20]

This cavalier approach to estimating biodiversity spending needs is not only applied to fisheries. The estimate of what it would cost to transition to *sustainable forestry management* is also based on just a single research paper published in 2014 that reviewed estimates on the per-hectare expenditure of sustainable forest management.[21] That study, written by a German forestry scientist, reported that figures of $13 per hectare for tropical forests and $21 for temperate and boreal forests were widely used, including among United Nations agencies. The figures produced in *Financing Nature* are based on estimating the percentage of existing forests managed sustainably according to the FAO (11% of the world's remaining forests) and then using the per-hectare management cost estimate to calculate what it would cost to get the remainder managed sustainably. The trouble with that, however, is that the author of the original paper used by *Financing Nature* was merely describing that international organisations had used these estimates on the cost of sustainable forest management for many years but were, in fact, based on statistical errors and an

[19] MANGIN, Tracey, *et al.,* "Are fishery management upgrades worth the cost?", *PLOS ONE* 13(9). Available at: https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0204258
[20] See a review of the literature on this debate produced by PEW Trust in 2014, entitled "Catch-Shares, a useful tool with limits", available at: https://www.pewtrusts.org/~/media/legacy/lenfest/pdfs/catch_shares_fact_sheet_2014.pdf?la=en
[21] KOTHKE, Margret, "Costs of sustainable forest management in the tropics: State of knowledge", Thünen Working Paper, No 27, 2014. Available at: https://www.econstor.eu/bitstream/10419/101449/1/79436554X.pdf

extremely small sample size. The author explained the figures were, therefore, 'hardly reliable'. She further argued that the state of knowledge on the cost of forest management is poor, and improving this requires appreciating different contexts. **So, the report *Financing Nature* made a back-of-the-envelope estimate using data from someone who said not to use it.**

Furthermore, it would seem reasonable to believe that there is no direct link between the amount spent managing forests and the success of forest management. **Countries spend lots of money managing forests unsustainably, as they do with fisheries. The estimate of the financing needs in *Financing Nature* assumes that no money is spent by countries managing forests unsustainably. This explains why the funding gap seems so vast, whereas, in fact, what might be required is for existing money to be spent better.**

<u>Marine protected areas</u>

The report *Financing Nature* draws on other studies that estimate the funding needs of countries to deliver on the 30x30 pledge, particularly a study published in 2020 led by British academic Anthony Waldron.[22] This ends up with the claim that to deliver 30x30—which requires expanding existing protected areas by more than 20 times what they are now—the world must spend up to $192 billion annually if this area is designated as strict nature parks. That is compared to an estimated current expenditure of $24 billion, most of which is spent in Northern countries. **It is important to note that in Waldron's study, it is estimated that rural communities in the South account for about a fifth of the total spending on managing protected areas worldwide, nearly $5 billion—none of which was included in the first part of *Financing Nature*.**

According to Waldron's study, up to 90% of the additional $192 billion must be spent in developing countries. There is no breakdown of spending on marine protected areas, but Waldron's report describes that quite a small amount of the $24 billion currently spent on protected areas goes to MPAs, but expanding these areas will make up for a substantial part of the $192 billion estimate. This means that to meet the 30x30 pledge—according to the figures used in *Financing Nature*—Southern coastal and Island states are predicted to need 10s of billions of dollars annually for MPAs.

Looking at the workings behind this sum, you will find that the most significant expenditure is in law enforcement. The economic model of 30x30 is also dependent on expanding ecotourism—modelled in Waldron's study to increase by 4% each year or nearly doubling over a decade. To accept these figures, therefore, is to approve of **a vision characterised by a staggering increase in revenues flowing to law enforcement agencies to patrol vast areas of the planet, paid for by an increase in tourism. It is unclear whether this increase in tourism refers to increasing the number of tourists, which would cause substantial environmental damage and greenhouse emissions, or increasing the amount tourists spend, pushing protected areas further towards the exclusive enjoyment of the very wealthy.**

[22] WALDRON, Anthony, *et al.*, "Protecting 30% of the planet for nature: costs, benefits and economic implications: Working paper analysing the economic implications of the proposed 30% target for areal protection in the draft post-2020 Global Biodiversity Framework", 2020. Available at: https://www.conservation.cam.ac.uk/files/waldron_report_30_by_30_publish.pdf

Projections for spending to save biodiversity are, therefore, based on a model that is highly dubious. The estimates of the funding needs for 30x30 can be contrasted with other visions in which biodiversity protection is integrated into systems of community-led conservation and the suppression of unsustainable economic growth. It is perhaps unnecessary and undesirable to put a dollar value on what this vision would cost, although research led by the UN Special Rapporteur for Indigenous Peoples Rights suggests **the expenditures of rural communities managing forests and parts of the oceans are far less than the costs of state-managed protected areas and far more effective.**[23] If a greater share of 30x30 was managed in this way—as many small-scale fishing organisations are advocating for—the funding needs might not come close to an extra $192 billion dollars a year.[24]

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In summary, step two of the funding gap report is based on cherry-picking research and then misinterpreting it. **The financing needs are also based on contentious and selective models for natural resource governance**, such as transitioning to catch-share programmes in fisheries. **If there is merit to predicting what are the funding needs of countries, then this must consider different scenarios of how these resources are managed, by whom and for what ends. If we consider the expenditures required to manage sustainable fisheries, then these will be quite dissimilar for a fishery managed by government agencies based on industrial fishing geared towards profit maximisation, compared to fisheries that prioritise small-scale fisheries under systems of community-led management, mainly geared towards local livelihoods and food security.**

What *Financing Nature* also fails to describe is how these large increases in funding will be managed and by whom. The OECD reports that the annual expenditure of all governments on fisheries management, according to official expenditure statements, was less than $3 billion in 2022.[25] It is widely accepted that many countries, including developing coastal states and small islands, spend too little on fisheries management, and in particular for coastal small-scale fisheries. However, increasing spending on fisheries management to between $23 to $47 billion would represent an increase of at least ten times what is currently being spent, possibly more. **The increase in the budgets of fisheries departments in Southern countries might be staggering if the funding needs presented in *Financing Nature* are realised.** On top of this, agencies responsible for managing marine ecosystems might be tasked with spending billions more on managing MPAs. That does not include the additional $37 billion a year identified in *Financing Nature* needed to restore coastal habitats, including mangroves, seagrass meadows and coral reefs. **An obvious question is how governments can absorb all this money. Or are they expected to outsource to companies and NGOs that can?**

[23] TAULI-CORPUZ, Vicky, *et al*., "Cornered by PAs: Adopting rights-based approaches to enable cost-effective conservation and climate action", *World Development*, Vol. 130, 2020. Available at: https://www.sciencedirect.com/science/article/pii/S0305750X20300498#s0025

[24] See, for example, the statement on the role of small-scale fisheries in meeting the 30x30 pledge by CAOPA in Africa: https://caopa.org/en/blue-economy-and-biodiversity-protecting-fishing-communities-from-powerful-actors/09/10/2024/actu/5904/

[25] See OECD, "Review of Fisheries", 2022, p. 68. Available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2022/12/oecd-review-of-fisheries-2022_ceec67a4/9c3ad238-en.pdf

STEP 3: CLOSING THE FINANCIAL GAP

The final step in *Financing Nature* report is the proposal for closing the funding gap. It is the most significant part of the *Financing Nature*, running to over 110 pages. A summary is provided in Table 5.1.:

Table 5.1. Estimated positive and negative flows to biodiversity conservation. (in 2019 US$)

FINANCIAL AND POLICY MECHANISMS	2019 *(US$ Billion/year)*	2030 *(US$ Billion/year)*
A. Mechanisms that increase the overall need for funding to be spent on biodiversity conservation		
Harmful subsidy reform (agriculture, fisheries, and forestry sectors)	(542.0) – (273.9)	(268.1) – 0*
Investment risk management	N/A	
B. Mechanisms that increase capital flows into biodiversity conservation		
Biodiversity offsets	6.3 - 9.2	162.0 – 168.0
Domestic budgets and tax policy	74.6 - 77.7	102.9 – 155.4
Natural infrastructure	26.9	104.7 – 138.6
Green financial products	3.8 – 6.3	30.9 – 92.5
Nature-based solutions and carbon markets	0.8 – 1.4	24.9 – 39.9
Official Development Assistance (ODA)	4.0 – 9.7	8.0 – 19.4
Sustainable supply chains	5.5 - 8.2	12.3 – 18.7
Philanthropy, conservation NGOs	1.7 – 3.5	Not estimated**
Total positive financial flows	**123.6 – 142.9**	**445.7 – 632.5**

There are many striking aspects of this proposal. Considering the mechanisms that increase money flow into biodiversity conservation, *Financing Nature* suggests increased public funding via domestic budgets and tax policies of approximately 50% and a doubling of ODA. In contrast, certain sources of private and market-based finance are envisaged to increase dramatically. While financing nature requires a doubling of products being subject to ecolabelling, it needs global growth in biodiversity offsets by nearly 30 times what it is today, green, and blue bonds to grow 10 to 15 times and nature-based solutions and carbon markets to increase 24 times.

This is a remarkable vision for the future. **It represents an extraordinary transformation in the governance of nature, where the state's (and local communities) traditional role in raising and managing funds for the management of natural resources is changed to one where private finance becomes the dominant governing force. But what does this look like, and how would it work in reality?**

If we focus on marine biodiversity and fisheries, the proposed increase in fisheries management expenditures set out in Step 2—from $3 billion to as much as $47 billion—will not be made up from domestic budgets and tax policies according to Step 3. If it was, nearly half the budget of all projected spending by governments on biodiversity by 2030 would be on fisheries management. Following the logic of *Financing Nature*, government expenditures on fisheries management that derive from taxes will only increase by 50% by 2030, leaving something like $40 billion to be paid for by other funding mechanisms. The research used to estimate the funding needs for fisheries management was based on the recommendation that governments afford an increase in management costs by increasing the fees for fishing access by companies.[26] This is not what *Financing Nature* is proposing. Instead, they recommend something like 80% of the money going to fisheries management will come from non-tax revenues such as through eco-labelling, biodiversity offsets and blue bonds, bypassing governments altogether.

Similarly, if we stick with the figures in *Financing Nature*, the billions of dollars needed for new MPAs cannot possibly be afforded by the modest increases in domestic budgets and tax increases. Therefore, if we accept the figures presented in the report's third section, MPAs will also be financed through funds other than public revenues from taxes. This is quite odd, given that the underlying studies that estimated the funding needs of MPAs consider the primary revenue to be tourism. That must be considered a source of government taxes, unless the enormous growth in tourism to pay for 30x30 produces revenues directly to the private sector, who then manage MPAs.

The crucial point is that the formula for closing the imaginary funding gap presented in the report is conjured out of thin air based on a specific ideology. There is no reason why money raised by governments through taxes should only increase by a maximum of 50%. What is set out in the third step of *Financing Nature* is, therefore, **a neo-liberal fantasy: a modest increase in government taxes and spending and a massive increase in private investment and market-based systems, such as biodiversity offsets and green or blue bonds.**

In presenting this vision, not only does private finance end up dominating biodiversity conservation spending, but every other spending has to be redirected to attracting private investors as well:

> "*It is important to state that while this report acknowledges the critical role of private capital to meet future biodiversity conservation funding needs, it also recognizes that increasing private capital flows alone is not sufficient. The effective delivery of private finance as well as the enabling conditions to incentivize and direct it toward positive biodiversity conservation outcomes is contingent on the work of governments, NGOs, and local communities. Only by aligning the efforts of these actors to establish appropriate enabling conditions can we hope to effectively deliver the necessary private financing flows to meet biodiversity conservation funding needs".*[27]

Therefore, *Financing Nature* envisions not simply increasing the flow of private funding for conservation but also a radical change to how society is organised;

[26] MANGIN, Tracey, *et al.*, "Are fishery management upgrades worth the cost?", *op. cit.*
[27] DEUTZ, Andrew, *et al.*, "Financing Nature, op. cit., p. 47.

one in which everyone's primary objective is to make life easier for private investors.

Conclusion

The *Financing Nature* report has had a profound impact on global debates about biodiversity conservation. It is used for one of the four goals of the Kunming-Montreal CBD Framework Agreement. Yet, it does not deserve to have had this impact. Its findings are incoherent and based on surprisingly poor research.

There are many glaring errors and dubious assumptions in the report, including accounting for things such as green bonds, biodiversity offsets and carbon trading as major sources of funding for biodiversity conservation. **Yet the problem of this funding gap report, shared with others, is more fundamental. This lies with a belief that it is possible and useful to put a single monetary figure on the actions of diverse organisations and people that might contribute to preserving nature or using it in more sustainable ways.** Why would anyone imagine that this is feasible? This is part of the illusion of a funding gap report: it pretends the expenditures of something like a community-based organisation in a developing country can be monetised and compared to the expenditures of companies paying for a biodiversity offset in the USA. What does it mean if one spends the equivalent of $1000 and the other spends a million? Is the second one a thousand times better? The numbers presented in *Financing Nature* are, therefore, meaningless.

The report also relies on a simplistic relationship between money and biodiversity. Fisheries exemplify this ambiguous association. There is no doubt that fisheries management is neglected in many countries, and fishing companies pay too little in license fees. **Intuitively increasing spending is a sound policy recommendation. However, money is of secondary importance to issues such as improving democratic governance, preventing corruption, and lobbying by corporations, and giving priority to low-impact, small-scale fisheries.** We also have clear evidence, such as through World Bank programmes, where rapidly increasing government expenditures in fisheries fail and have perverse outcomes.

There is no reason to believe spending billions is a straightforward way to avert the biodiversity crisis. **Unfortunately, in meetings such as COP16, many people will repeat the $700 billion funding gap idea as if money can buy nature.** This figure will continue to be treated as sacrosanct: a target that has to be met to prevent species extinction and habitat destruction.

Although it is a flawed goal for the CBD, it is convenient. While **it is beneficial for various organisations seeking increased funding, it is politically palatable as it distracts international debates from the root causes. The focus on increasing spending obscures urgent discussions on the need to consume less, forgo profits to save nature and reduce the power of multinational corporations.** According to the funding gap report, there is no need for any of this to happen; it only requires spending more money, which will generate more profit and economic growth.

The report *Financing Nature*, as with other similar funding gap reports, is, therefore, not harmless. It **is a false solution that delays meaningful actions on the biodiversity crisis. At the same time, the idea of a vast funding gap is abused by**

vested interests to justify contentious private financial instruments, such as biodiversity offsets, blue or green bonds and debt swaps.[28] Because of the funding gap report, governments borrow excessively from private investors and divert funds into dubious 'blended finance' arrangements. What is readily obscured in the funding gap report is that a lot of these so-called innovative financial instruments fund conservation through debt. Consequently, **the mechanism for closing the imaginary funding gap promoted by *Financing Nature* works as a transfer of public wealth to asset management firms. The bogus idea of a $700 billion funding gap must be rejected urgently.**

Somerset, 24 October 2024

[28] For more information about contentious private finance instruments, you can consult CFFA's webpage on Conservation finance. Available at: https://www.cffacape.org/conservation-finance