

# **Scaling-up Finance Mechanisms for Biodiversity and the OECD DAC Rio Marker on Biodiversity**

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## Why is finance important?

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- Declining biodiversity trends at global level
  - *OECD Environmental Outlook to 2050* projects a further 10% loss by 2050 under business as usual. Yet biodiversity and ecosystem service benefits are high.
- Adverse impacts to environment, health, economic growth... human well-being



# CBD Context

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Widely recognised that 2010 biodiversity targets were not met.  
CBD COP10 led to agreement on 2011-2020 Aichi Targets.

➤ Will need to significantly scale up biodiversity outcomes...

CBD refers to six “innovative financial mechanisms”:

- Environmental fiscal reform
- Payments for ecosystem services
- Biodiversity offsets
- Markets for green products
- Biodiversity in climate change funding
- Biodiversity in international development finance



## Scaling-up Finance Mechanisms for Biodiversity

### Questions examined

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- What are these mechanisms, their purpose and applicability?
- How much finance have they mobilised and what opportunities are there to scale-up?
- What are the key design and implementation issues to help ensure:
  - environmental effectiveness;
  - cost effectiveness; and
  - distributional equity
- i.e. environmental and social safeguards?

# How do the finance mechanisms compare?

<b>Finance mechanism</b>	<b>Scope of finance</b>	<b>Source of finance</b>	<b>Direct vs. indirect finance</b>	<b>Impacts on drivers</b>	<b>Beneficiary vs. polluter pays</b>
<b>Environmental Fiscal Reform</b>	Local National	Private (& public)	Direct	Yes - direct	Polluter
<b>Payments for Ecosystem Services</b>	Local National International	Private & public	Direct	Yes - direct	Beneficiary
<b>Biodiversity offsets</b>	Local National	Private (& public)	Direct & indirect	Yes - direct	Polluter
<b>Markets for green products</b>	Local National International	Public	Indirect	Yes - indirect	N/A
<b>Biodiversity in climate change funding</b>	Local National International	Public & private	Indirect	Depends	Polluter
<b>BD in int'l development finance</b>	International	Public (& private)	Indirect	Depends	N/A



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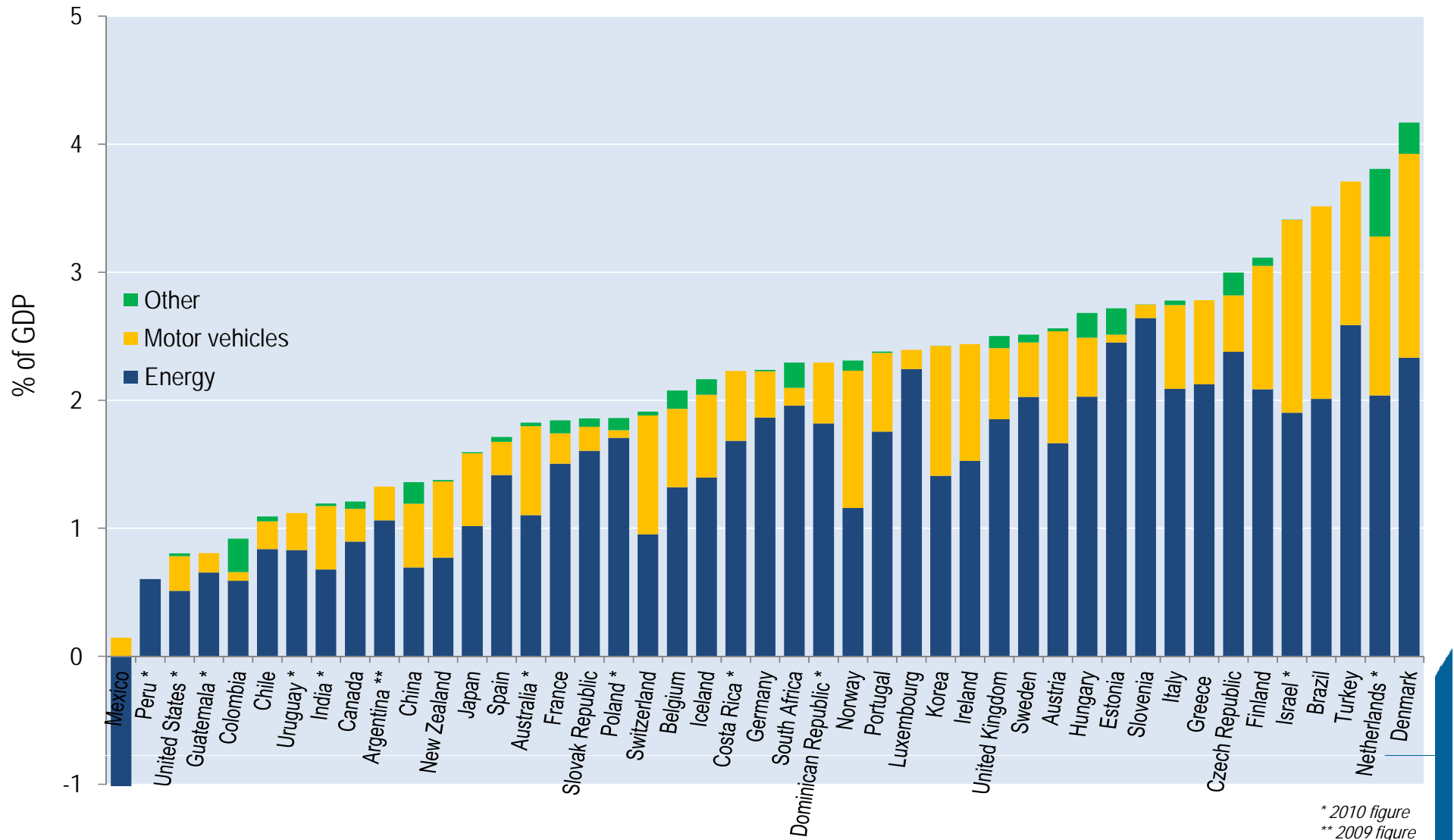


# How much finance have they mobilised?

Finance mechanism	Finance mobilised ( <i>Handle with care - complete data not available!</i> )
<b>EFR</b>	Total revenue from <u>environmentally related taxes</u> in OECD countries in 2010: slightly below USD 700 billion. <u>But</u> taxes on “other” ( i.e. pollution and resources) <u>small</u> fraction of this
<b>Payments for Ecosystem Services</b>	5 national programmes alone channel > USD 6 billion p.a. (OECD, 2010) Payments for watershed services > USD 9 billion in 2008 (Parker and Cranford, 2010)      ...More than 300 PES programmes worldwide
<b>Biodiversity offsets</b>	USD 2.4-4 billion in 2011 (Madsen et al, 2011) ~ 45 programmes worldwide
<b>Markets for green products</b>	N/A . Green commodity markets on the rise - <i>some</i> fetch price premiums
<b>Biodiversity in climate change funding</b>	Estimated total climate change finance USD 70-120 billion in 2009-2010 (north to south flows) (Clapp et al, 2011); Biodiversity related climate finance <i>may</i> approximate USD 8 billion
<b>BD in int'l development finance</b>	Biodiversity related ODA (development finance) estimated at USD 6.1 billion per year over 2010-2012 (OECD DAC, 2014)



# Revenues from environmentally related taxes in per cent of GDP, 2011



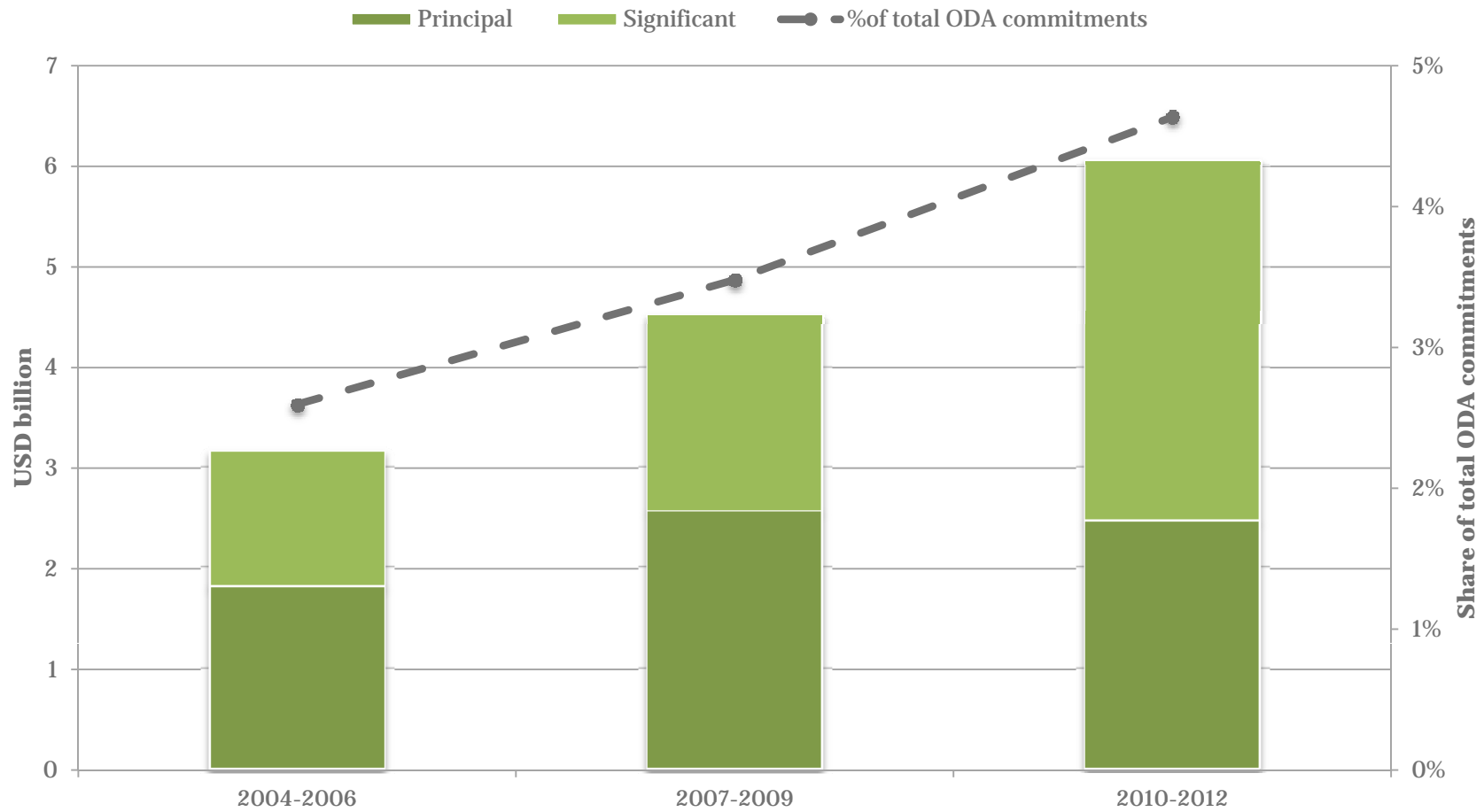
Source: OECD/EEA database on instruments for environmental policy; [www.oecd.org/env/policies/database](http://www.oecd.org/env/policies/database).





# Trends in biodiversity-related ODA

3-year averages, 2004-2012, bilateral commitments, USD billion, constant 2011 prices



Source: OECD DAC Statistics, March 2014



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## Design and implementation issues - some examples

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- Determining business-as-usual **baselines** is important for many of these mechanisms (e.g. PES, biodiversity offsets, biodiversity in climate change funding)
- **Prioritise/target finance** to areas with high biodiversity benefits, high risk of loss, low opportunity costs  
e.g. Targeting payments in the Forest Conservation Fund programme in Tasmania, Australia led to 50% increase in cost-effectiveness i.e. greater biodiversity benefits given a fixed budget
- Robust **monitoring, reporting and verification...** to evaluate programmes, assess progress, and improve over time.
  - > Biodiversity related ODA can play a key role



## Design and implementation issues – some more examples

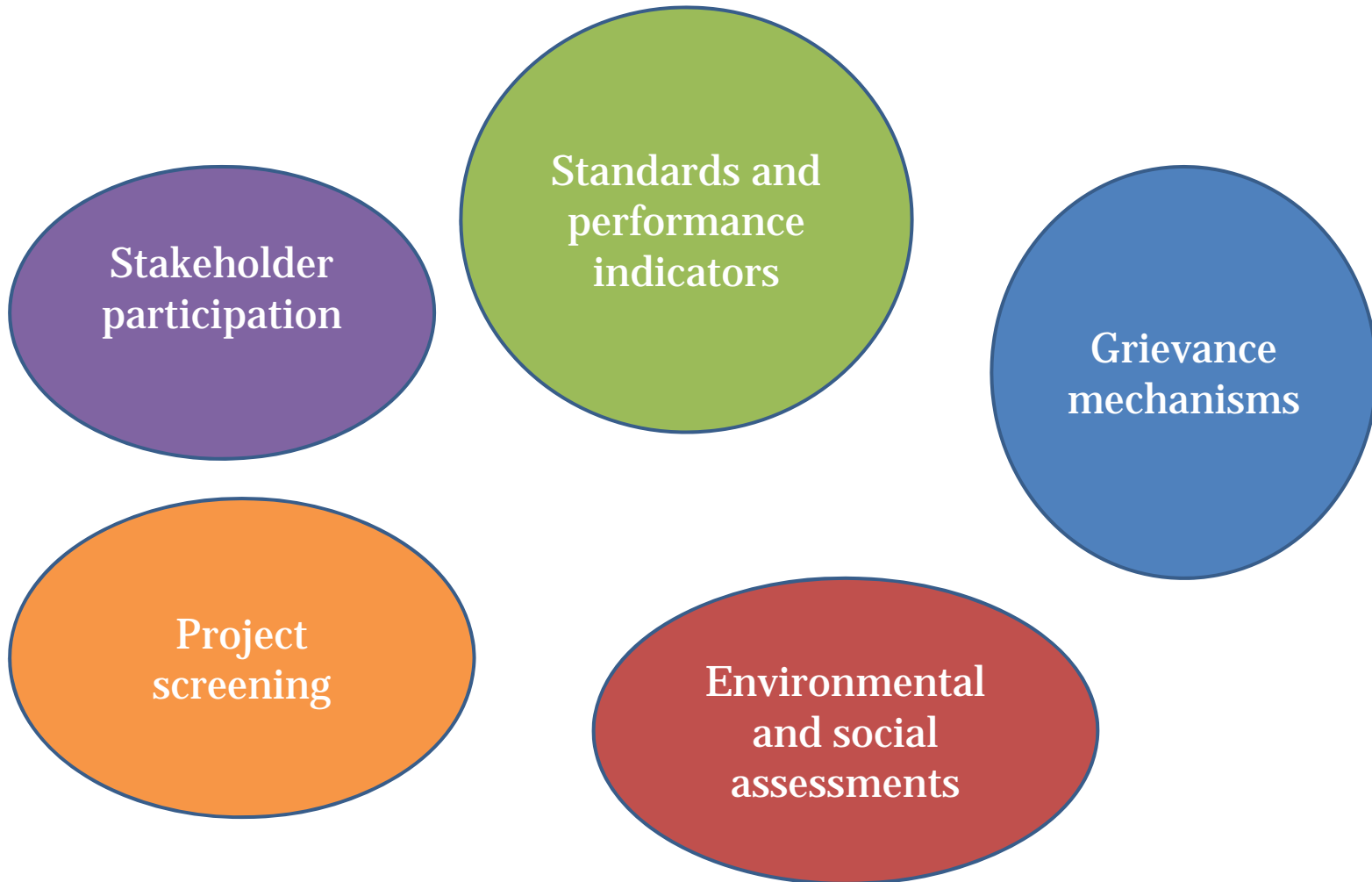
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- Leakage, permanence?
  - e.g. for PES, biodiversity offsets, etc.
- Identify **winners and losers** of policies ex-ante
  - then, build in well-targeted compensatory measures for low-income households; tax free threshold for essential use... (i.e. social safeguards)



## On environmental and social safeguards...

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## Take-away: key messages

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- Given that costs of inaction are in many cases considerable, urgent need for:
  - i. Broader and more ambitious application of policies and mechanisms – including those that engage the private sector
  - ii. More efficient use of existing financial resources channelled to biodiversity conservation and sustainable use
- All six mechanisms have an important role to play in scaling up biodiversity outcomes
  - some raise revenue directly, others help mainstream, others are least cost ...and some can do all three
- Attention to how mechanisms are designed and implemented is key to ensure effective outcomes



## Take-away: key messages II

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Introduction of *any* new policy instrument (economic, trade-related, environment) can impact on other policy areas and sectors of the economy

- Identify potential impacts in advance, and put in place appropriate safeguards to address any possible trade-offs
- For **new-comers**: start small, e.g. with well-designed pilots, phase-in over time
- For **old-timers**: review programmes and adjust to improve – then scale-up

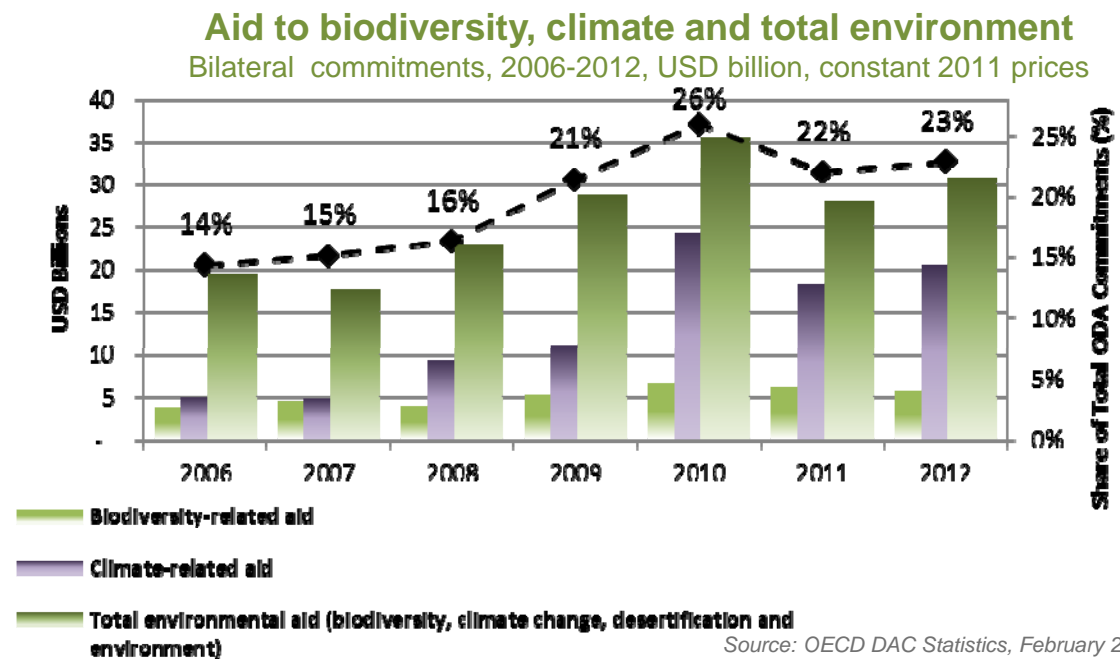


# OECD DAC environmental development finance statistics

- The OECD Development Assistance Committee (DAC) measures and monitors official development assistance and other resource flows to developing countries at activity-level within the Creditor Reporting System
  - includes finance targeted at global environmental issues tracked through the **Rio markers**; for climate adaptation, mitigation, biodiversity, & desertification
  - as well local environmental objectives, through the **environmental marker**.

- These statistics:

- enable development finance to be allocated and channelled more effectively
- hold developed countries to account on their international commitments







## Measuring and monitoring biodiversity-related aid within the Creditor Reporting System

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- Biodiversity-related aid is tracked within the CRS using the **biodiversity “Rio marker”**. It tracks donors’ **policy objectives** i.e. it identifies aid activities targeting biodiversity as a principal objective, a significant objective, or not at all
- Allows for an **approximate quantification** of development finance flows to biodiversity (the total amount of activities are captured in statistics; the same activity can be marked for several policy objectives).
- Data is publically available:  
<http://www.oecd.org/dac/stats/rioconventions.htm>





## Joint ENVIRONET-WP-STAT Task Team on the Improvement of Rio markers, environment and development finance statistics

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**Goal:** ensure DAC methodologies and data remain a reference for the international community on Official Development Assistance and Other Official Flows\* targeting environmental objectives

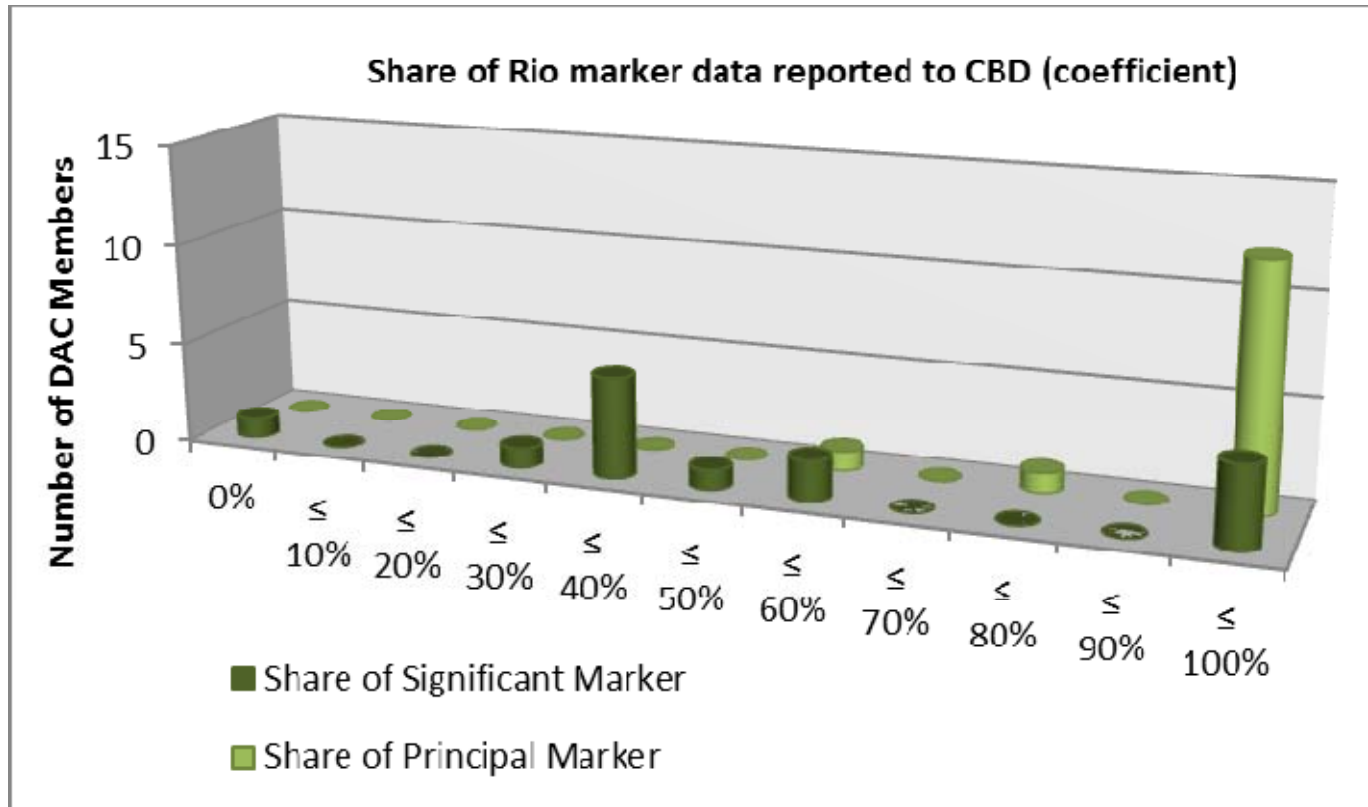
### Areas for improvement agreed in first Task Team meeting :

- **Quality** of Rio marker data
  - **Coverage** - reconciliation of “green ” multilateral finance flows
  - **Use** - supporting transparency and harmonisation in reporting to the conventions
  - **Communication** - including user access and online profile
- **In relation to Rio Conventions:** clarify information needs & explore how to build on the existing DAC system and data; increase transparency and accountability in donor reporting to Rio Conventions such as the CBD.
- Provide evidence, information and options in a timely manner to inform key international discussions and support good outcomes.





## Use of Rio marker data for Reporting to the Rio Conventions: no common standards and issues of comparability



- Recognising the quantitative nature of reporting requirements for the Conventions, the Task Team is exploring the options and basis for developing a harmonised methodology for how to use Rio marker data for reporting to the Conventions





# Thank you!

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## *Key areas of OECD work on biodiversity:*

- ❖ Biodiversity Indicators, Valuation and Assessment
- ❖ Economic Instruments, Incentives and Policies for Biodiversity
- ❖ Biodiversity Finance, Development and Distributional Issues

➤ *Recent and forthcoming work: Paying for Biodiversity: Enhancing the Cost-Effectiveness of Payments for Ecosystem Services (OECD, 2010); Biodiversity offsets (OECD, forthcoming 2014); Policy Response Indicators for Biodiversity (OECD, forthcoming 2014).*

For further information on OECD work on the economics and policy of biodiversity and ecosystems, visit: [www.oecd.org/env/biodiversity](http://www.oecd.org/env/biodiversity)

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For further information on the Rio markers and official development finance statistics, visit: [www.oecd.org/dac/stats/rioconventions.htm](http://www.oecd.org/dac/stats/rioconventions.htm)

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