

Policies for conserving & financing nature in developing countries

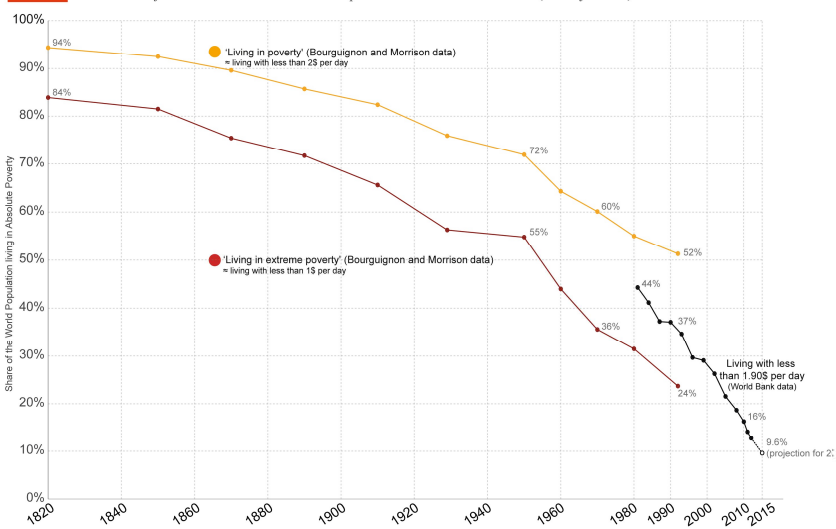
Matthew Agarwala

7th Global Policy Forum on Natural Capital

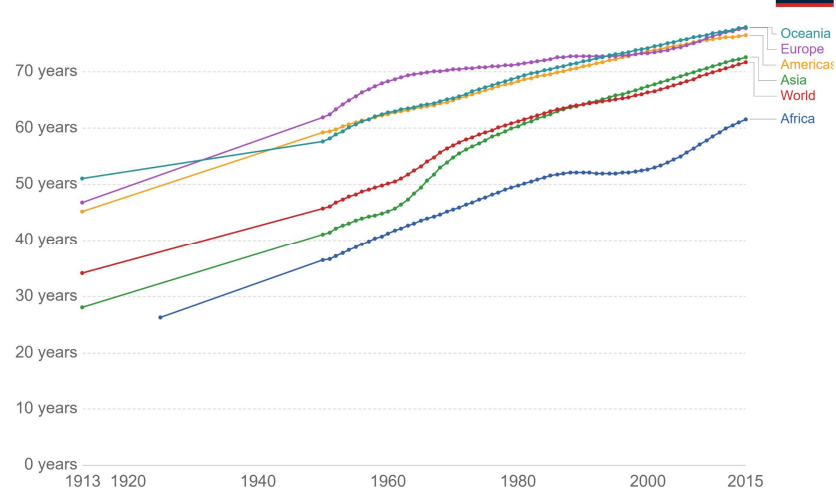
Kigali, Rwanda

March 6th, 2024

Our World in Data Share of the World Population living in Absolute Poverty, 1820-2015
All data are adjusted for inflation over time and for price differences between countries (PPP adjustment).



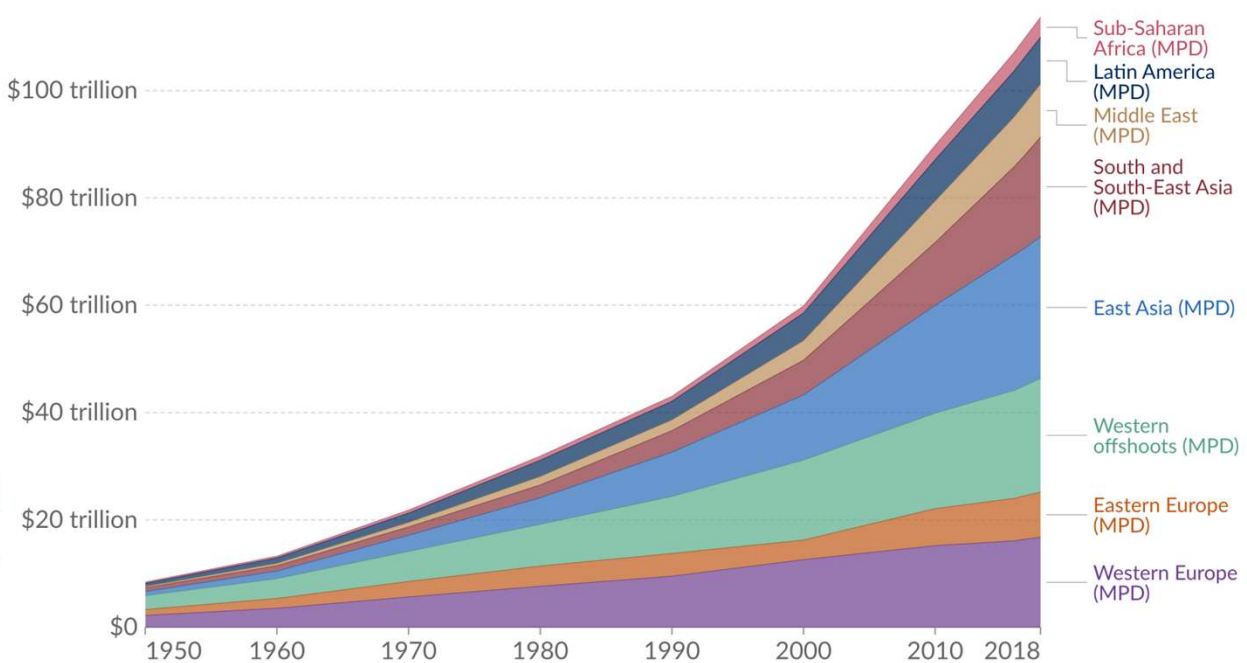
Life expectancy



Source: Riley (2005), Clio Infra (2015), and UN Population Division (2019) OurWorldInData.org/life-expectancy - CC BY
Note: Shown is period life expectancy at birth, the average number of years a newborn would live if the pattern of mortality in the given year

Gross domestic product (GDP) by world region

This data is adjusted for inflation and differences in the cost of living between countries.



Data source: Maddison Project Database 2020 (Bolt and van Zanden, 2020)

Note: This data is expressed in international-\$¹ at 2011 prices.

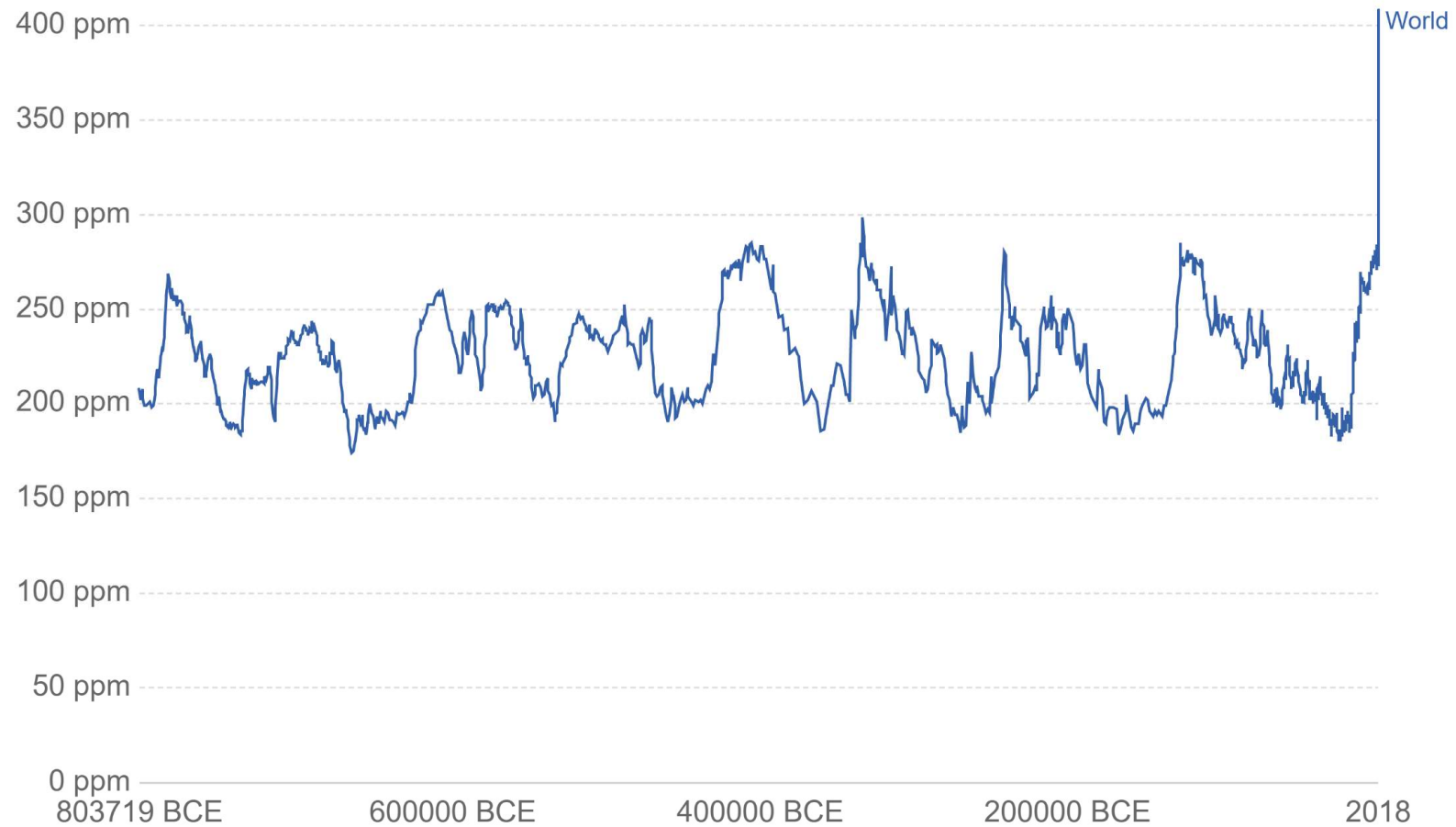
OurWorldInData.org/economic-growth | CC BY

1. International dollars: International dollars are a hypothetical currency that is used to make meaningful comparisons of monetary indicators of living standards. Figures expressed in international dollars are adjusted for inflation within countries over time, and for differences in the cost of living between countries. The goal of such adjustments is to provide a unit whose purchasing power is held fixed over time and across countries, such that one international dollar can buy the same quantity and quality of goods and services no matter where or when it is spent. Read more in our article: [What are Purchasing Power Parity adjustments and why do we need them?](#)

Atmospheric CO₂ concentration



Global average long-term atmospheric concentration of carbon dioxide (CO₂), measured in parts per million (ppm). Long-term trends in CO₂ concentrations can be measured at high-resolution using preserved air samples from ice cores.

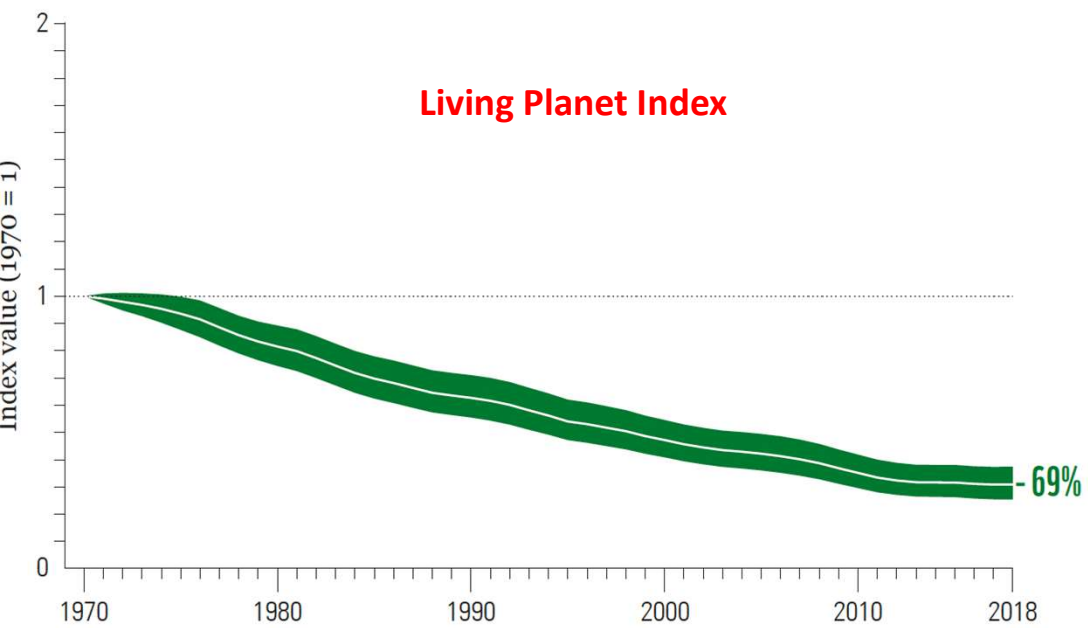


Source: EPICA Dome C CO₂ record (2015) & NOAA (2018)

OurWorldInData.org/co2-and-other-greenhouse-gas-emissions • CC BY

1,000,000
species

- 50 Years

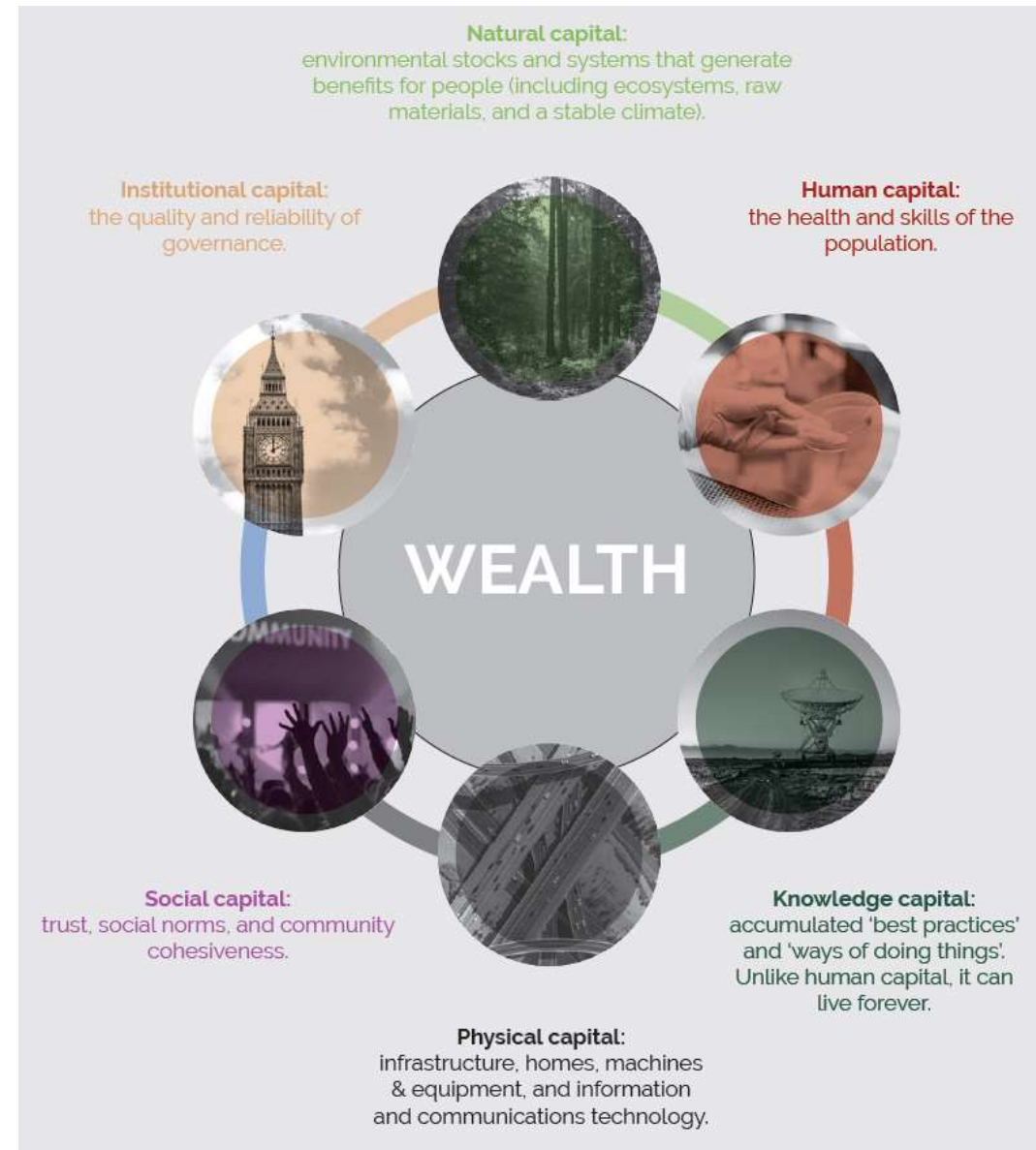


We need a new economic model



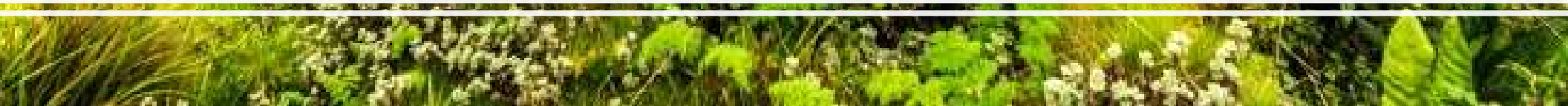
Growth of what?

- Income is the size of the pie
- Wealth highlights the core ingredients of prosperity

























An uphill battle



We've been here before...

Mainstreaming	Sustainable use	Protect biodiversity	Benefits to all	Enhance implementation
 1 Understand values	 5 Halve rate of loss	 11 Protected areas	 14 Restore ecosystems	 17 Revise NBSAPs
 2 Mainstream biodiversity	 6 Sustainable fisheries	 12 Prevent extinctions	 15 Enhance resilience	 18 Respect traditional knowledge
 3 Address incentives	 7 Manage within limits	 13 Conserve gene pool	 16 Implement Nagoya Prot.	 19 Improve knowledge
 4 Sustainable production	 8 Reduce pollution			 20 Mobilize resources
	 9 Reduce invasive species			
	 10 Minimize reef loss			

Aichi Targets
2010 – 2020 (RIP)

Kunming-Montréal Global Biodiversity Framework



Protect and Restore

- Restore 30% of degraded areas
- Protect and manage 30% of the planet



- Economic case for action
- Cost-effective restoration / conservation

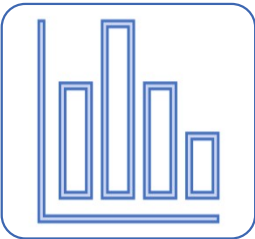


Sustainably use

- Enhance ecosystem services
- Integrate biodiversity in policies



- Measure / value ecosystem services
- Costs / benefits of policy reform



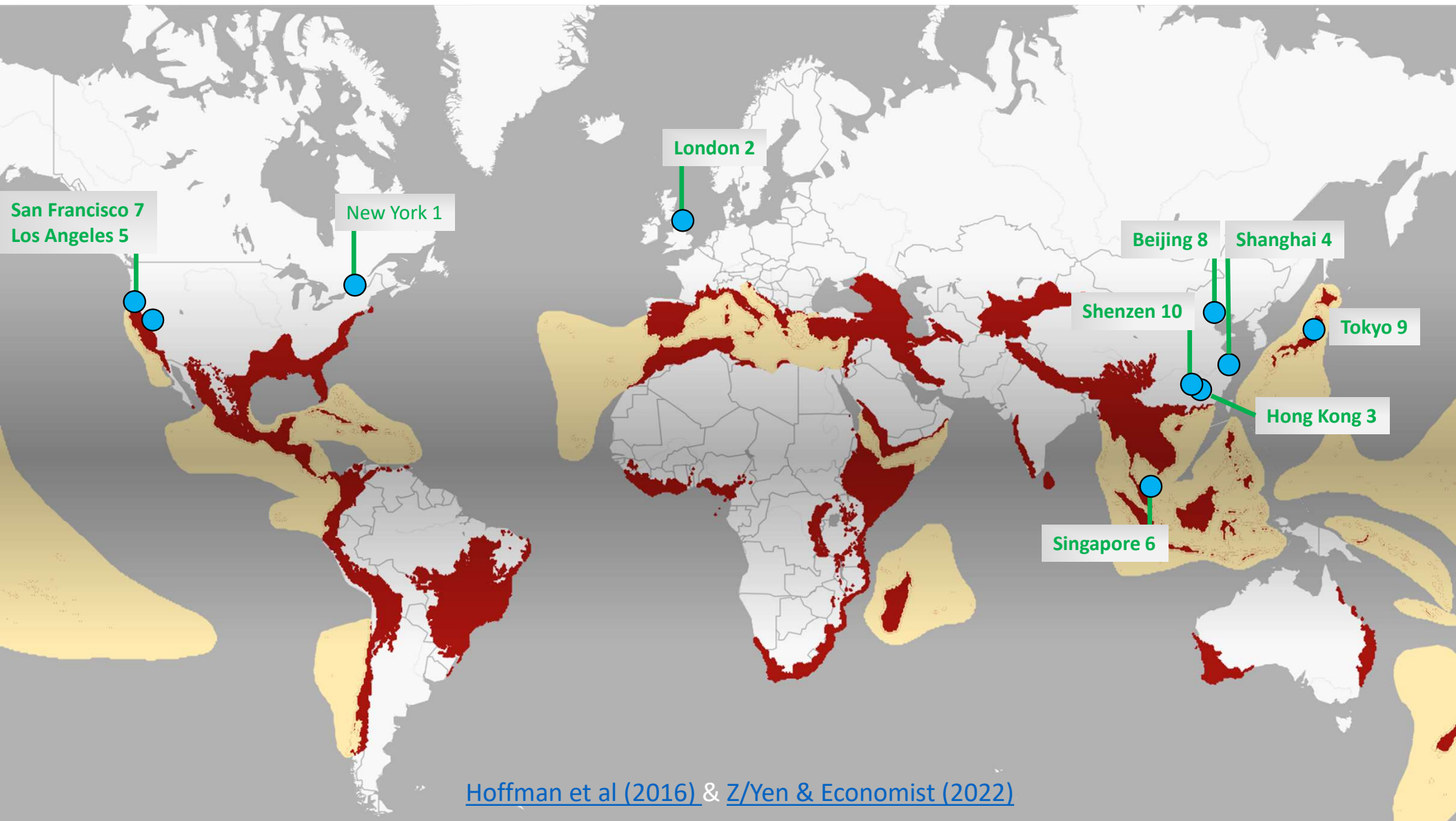
Mobilize capacity and finance

- Make quality data accessible
- Phase-out harmful subsidies
- Leverage private finance, promote financial innovation



- Statistical capacity
- Outcome-based finance for nature

Source: World Bank, GPS (with thanks to Tijen Arin)



[Hoffman et al \(2016\)](#) & [Z/Yen & Economist \(2022\)](#)

The economic challenge: monetizing biodiversity

Biodiversity is hard to finance because...



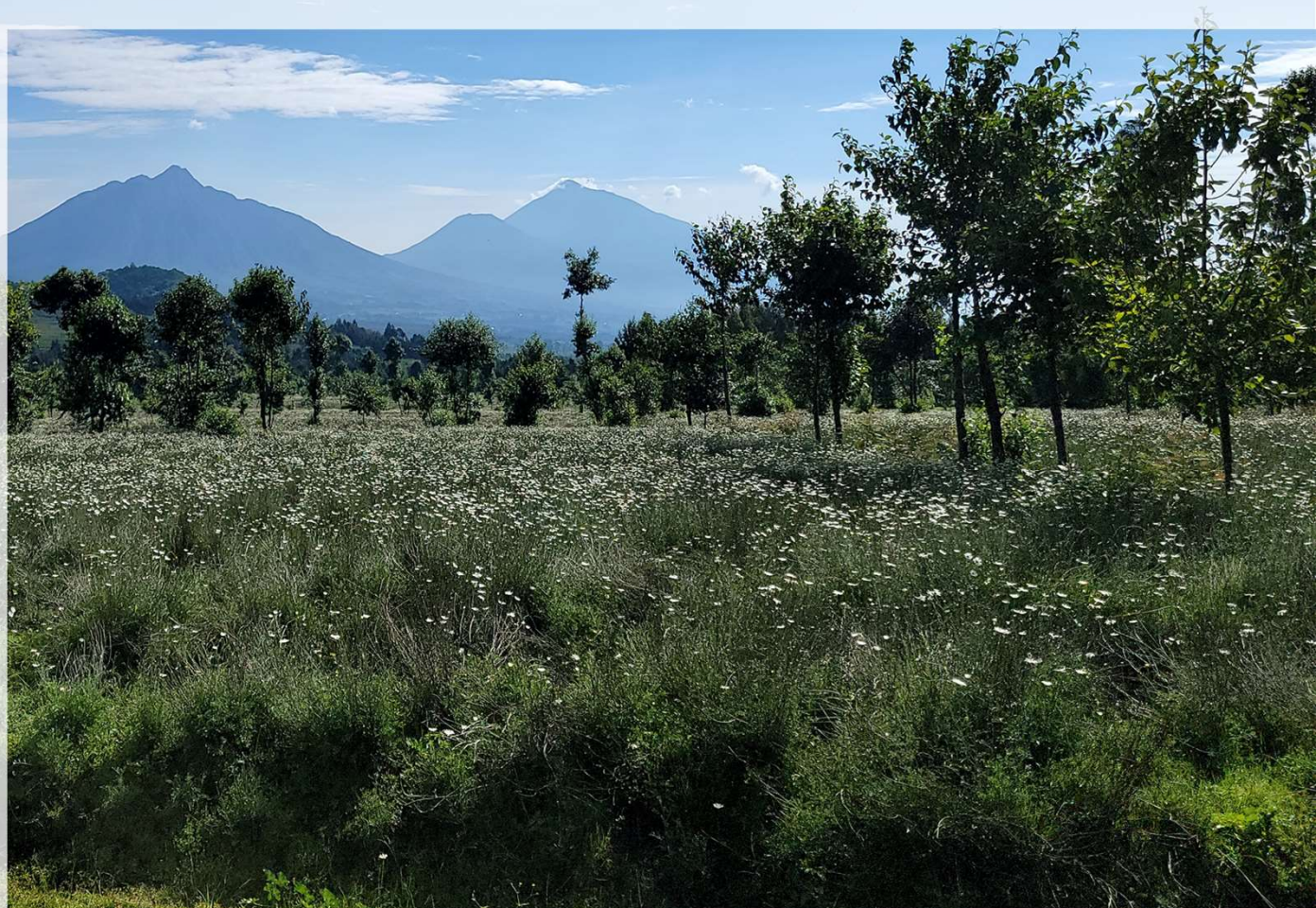
Public Good

Underprovided by the market

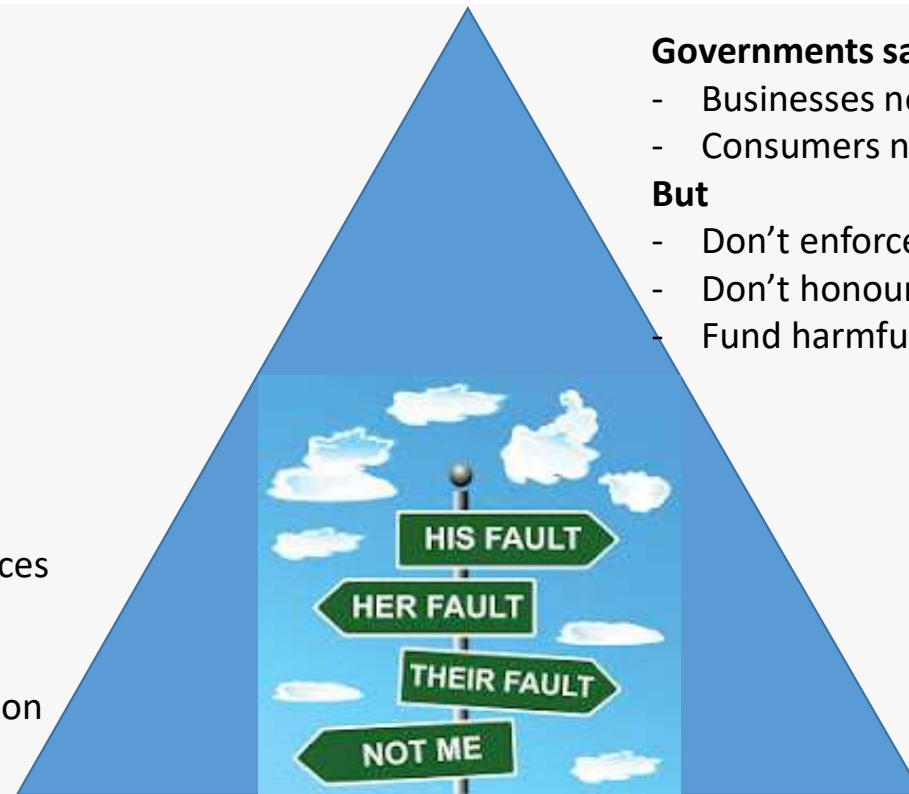
Free-rider problem

Global subsidy from biodiversity rich to financially rich

Coordination failure



The Shirkers' Triangle



Governments say

- Businesses need to innovate
- Consumers need to buy green

But

- Don't enforce regulation
- Don't honour environmental commitments
- Fund harmful subsidies

Businesses say

- We follow the rules governments set
- We simply respond to consumer choices

But

- Greenwash in marketing
- Lobby against environmental protection
- Require harmful subsidies

Public & consumers say

- Governments need to act
- Businesses need to clean up

But

- Don't change lifestyle
- Vote for nature



Somebody
always
pays



If somebody always pays, policy let's us decide *who*

Polluter pays

- Carbon tax, fines for oil spills, or farm pollution

Beneficiary pays

- Public money for public goods, raised through general taxation

Greatest net benefit

- Best environmental bang for our buck

Financing the gap

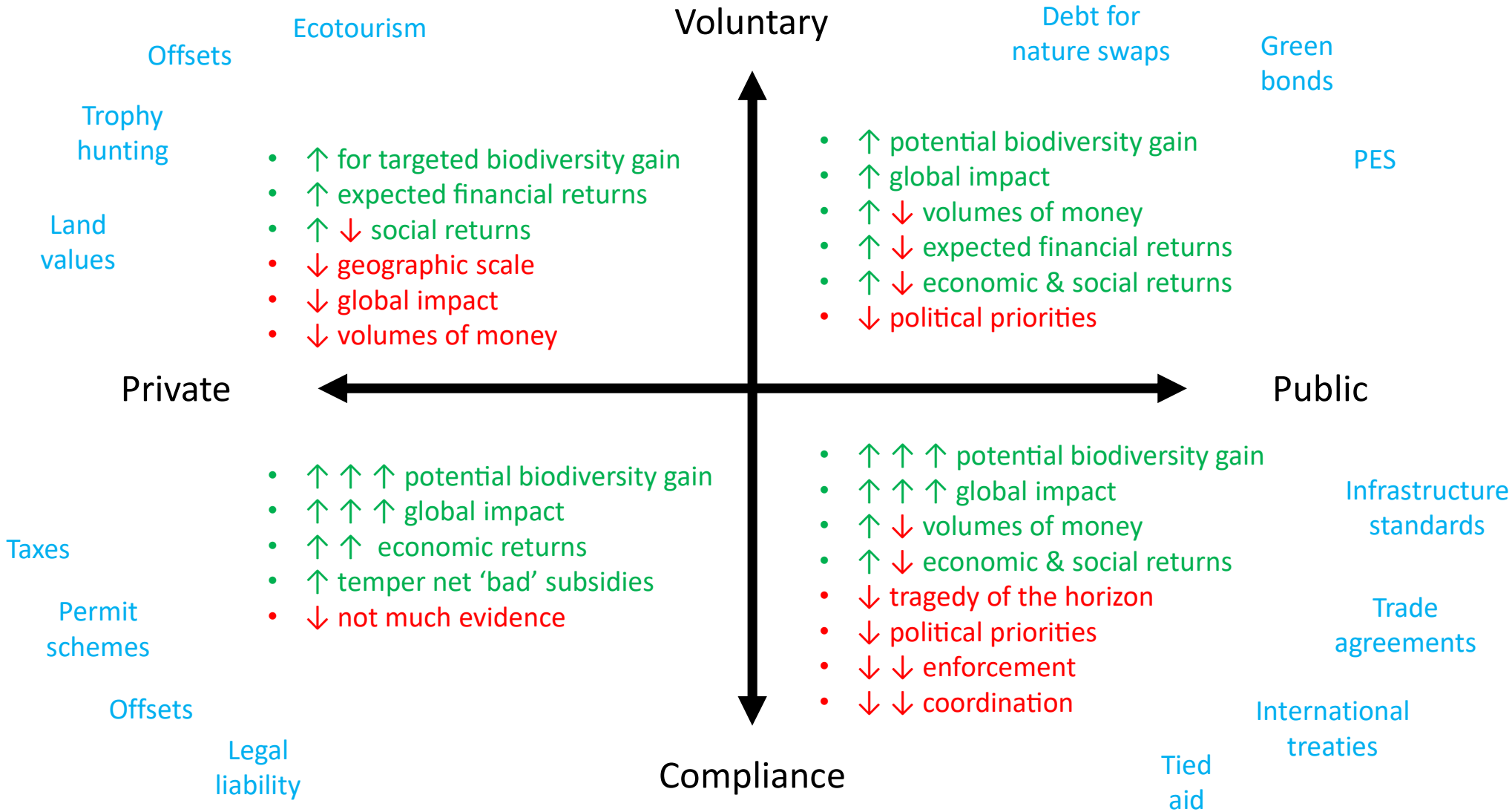


GBF funding gap between [\\$599 billion and \\$824 billion annually](#).



Loss of ecosystem services could ↓ annual global GDP by up to [\\$2.7 trillion by 2030](#) (World Bank 2021)

Monetizing biodiversity: What does the evidence tell us?



Best practice for private finance



Tie biodiversity public goods to market goods and services



Policy and political stability



Invest in complementary assets:
infrastructure (incl NCA), skills, regulation

Best practice for blended finance

- If ↓ financial returns, but ↑ biodiversity gains → philanthropic &/ public \$\$ can help de-risk:
 - **Seniority** – private investors receive returns ahead of public & philanthropic contributors
 - **Preferred rate of return** – differential rates, higher for private than other investors
 - **Financial guarantees/backstopping** returns for private investors

The big obstacles

- Ground-truthing & transaction costs
- Learning (a.k.a. making mistakes. Publicly.)
- Compiling & sharing evidence of best practices
- Policy consistency
- Deteriorating conditions (including cost of debt)

The big obstacles → solutions?

- Ground-truthing & transaction costs → Natural Capital Accounts, AI
- Learning (a.k.a. making mistakes. Publicly.) → public leadership, social capital
- Compiling & sharing evidence of best practices → Natural Capital Accounts & disclosure
- Policy consistency → public leadership, social capital
- Deteriorating conditions (including cost of debt) → act now

