AFRICAN CENTRE
FOR BIODIVERSITY

Harmful subsidies, debt and financing for biodiversity in Africa

Just transition pathways for CBD's COP 16 and beyond

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The African Centre for Biodiversity (ACB) is committed to dismantling inequalities and resisting corporate industrial expansion in Africa's food and agriculture systems

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Acronyms

FAO	Food and Agriculture Organisation of the United Nations
GDP	Gross domestic product
GBF	Global Biodiversity Framework
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IFFs	Illicit financial flows
IMF	International Monetary Fund
NbS	Nature-based solutions
NBSAPs	National Biodiversity Strategies and Action Plans
ODA	Overseas development assistance
SDGs	United Nations Sustainable Development Goals
SSA	Sub-Saharan Africa
tCO_2e	Tons of carbon dioxide equivalent
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
WTO	World Trade Organisation

Key messages

- Harmful subsidies are doing great damage to African agriculture and biodiversity. Calls for their reduction and replacement with biodiversity-friendly incentives are included in the United Nations (UN) Sustainable Development Goals (SDGs) (Target 12), the Convention on Biological Diversity (CBD)'s Global Biodiversity Framework (GBF) (Target 18), and the African Union's 2024 Declaration on fertiliser and soil health.
- Harmful subsidies include direct transfers from governments, foregone revenue (e.g. tax exemptions), and price supports. Other 'implicit' subsidies include failure to enforce regulations, and exclusion of externalised social, environmental and economic costs of harmful practices.
- Subsidies should be disaggregated into producer and consumer subsidies. The latter includes both households and inputs to commercial operations.
- Any plans to reduce subsidies should consider protection of energy and food subsidies to poorer households as an essential part of a just transition.
- Globally, environmentally harmful subsidies are estimated at over USD 2.6 trillion annually, around 2.5% of gross world product (GWP). The largest subsidies are to fossil fuels, at an estimated USD 1.05 trillion a year, and to agriculture at USD 610 billion a year (which does not include subsidies for food security).
- In 2022, African countries provided fossil fuel subsidies to a total value of USD 182.4 billion. Conventional agriculture input subsidies are not available for the whole continent, but estimates for 10 countries in Africa – accounting for more than half of sub-Saharan Africa (SSA)'s population was up to USD1 billion a year. These subsidies accounted for around a quarter of total public expenditure on food and agriculture, rising to 60% in Malawi.
- Subsidy reform should be managed carefully to avoid unanticipated damage to production and placing more pressure on farmers. Reforms should be coupled with the scaling up of biodiversity-friendly alternatives.
- Subsidies and other harmful investments far outweigh the value of biodiversity and environmental protection measures. Resources required to comprehensively cover plans for biodiversity protection globally are estimated at around USD 722 billion to USD 967 billion a year.
- Properly funding biodiversity protection will have significant positive social, environmental and economic impacts. At least half of the global economy is directly dependent on natural resources.
- The upper end of estimated current global allocations for biodiversity protection is between USD 124 billion and USD 143 billion per year, resulting in a shortfall of 83%-85%.
- Financial flows undercutting CBD objectives include an estimated USD 1.7 trillion in harmful environmental subsidies from the public sector, with environmentally harmful private investments of around USD 5 trillion a year.
- Governments may recognise the environmental damage of subsidies to extractive sectors but are compelled to support them to generate foreign currency to pay for key imports (including food, technology and medicines). Loan conditionalities reinforce this pathway.

- African debt, increasingly through private sector loans, has increased sharply since the Covid-19 pandemic. African governments are forced to pay higher interest rates than elsewhere in the world. Debt produces an inability to invest in public goods, which in turn undermines economic growth and redistribution, leading to a downward spiral in which many African countries are trapped.
- There are many problems with this debt. Africa has been subjected to slavery, colonialism and extractivism, which underpins Western wealth. This continues to go unacknowledged, and no reparations for these crimes have been forthcoming. Debt has been used in the post-colonial era to keep Africa in a subordinate position in the global economy, resulting in massive financial outflows over decades.
- Added to the net financial outflows from debt repayments and the unbroken continuation of natural resource extraction are illicit financial flows (IFFs), which draw an (under) estimated USD 50 billion a year from the continent.
- Trillions of dollars are secreted away in tax havens and offshore accounts, both by corporations and wealthy individuals, with heavy costs in lost taxation estimated at USD 200 billion annually for low income countries.
- The international financial architecture, designed by and for the industrialised countries after the Second World War, is today "entirely unfit for purpose … plagued with inequities, gaps, and inefficiencies with deep systemic roots", in the words of the UN.

The following are required to respond systemically to the lack of financing for biodiversity and the continued extractivism from Africa:

- African debts should be written off, and minimum reparations calculated and paid as the basis for Africa's endogenous developments.
- The decades-long trend of shrinking corporate and personal income taxes should be reversed, and a global agreement reached to institute and enforce minimum corporate taxes at a rate appropriate to meeting social and environmental goals.
- Tax avoidance and IFFs should be stopped, and the resources channelled into financing the realisation of the SDGs, biodiversity protection, climate action, etc.
- National governments should include GBF Target 18 in their revised National Biodiversity Strategies and Action Plans (NBSAPs), with mandatory reporting on subsidies and actions for their reform and reallocation to biodiversity-friendly practices.
- Consumer energy and food subsidies, especially for the poor and marginalised, should be defended and secured as a key element of a just transition towards a more equitable and environmentally-friendly production system.

Introduction

Our view in the South is that subsidies are doing great damage to African agriculture. On one hand, huge producer subsidies in Europe and the United States promote imports into Africa and elsewhere, below the true costs of production, thereby undermining African producers. On the other hand, significant public expenditure on agriculture across Africa is channelled to subsidising conventional inputs, especially synthetic fertiliser, hybrid seeds, and pesticides. We note and share the widespread concern about deep environmental, social, and economic harms being done and we join the calls for reduction or repurposing of these harmful subsidies.

With this view in mind, we wanted to deepen our understanding of the scale of the problem and the possibilities for financing transitions to more sustainable production systems. Our initial research reveals this to be a complex topic. It has also foregrounded that the issue of harmful subsidies and financing for the environment cannot be separated from broader economic inequities centred on the unjust and unsustainable debt burden in Africa. This has to be resolved as a key element of an effective and sustainable response to the ecological and social crises bearing down on us.

This backgrounder offers a first cut from where we stand. No doubt, deeper analysis is required as well as engagement with wider networks to develop practical ways to ensure a shift in financing towards ecological and socially just production for Africa and the world.

Inequality © **Shutterstock**

Mandates

The 2019 *Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) assessment of biodiversity and ecosystem services* has noted that

"economic incentives have generally favoured expanding economic activity – often resulting in environmental harm – over conservation or restoration."[1]

The UN SDG 12 on responsible consumption and production includes Target 12.C, which calls for member states to:

"Rationalise inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, by national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities."[2]

The CBD's Aichi biodiversity targets were set in 2010. Target 3 aimed to phase out or eliminate incentives and subsidies harmful to biodiversity. Yet only 21% of member states' NBSAPs contained a target that matched or exceeded the Aichi target, and less than one-third of these were on track to match or exceed the targets they set for themselves.[3] Few countries have embarked on even the first step in this process, which is to conduct national-level studies to identify and assess incentives, including subsidies that are harmful to biodiversity.[4] Despite this limited uptake, the Aichi target was considered to be important enough to be repeated in the GBF in Target 18:

"Identify by 2025, and eliminate, phase out or reform incentives, including subsidies, harmful for biodiversity, in a proportionate, just, fair, effective and equitable way, while substantially and progressively reducing them by at least $500 billion per year by 2030, starting with the most harmful incentives, and scale up positive incentives for the conservation and sustainable use of biodiversity."[5]

More recently, African Union (AU) members have committed, among other actions,

"to reverse land degradation and restore soil health on at least 30% of degraded soil by 2034 through … innovative incentive mechanisms - including repurposing current subsidy programs - to encourage soil health investments by smallholder farmers."[6]

1 IPBES. "Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services." Eds. Díaz, S. et al. IPBES secretariat, Bonn, Germany, 2019,14. https://doi.org/10.5281/zenodo.3553579

2 UN. "Goal 12: ensure sustainable consumption and production patterns", UN Department of Economic and Social Affairs, https://sdgs.un.org/goals/goal12#targets_and_indicators

3 CBD. "Analysis of the contribution of targets established by Parties and progress towards the Aichi biodiversity targets", CBD/SBI/3/2/Add.2, 16 March. CBD Secretariat, Montreal, 2020, 6. https://www.cbd.int/doc/c/f1e4/ab2c/ff85fe53e210872a0ceffd26/sbi-03-02-add2-en.pdf

4 Matthews, A. and Karousakis, K. "Identifying and assessing subsidies and other incentives harmful to biodiversity: A comparative review of existing national-level assessments and insights for good practice", OECD Environment Working Paper No. 206, 2022. https://www.oecd-ilibrary.org/environment/identifying-and-assessing-subsidies-and-other-incentives-harmful-to-biodiversity_3e9118d3-en

5 CBD. "Kunming-Montreal Global Biodiversity Framework", CBD/COP/DEC/15/4, 19 December, 2022. CBD Secretariat, Montreal. https://www.cbd.int/doc/decisions/cop-15/cop-15-dec-04-en.pdf

6 African Union. "Africa Fertiliser and Soil Health Summit Draft Declaration", AFSHS/Decl/4(II), 2024, 5 https://au.int/sites/default/files/documents/44056-doc-AFSHS_Decl_4_II_Rev_2_E.pdf

Defining harmful subsidies

An important starting point is to recognise that government subsidies can serve legitimate social and economic policy objectives; for example, promoting economic activity and supporting access for poor or marginalised individuals to essential goods and services such as energy and food. However, if a government decides to use subsidies, it should implement them in a manner that supports long-term biodiversity rather than leading to the depletion of biodiversity and degradation of ecosystem services.[7]

The World Trade Organisation (WTO) definition of subsidies[8] tends to be used as a starting point for the discussion on harmful subsidies. According to this definition, subsidies include:

- Direct transfers from the government (e.g. grants, loans at below market rates, equity) or potential transfers (e.g. loan guarantees)
- Government revenue that is foregone or not collected (e.g. as a result of tax exemptions)
- Government purchase of goods or provision of goods or services other than general infrastructure
- Price support (e.g. price controls)

To be categorised as a subsidy, the action must confer a benefit to specific interests (producers or consumers) beyond what the market would provide, to supplement their income or lower their costs.

Additional concerns not included in the WTO definition are 'implicit' subsidies from failure to enforce regulations, and exclusion of externalised costs in most discussions on subsidies, even though these costs confer a significant advantage on enterprises that extract free or cheap resources from nature and people, and which use the environment as a free dumping ground (e.g. greenhouse gas emissions and other forms of pollution). The inclusion of such costs would rapidly multiply the cost of continuing harmful practices.

For example, the societal costs of fossil fuel subsidies in South Africa, calculated based on estimates of total deaths, working days lost, and greenhouse gas emissions, are estimated at ZAR 550 billion (USD 31.5 billion) annually, even before taking into account the negative biodiversity impacts.[9] Yet this figure is conservative as it only considers fossil fuel combustion and the three indicators. **Despite the critical importance of food production, the externalised or hidden costs of current global food and land-based agricultural systems to the environment and public health have been estimated at around an astronomical USD 12 trillion per year, and current trends will rise to USD 16 trillion a year by 2050.**

These hidden costs include:

- negative impacts of obesity, undernutrition, and pollution on human health;
- negative impacts on climate and natural resources, and
- economic costs of food loss and waste, fertiliser leakage, and unequal income distribution.[10]

7 Deutz, A. et al. "Financing Nature: Closing the global biodiversity financing gap". The Paulson Institute, The Nature Conservancy, and the Cornell Atkinson Centre for Sustainability, 2020. https://www.paulsoninstitute.org/conservation/financing-nature-report/

8 WTO. "Agreement on Subsidies and Countervailing Measures", 1995. https://www.wto.org/english/docs_e/legal_e/24-scm.pdf

9 United Nations Development Programme (UNDP) South Africa. "The impact of subsidies and incentives on South African biodiversity: The Biodiversity Finance Initiative", UNDP, New York, 2022, 13; Bridle, R. et al. "South Africa's energy fiscal policies: An inventory of subsidies, taxes, and policies impacting the energy transition". IISD Global Subsidies Initiative, 2022,5. https://www.iisd.org/system/files/2022-01/south-africa-energy-subsidies.pdf

10 FAO, UNDP and UNEP. "A multi-billion-dollar opportunity – Repurposing agricultural support to transform food systems". FAO, Rome, 2021,

Various concerns about subsidies have been raised. Inefficiency and market distortion are one set of concerns, which can be used to justify attacks on any form of public sector support and contribute to the political agenda of dismantling the regulatory state. For example, food reserves have all but disappeared from public policy on this basis, thus exposing countries to food price volatility and food insecurity in times of crisis. But there may also be some legitimate concerns.

For example, agricultural subsidies in the United States and Europe have resulted in goods being exported to other countries including in Africa at artificially low prices, forcing African local producers out of business as they are unable to compete. Commodity subsidies in the United States totalled USD 279 billion from 1995-2023, of which the top 1% of recipients received 27% of payments, and the top 5% got 62% of the total.[11] These subsidies are not going to ordinary family farmers but to large corporations, in the US and Europe.[12]

A different type of concern is about the harm subsidies cause with a primary focus on negative environmental impacts. This can also extend to negative social impacts. Assessing the environmental and social impacts of subsidies poses a challenge, as this requires detailed quantification that may be difficult due to the inherent complexity of biodiversity and climate. Quantifying externalities is also a challenge because it involves assigning financial value to non-financial impacts. It should be noted that the monetary size of a subsidy does not necessarily correspond to the extent of harmful effects. Some subsidies may also reduce some kinds of environmental harm while exacerbating others (e.g. public transport infrastructure can reduce greenhouse gas emissions but can also lead to destruction or fragmentation of ecosystems). There are general threats that efforts to quantify environmental damage in monetary terms lead both to over-simplification of what is being measured and to processes of commodification of nature.

Harmful subsidies include those that underprice the use of natural resources and those that incentivise production increases, leading to environmental damage. The main subsidies for consideration are fossil fuels and industrial agriculture, as these are by far the largest globally. Detailed analysis is required to distinguish between production and consumption subsidies.

Production subsidies go to private and public sector entities to support the exploration, extraction, transport, storage, processing, and refining of fossil fuels and mineral products, and the production of agricultural products. There are equity concerns about subsidising large firms that are capable of covering the full costs of their operations, and should be doing so based on the polluter pays principle. This is even the case for subsidies to environmentally positive practices.[13]

Consumer subsidies (including power generation, transport sector, residential, and industry) go to support lower prices for energy and food. It is important to note that consumer subsidies are not only allocated to individuals and households but may be channelled in large part to commercial operations, including energy-intensive corporations, as users of the subsidised input.

A superficial consideration of subsidies potentially opens the door for the removal of government price supports to poorer consumers (e.g. energy and food subsidies or price controls). A comprehensive

3-4. https://doi.org/10.4060/cb6562en

11 Environmental Working Group. "Farm Subsidy Database – United States", 2024. https://farm.ewg.org/progdetail.php?fips=00000&progcode=totalfarm&page=conc&regionname=theUnitedStates

12 Corporate Europe Observatory. "CAP vs Farm to Fork: Will we pay billions to destroy, or to support biodiversity, climate and farmers?", 2020. https://corporateeurope.org/sites/default/files/2020-10/CAP_Farm-to-Fork-Final_0.pdf; Fritz. T. "Globalising hunger: Food security and the EU's Common Agricultural Policy (CAP)", 2011. https://www.tni.org/files/cappaperfinal-web.pdf; Carter, L. and Dowler, C. "Rich List billionaires scoop up millions on farm subsidy payments", 2017. https://unearthed.greenpeace.org/2017/06/30/rich-list-billionaires-scoop-millions-farm-subsidy-payments/

13 Koplow, D. and Steenblik, R. "Protecting nature by reforming environmentally harmful subsidies: An update", Earth Track, 2024. https://www.earthtrack.net/sites/default/files/documents/ehs_report_september-2024-update_final.pdf

Renewable energy © **Bureau of Land Management,** Flickr

cost-benefit analysis is needed when assessing harmful subsidies and the scope for reducing or reallocating them to more environmentally-friendly practices. It is essential to protect (and even increase) energy and food subsidies to poorer households, as part of a just transition. But the way energy and food are produced can be a focus for change; e.g., from fossil fuels to renewable sources, or from conventional-industrial to agroecological production. Globally, efforts to reduce or eliminate consumer price subsidies have at times met with large-scale popular protests as these may threaten day-to-day livelihoods if imposed as a blanket solution.

Therefore, the reduction and elimination of subsidies should not be an undifferentiated approach but should be built on clear principles of a just transition that include sustainably improving access to essential services for people and small businesses, while dismantling subsidies to corporations that promote and entrench environmentally and socially harmful practices. Systematic and rapid efforts to build environmentally-friendly energy and food alternatives must accompany the latter. This can include reallocation of supply-side subsidies towards supporting biodiversity- and environmentally-friendly practices, or at least practices that reduce negative environmental and social impacts. These practices include renewable energy and agroecology.

Spending on harmful subsidies

Globally, environmentally harmful subsidies are estimated at over USD 2.6 trillion annually, around 2.5% of GWP. The largest subsidies are to fossil fuels, at an estimated USD 1.05 trillion a year, and to agriculture at USD 610 billion a year (which does not include subsidies for food security). Other sectors receiving harmful subsidies in order of size include water, transport, forestry, construction, fisheries, non-energy mining, and plastics.[14] Significant data gaps remain in estimations of harmful subsidies, especially in regard to both legal and illegal activities that are not well monitored in mining, fisheries, and forestry.

In 2022, African countries provided ***fossil fuel subsidies*** to a total value of USD 182.4 billion.[15] Between them, Egypt and Algeria were responsible for 63.6% of these, and the top five subsidising countries (these two plus Nigeria, Libya, and South Africa) were responsible for 86% of all African fossil fuel subsidies. Subsidies were mainly allocated to petroleum (42%) and end-use electricity (29%), with natural gas at 19%. Context-specific analysis is required to disaggregate producer and consumer subsidies across the categories. As noted above, end-user electricity and petroleum subsidies are not only to individuals but include subsidising the energy costs of large enterprises, sometimes considered to be investments in "strategic" sectors for economic development.

Fossil fuel subsidies are estimated at more than 10 times the total revenues of carbon pricing schemes globally, despite which there is continued large-scale financing of international fossil fuel projects via public lending institutions.[16] South Africa is currently the only country in Africa with a carbon pricing and taxing system, although carbon taxes are being considered in six countries and emissions trading is being considered in two other countries.[17] But even in South Africa, exemptions are the rule. In 2021, the official carbon price was ZAR 134 (USD 9.20)/tons of carbon dioxide equivalent (tCO_2e) on entities generating emissions above specified thresholds, but the applied rate was only between ZAR 6 and ZAR 48 (USD 0.40 and USD 2.90)/tCO_2e.[18] This should be compared with the social cost of carbon estimated at over USD 3,000/tCO_2e.[19] Most current subsidy spending is directed at propping up existing energy industries rather than promoting a transition to clean(er) energy.[20]

Subsidies to ***industrial agriculture*** have increased in recent years and could reach almost USD 1.8 trillion globally by 2030 on current trends. Subsidies mostly take the form of border measures (e.g. import tariffs or export subsidies) with price distortion being the biggest concern. Border measures are projected to be about 73% of total support to farmers in 2030 on current trends. Subsidies also take the form of fiscal subsidies linked to the production of specific commodities, projected to constitute about 27% of support by 2030. The latter raise environmental concerns because they can

14 Koplow and Steenblik. "Reforming environmentally harmful subsidies", 2024, as above..

15 Data drawn from the OECD, IMF and International Energy Agency (IEA) via Fossil Fuel Subsidy Tracker, https://fossilfuelsubsidytracker.org/country/

16 Koplow and Steenblik. "Reforming environmentally harmful subsidies", 2024, as above.

17 World Bank. "State and trends of carbon pricing dashboard", 2024. https://carbonpricingdashboard.worldbank.org/compliance/instrument-detail

18 Bridle et al. "South Africa's energy fiscal policies:", 2022, 26, as above.

19 Jarmo S. Kikstra et al. "The social cost of carbon dioxide under climate-economy feedbacks and temperature variability", Environmental Research Letters, 16:9, 10.1088/1748-9326/ac1d0b; Bond, P. "Resource extraction cost-benefit debates in South Africa: Contesting the environmental economics of offshore gas extraction", Alternation, 2023, 30:1, 35-71. https://doi.org/10.29086/2519-5476/2023/v30n1a3

20 Bridle et al. "South Africa's energy fiscal policies:", 2022, 16, as above.

lead to the overuse of agrochemicals and natural resources, and the promotion of monocultures, as well as concerns around nutritional outcomes, as they can promote the disproportionate production of staples over fruit and vegetables. Emissions-intensive (e.g. beef, milk, rice) and unhealthy (e.g. sugar) products receive the most support worldwide.[21] For low-income countries, most of which are located in SSA, price incentives tend to be aimed at lowering food prices for poorer consumers. As such, these incentives have had the effect of disadvantaging the agriculture sector relative to the rest of the economy.[22]

Pesticides © Zeynel Cebeci, Wikimedia Commons

Globally, just under 17% of total agricultural support is allocated to input subsidies.[23] **Farm input subsidy programmes (FISPs)** to reduce the cost of Green Revolution inputs such as synthetic fertiliser and toxic pesticides have been a feature of African agriculture for decades. These may contribute to increasing yields in the short term but have significant long-term negative environmental impacts on the soil, water, and biodiversity. The input subsidies have undergone various changes over the years but remain a key feature of agricultural policy and spending on the continent. No studies are offering a consolidated picture of expenditure across all African countries. Various multi-country assessments have shown that 10 countries analysed (accounting for more than half of SSA's population) were spending USD 600 million to USD 1 billion a year between them on input subsidies (2011-2014), accounting for 14%-26% of combined annual public expenditures on agriculture.[24]

21 FAO, UNDP and UNEP. "Repurposing agricultural support", 2021, as above.

22 Ibid, p.37

23 Ibid, p.27

24 Jayne, T. et al. "Taking stock of Africa's second-generation agricultural input subsidy programs", *Food Policy*, 75, 2018, 1-14.

Another study by the United Nations Food and Agriculture Organisation (FAO) showed that input subsidies accounted for 23% of budgets for food and agriculture in SSA from 2004 to 2018. This rose to over 60% on average in Malawi, and more than 30% in Burkina Faso, Senegal, Mali, and Burundi.[25] Input subsidies have been cut in recent years mainly as a result of austerity measures, but have not been replaced with biodiversity-friendly support. These figures are significantly lower than subsidies for fossil fuels. But they are still large and input subsidies offer an opportunity to reorient expenditure towards biodiversity-friendly practices in agriculture.

Subsidy reform must be carefully managed as it can have unintended negative consequences if not done correctly. Options include:

i. complete removal of the subsidy, with likely outcomes including increased revenue for the state and a reduction in chemical use, but also a potential reduction in agricultural productivity;

ii. reduction in the subsidy, resulting in increased revenue for the state, a reduction in chemical use, and more ability to calibrate to maintain agricultural productivity;

iii. maintain a subsidy for biodiversity-friendly inputs, which can result in lower costs for farmers, increased agricultural yields, and reduction of biodiversity loss; or

iv. no subsidy, but a rebate based on efficient use in line with government guidelines, which can result in increased revenue for the state and more state involvement in input decisions, but also more logistical challenges for farmers.[26]

The options could be tailored to target some farmers for subsidy removal and retain subsidies for others. Reducing subsidies without an alternative does not necessarily lead to a decrease in input consumption, but farmers will carry the cost.

Key obstacles in addressing harmful incentives and subsidies include:

- lack of sufficient resources,
- institutional weakness leading to inadequate capacity to act,
- lack of political will and support,
- vested interests and resistance to change,
- limited public participation and awareness,
- poor integration of biodiversity into other sectors, and
- poor understanding of biodiversity loss and its wider implications.[27]

25 Pernechele, V. et al. "Public expenditure on food and agriculture in sub-Saharan Africa: trends, challenges and priorities", FAO, Rome, 2021. https://doi.org/10.4060/cb4492en

26 UNDP South Africa. "The impact of subsidies", 2022, 26-27, as above.

27 CBD. "Modalities and milestones for the full operationalisation of Aichi biodiversity target 3, and obstacles encountered in implementing options identified for eliminating, phasing out or reforming incentives that are harmful for biodiversity", UNEP/CBD/WGRI/5/4/Add.1, UNEP/CBD/SBSTTA/18/11, 29 April, 2014. https://www.cbd.int/doc/meetings/sbstta/sbstta-18/official/sbstta-18-11-en.pdf

Financing for biodiversity and environmental protection

Comparing the value of harmful subsidies financing for biodiversity and environmental protection shows that subsidies and other harmful investments far outweigh the value of protection measures. Resources required to comprehensively cover plans for biodiversity protection globally are estimated at around USD 722 billion to USD 967 billion a year.[28] Research indicates that around half of global GDP (approximately USD 44 trillion a year) is dependent on nature and its services.[29] Key areas for fund allocations are support for a transition to sustainable agriculture (croplands and rangelands at around 52%-55% of total funding needs), protected areas (20%-21%) and then lesser amounts for invasive species, urban environments, fisheries, coastal ecosystems and forests.[30] A different report indicates that the largest interventions requiring financing by 2050 are reforestation and agroforestry.[31] Africa is estimated to require an additional USD 128 billion in funding by 2030 with investment mainly in low-cost protected areas and avoided deforestation.[32] However, these priorities will need to consider the impacts on communities that depend on natural resources for their survival and livelihoods.

It would require around 1% of global GDP to cover the full costs of biodiversity protection, to the benefit of the global economy.

Small-scale farmer © USAID/Kenya, Flickr

Figures on actual allocations vary from study to study, based on the years assessed and methodological choices. However, all figures show a huge shortfall despite the importance of biodiversity protection. The upper end of estimated current global allocations for biodiversity protection is between USD 124 billion and USD143 billion per year, resulting in a shortfall of 83%-85%.[33] Another estimate indicates USD 165 billion in public finance flows in 2023 for all "nature-based solutions".

28 Deutz et al. "Financing Nature", 2020, 68, as above.

29 World Economic Forum. "Nature risk rising: Why the crisis engulfing nature matters for business and the economy", WEF New Nature Economy series, 2020. https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020:13

30 Deutz et al. "Financing Nature", 2020, 55, as above.

31 United Nations Environment Programme (UNEP). "State of Finance for Nature: The Big Nature Turnaround – Repurposing $7 trillion to combat nature loss", Nairobi, 2023, 28. https://doi.org/10.59117/20.500.11822/44278

32 Ibid, p.32

33 Deutz et al. "Financing Nature", 2020, as above.

(These include protection of biodiversity and landscapes at USD 76 billion, or 46% of the total, then sustainable agriculture, forestry and fishing; water resources and wastewater management; pollution abatement; and environmental policy, and other). Private flows were estimated at USD 35 billion in this case.[34] Yet another estimate of global flows funding CBD objectives is calculated at around USD 75 billion/year in public finance, and just USD 10 billion/year in private finance.[35]

Public domestic financing constitutes around 88-95% of total public finance allocations, with the remainder from public international financing. Private funding of biodiversity protection takes various forms including green private equity; green bonds; biodiversity offsets; payment for ecosystem services; sustainable supply chains; nature-based solutions (NbS) and carbon markets; biodiversity exchange-traded funds; insurance; philanthropies and non-governmental organisations; and farmers' investments.[36] It appears that the public sector will carry most of the funding burden even to 2050,[37] unless something changes. A rising share of overseas development assistance (ODA) takes the form of concessional loans rather than grants.[38]

On the other hand, financial flows undercutting CBD objectives include an estimated USD 2.6 trillion annually in environmentally harmful subsidies, primarily to fossil fuels and agriculture, as indicated above. On top of this, harmful private investments to sectors recognised as the primary drivers of biodiversity destruction are also estimated at around USD 2.6 trillion/year globally.[39] Other estimates indicate USD 1.7 trillion in harmful environmental subsidies from the public sector, with environmentally harmful private investments of around USD 5 trillion a year. The primary sectors receiving "nature-negative" private finance flows are construction and engineering; electricity utilities and independent power producers; real estate, oil and gas; and food and tobacco. These are allocated a combined 44% of nature-negative private investment.[40] Private finance linked to the drivers of biodiversity in Africa has largely been allocated to metals and minerals mining, infrastructure, and fossil fuels.[41]

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34 UNEP. "State of Finance for Nature", 2023, as above.

35 Organisation for Economic Co-operation and Development (OECD). "A comprehensive review of global biodiversity finance", 2020. https://www.oecd.org/en/topics/biodiversity.html

36 Dempsey, J. et al. 2021. "Biodiversity targets will not be met without debt and tax justice", Nature, Ecology and Evolution, 2021, 26-27, https://doi.org/10.1038/s41559-021-01619-5; UNEP, "State of Finance for Nature", 2023, as above.

37 UNEP. "State of Finance for Nature", 2023:34, as above.

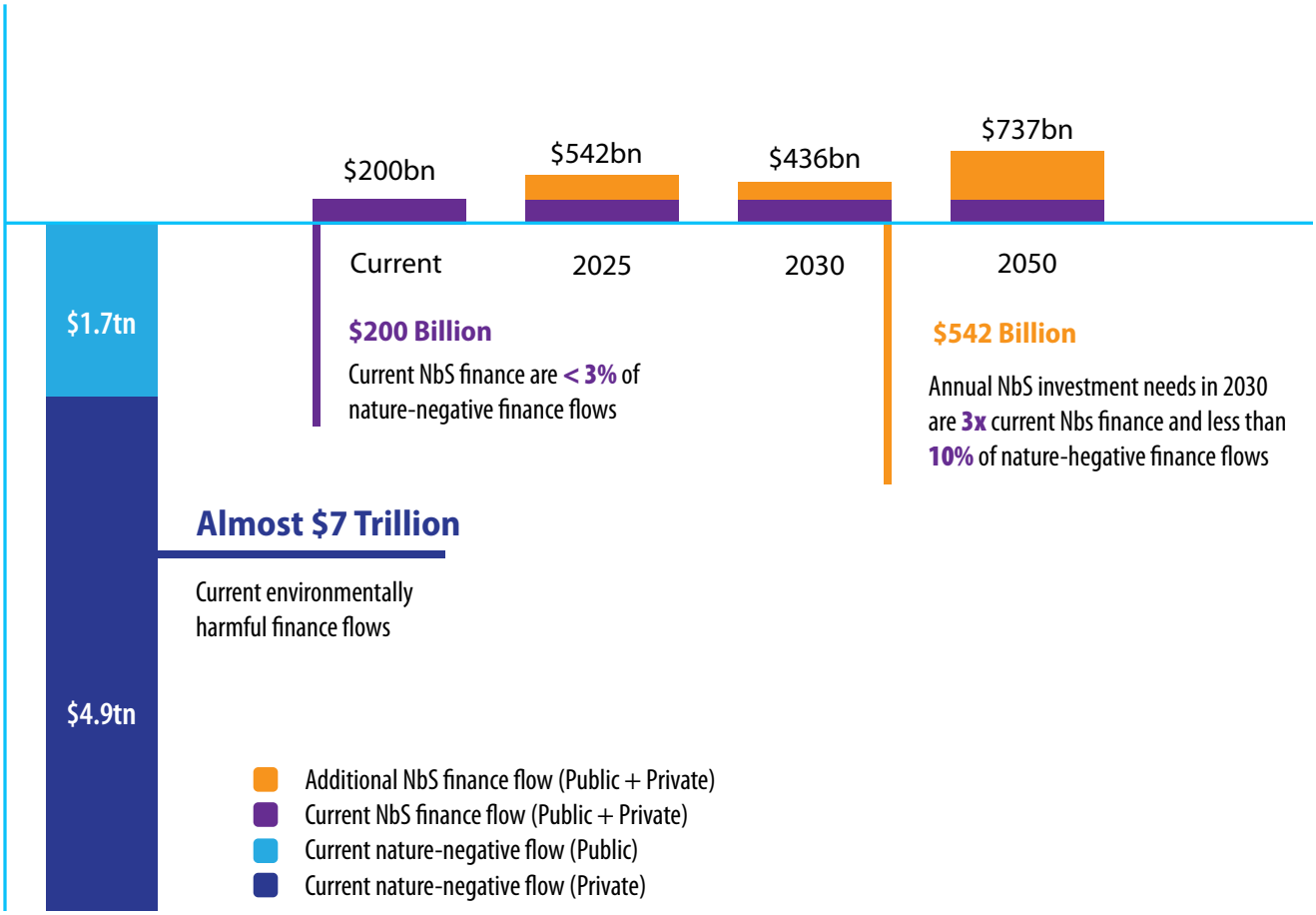
38 UN Conference on Trade and Development (UNCTAD). "A world of debt report 2024: A growing burden to global prosperity", 2024. https://unctad.org/publication/world-of-debt

39 Portfolio Earth. "Bankrolling extinction: The banking sector's role in the global biodiversity crisis", 2021. https://portfolio.earth/wp-content/uploads/2021/01/Bankrolling-Extinction-Report.pdf

40 UNEP. "State of Finance for Nature", 2023, as above.

41 Portfolio Earth. "Bankrolling extinction", 2021, 23, as above.

Figure 1: Current finance flows and investment needs



Source: **UNEP 2023:43**

Impediments to public investment include debt servicing, debt conditionalities that mandate austerity, low corporate tax rates, and tax evasion. Impediments to reducing harmful flows are debt repayments in foreign currency that drive exports, lobbying by powerful actors that obstruct regulations, and overreliance on voluntary measures. Economic benefits flow to the very wealthy.[42]

Governments may recognise the environmental damage of subsidies to extractive sectors but support these, at least in part, because they are trying to attract foreign investment and maintain investibility. Because of their subordinate location in the global economic system, these countries need to obtain foreign currency to pay for key imports (including energy, food, machinery, technology, and medicines). Extractive sectors may represent a significant portion of total export earnings, and these countries are forced into trade-offs between financial stability and environmental and social damage. International Monetary Fund (IMF) and World Bank loans come with conditionalities including cuts to public spending (austerity) and privatisation of public assets. These structural power imbalances mean weaker states have limited choice. However, reform of international financial structures and tackling highly inequitable power relations are not on the agenda in financing discussions in the GBF, climate, and other environmental negotiations and agreements.[43]

42 Dempsey et al. "Biodiversity targets", 2021, as above.

43 Dempsey et al. "Exporting Extinction: How the International Financial System Constrains Biodiverse Futures", The Centre for Climate Justice, Climate and Community Project and Third World Network, 2024. https://climatejustice.ubc.ca/news/exportingextinction-how-the-international-financial-system-constrains-biodiverse-futures

African debt and financial flows

Debt

Global public debt has doubled since 2010, a result of the fallout of the global financial crisis triggered by the financial sector free-for-all in the first decade of the century. Debt has risen twice as fast in developing countries, and Africa is the only continent where debt is growing faster than gross domestic product (GDP). The median public debt-to-GDP ratio was above 60% in Africa in 2023, and Africa's share of all countries facing this situation increased from 25% to 46% of countries between 2013 and 2023.[44]

Private creditors hold an increasing portion of public debt, with 44% of African debt in 2022 held by private sector entities. This makes debt restructuring more difficult. Private sector lending is more volatile especially during times of crisis as investors pull back in a "flight to safety". Indeed, there has been an increase in net debt outflows in the past decade, with more than double the number of African countries experiencing net outflows since 2014. Borrowing from private sources on commercial terms is more expensive than from multilateral and bilateral sources, and borrowing costs for African countries are much higher than in the rest of the world. Africa has experienced a growth in net interest payments from 4.4% of government revenues in 2010 to 9.2% in 2023. Twenty-three countries in Africa had net interest payments exceeding 10% of revenues, outpacing the growth in spending on health and education even during the Covid-19 pandemic. There has also been a sharp reduction in debt relief since 2012.[45]

African debt also comes with the imposition of unfavourable conditions, such as mandating austerity and further prompting extractivist investment. Eighty-four percent of IMF loans at the start of the Covid-19 pandemic required austerity measures for recipient countries, which are already structurally disadvantaged through trade liberalisation and investment treaties. Debt is foreign-denominated, with exposure to global currency fluctuations. Global South government resources allocated to foreign debt repayment have tripled from 2011 to 2020. Debt is often used to repay existing debt or to finance urgent domestic shortfalls. This produces an inability to invest in public goods, which in turn undermines economic growth and redistribution, leading to a downward spiral in which many African countries are trapped.[46] It is illogical to impose austerity as a condition for loans because this undermines economic investment and growth and hence the future ability to repay debts. The result is a downward spiral and debt trap, with ultra-low investment, social fragmentation, and rising poverty, and all the while, financial institutions extract profits.[47]

There are many problems with this debt. Africa has historically been subject to brutal and violent occupation, dispossession, and oppression for centuries. African people were enslaved and the continent was ravaged for its natural resources to fuel the economic growth and domination of Europe and the United States. Decades and centuries of resistance in the Global South, and political and economic changes in the global metropoles, finally ended direct colonialism and occupation in

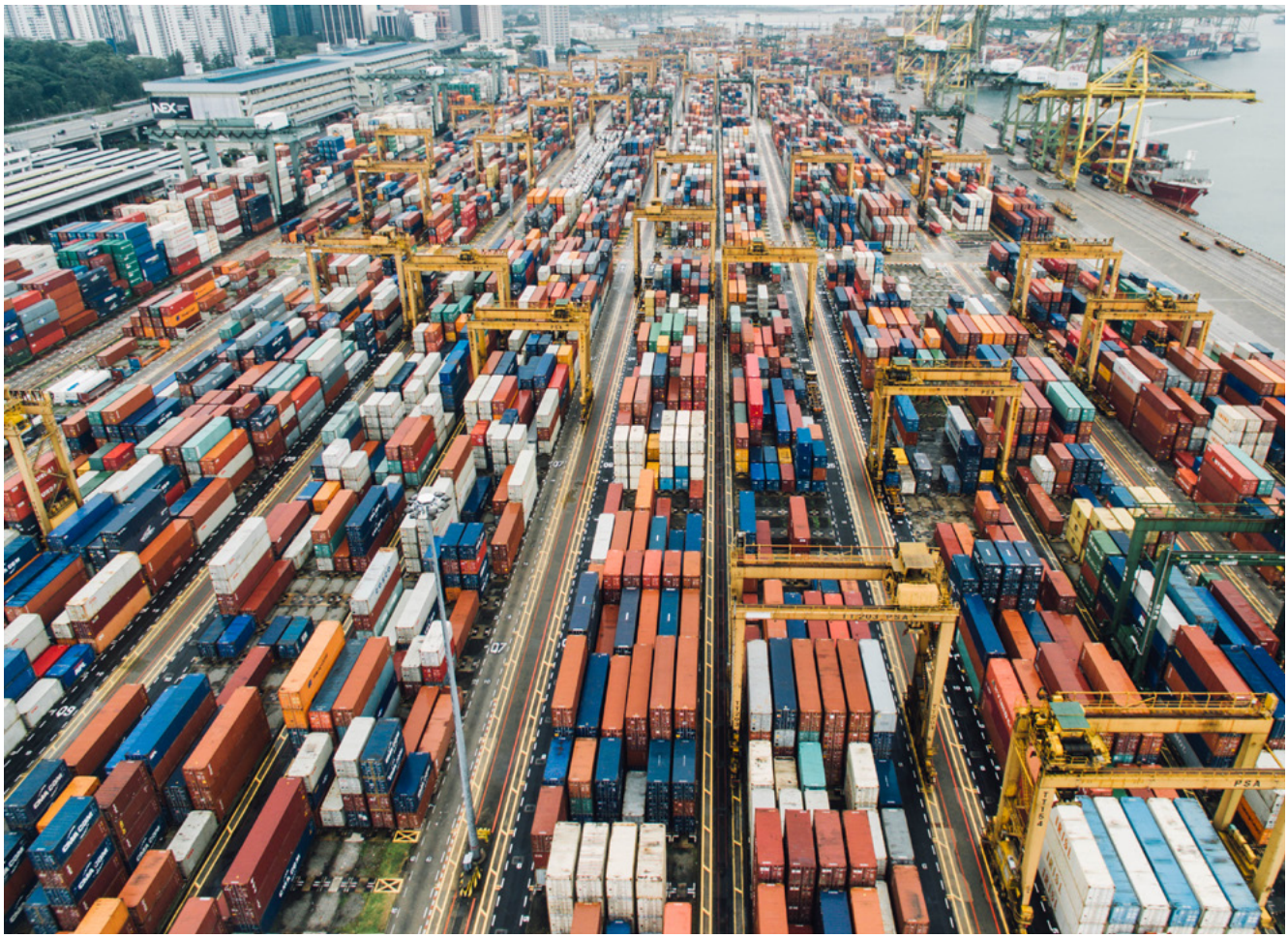
44 UNCTAD. "World of debt", 2024, as above.

45 Ibid.

46 Dempsey. et al. "Biodiversity targets", 2021, as above.

47 Varoufakis, Y. And the weak suffer what they must? Europe, austerity and the threat to global stability. Vintage, London, 2016.

the mid-twentieth century. However, Africa's subordinate position in the global economy – essentially as a provider of cheap natural resources and labour – remained intact and deepened over time as the gap between those with resources and those who were dispossessed grew. After the end of direct colonisation, neo-colonial relationships were established. First was the modernisation gambit, which encouraged post-colonial African leaders to consider themselves "underdeveloped" and to aspire to follow the Western, capitalist model of development as a linear approach. This was supported by development funding from multilateral institutions like the World Bank. African governments were encouraged to take loans to fund development, with the promise that economic growth would enable them to repay the loans and develop their countries at the same time.



Import, export © chuttersnap chuttersnap, Wikimedia Commons

The model did not work, as the advice was not appropriate to the prevailing conditions. Western development was built on the extraction of free or cheap labour and natural resources from sources outside Western "civilisation". It also depended on controlling trade and structuring relations such that the bulk of the value in the circulation of commodities was captured. Beyond self-exploitation, Africa did not have these options available. Advice from the World Bank and other multilateral institutions was structured to facilitate the continued flow of resources from Africa for Western growth. The promised economic growth failed to materialise, for multiple reasons, including the collapse of bulk commodity prices due to systemic oversupply, substitution of raw materials with manufactured alternatives, and misallocation and misuse of funds by African elites.

The oil price shocks of the 1970s, the end of the Bretton Woods regulatory system, and the resulting sharp rise in interest rates, suddenly placed African governments in a debt crisis from which they have never recovered. On the contrary, debt has been used as a lever for further extraction and to maintain control over African economies and resources.[48] Far more repayments have been made than the original amounts borrowed, yet Africa is in an even worse debt situation than ever.

The continent suffered the crime against humanity of slavery for which no one has been held to account, for which no reparations have been paid, and which remains unacknowledged as the basis of European and American wealth to this day. Africa has suffered from violent dispossession and occupation under colonialism, for which no one has been held to account and for which no reparations have been paid. Africa has suffered severe environmental damage from Western plunder, including biodiversity loss, land degradation, water pollution, and damaging human-induced climate change. Africa has been hoodwinked into eternal debt, which is being used as a means of control, and without prospects of exit. Just transition is not possible without a full reckoning of this history and appropriate redress.

Financial flows to and from Africa

Every year, more capital is transferred out of Africa than in. Aside from odious debt repayments, IFFs are another big part of this. IFFs refer to the flow of funds across borders that originate from illicit activities, are transferred through illicit transactions, or stem from legitimate activity but are used in illicit ways. These are a major drain of capital and revenues from Africa. Governance and structural factors that increase the likelihood of IFFs include political instability, corruption, institutional incapacity, and reliance on extractive industries,[49] all of which are elevated as a result of the history of dispossession and extractivism in Africa. The main forms of IFFs are laundering the proceeds of crime and corruption (illegal), and market/regulator abuse and tax abuse ("legal" capital). It is very difficult, almost by definition, to calculate the volumes, especially those emanating from corruption. The estimated loss is more than USD 1 trillion over the 50 years to 2013, roughly equivalent to all ODA to Africa in the same period. The estimated annual loss is USD 50 billion. The oil and precious metals and minerals sectors are the main culprits.[50] Capital flight, which is a combination of IFFs and profit extraction, was valued at USD 2 trillion from 30 African countries between 1970 and 2018, with a rapid expansion of capital flight since 2010.[51] Meanwhile, statutory corporate tax rates globally have consistently decreased from an average of 40% in 1980 to 23.5% in 2023,[52] with a race to the bottom in efforts to attract foreign investment.

Tax havens and offshore accounts are supposedly legal and are known for their secrecy. Fortune 500 companies have stashed an estimated USD 2.3 trillion in offshore accounts and capital positions, costing governments between USD 500-600 billion a year in lost taxation, including USD 200 billion to low-income countries. Hidden individual wealth of an estimated USD 8-36 trillion is also stored in these unaccountable accounts. As a reminder, this is in comparison with the financing needed to protect

48 Mangani, R. "The political economy of debt in Africa: Critical propositions to stop the bleeding", Development, 65, 2022:108-115, https://link.springer.com/article/10.1057/s41301-022-00352-1

49 McDevitt, A. "Risks of illicit financial flows in Africa: Understanding vulnerabilities to corrupt money flows in nine countries", Transparency International, 2024. https://images.transparencycdn.org/images/2024-Report-Risks-Illicit-Financial-Flows-Africa-English.pdf

50 African Union Commission/UN Economic Commission for Africa. "Illicit financial flow: Report of the High Level Panel on Illicit Financial Flow in Africa", AU Commission/ECA High Level Panel, 2015. https://au.int/sites/default/files/documents/40545-doc-IFFs_REPORT.pdf

51 Ndikumana, L. and Boyce, J. "Capital flight from Africa 1970-2018: New estimates with updated trade misinvoicing methodology", Political Economic Research Institute, University of Massachusetts Amherst, 2021. https://peri.umass.edu/images/CapFlightAfrica-5-28-21.pdf

52 Enache, C. "Corporate tax rates around the world, 2023", Tax Foundation, 2023. https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2023/

biodiversity of USD 722-967 billion a year to 2030.[53] Resource extraction, through industries like mining, oil and gas, forestry, and industrial agriculture, drives 90% of biodiversity loss.[54]

Why should these stashed and mostly ill-gotten resources not be liberated and mobilised to save the planet and provide a liveable future for humans on the planet?

In the words of the UN, the international financial architecture, designed by and for the industrialised countries after the Second World War, is undergoing a stress test of historic proportions, and it is failing that test. Structural deficiencies at the time of conception have become increasingly at odds with the reality and needs of the world today. As a result, the financial system is "entirely unfit for purpose … plagued with inequities, gaps, and inefficiencies with deep systemic roots".[55]

We can only conclude that Africa's debts are odious and illegitimate. Africa not only requires a clean slate but global power relations need a serious reset because even with a complete debt write-off, Africa would simply re-enter structural relationships that every day reinforce, through physical or economic compulsion, its subordination in global relations.

Global financial system © Shutterstock

53 Dempsey et al. "Biodiversity targets", 2021, as above.

54 UNEP. "Global Resources Outlook 2019". 2019.

55 UN. "Reforms to the international financial architecture", Our *Common Agenda Policy Brief*, 2023, 6. https://www.un.org/sites/un2.un.org/files/our-common-agenda-policy-brief-international-finance-architecture-en.pdf

Pathways to just transitions

A crucial task is to distinguish strategies that advance structural change from those that further entrench the status quo.[56]

Call for a write-off of African debts, and calculate and call for minimum reparations (debt cancellation could be part of that). Negotiate new trade relations that offer a fair distribution of value based on the true cost of valuable human and natural resources, and that promote African economic activity beyond simply providing raw natural materials for production by others. Reparations and not debt should fund African endogenous development.

Africa should renegotiate terms of access to her economies and resources. African power arises from ownership and stewardship of vast natural resources, a large and youthful population – the population of the future – and the moral authority derived from principled African stances for humanity in the face of long-term violence, abuse, coercion, and suffering at the hands of Western power.

Kampala, commercial capital of Uganda © Shutterstock

56 Dempsey et al. "Biodiversity targets", 2021, as above.

Reverse the decades-long trend of shrinking corporate and personal income taxes, to secure funds for environmental protection and social development. Private sector financing for environmental protection is based on profitmaking, while current financial flows are inadequate for the scale of the task. Support the growing calls for a UN Tax Convention, transparency, and reporting by all private multinational entities, and establish minimum corporate taxes at a rate appropriate to meeting social and environmental goals.[57] Establish strong, legally binding social and environmental standards that financial institutions must comply with. Compel financial institutions to introduce and implement environmental and social indicators in funding decisions, in line with global biodiversity, climate, environmental, and social commitments.

End tax avoidance and IFFs. A globally coordinated response is required for conformity to rules and standards compatible with and contributing to sustainable development. Envision and establish a system of financial integrity for sustainable development. Reform and redesign the global financial system to conform to values of accountability, legitimacy, transparency, and fairness. IFFs should not only be stopped and assets retrieved, but the resources liberated should also be channelled into financing the realisation of the SDGs, biodiversity protection, climate action, etc. Join the call for a Global Pact for Financial Integrity for Sustainable Development, and reform and democratisation of the international financial architecture.[58].

On subsidies, encourage national governments to include GBF Target 18 in their revised NBSAPs, with mandatory reporting on subsidies and actions to reform and reallocate them. National governments should immediately begin the process of redesigning and redirecting subsidies away from actions that harm biodiversity towards those that explicitly support it. Separate subsidies to private enterprises involved in mineral extraction and fossil fuel production from consumer subsidies. Focus efforts on eliminating the former, and place a strong emphasis on investment in alternatives to fossil fuels and mineral extraction. Defend and secure consumer energy and food subsidies, especially for the poor and marginalised, as a key element of a just transition towards a more equitable and environmentally-friendly production system.

57 FACTI. "Financial integrity for sustainable development: Report of the High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda", FACTI Panel, 2021. https://factipanel.org/docpdfs/FACTI_Panel_Report.pdf

58 Ibid; UN. "Reforming financial architecture", 2023, as above.