

Aligning public spending with biodiversity objectives: Insights from OECD work

28 May 2024

UN EMG Nexus Dialogues:
Part I - Aligning public spending for climate and nature actions

Katia Karousakis, Biodiversity Programme Lead

Climate, Biodiversity and Water Division
Environment Directorate

with thanks to colleagues from the
OECD Trade and Agriculture Directorate for inputs



Introduction: the OECD and work on biodiversity

An intergovernmental organisation – 38 member countries and 5 key partners

Provides evidence-based policy analysis, collects data and provides a platform for exchange of best practices

Multiple committees, covering environment, agriculture, fisheries, trade, economics, amongst many others

The OECD biodiversity programme covers areas such as effective design and implementation of policies for biodiversity conservation and sustainable use, biodiversity finance, mainstreaming, data and indicators, etc.

Biodiversity = species and terrestrial, marine and other aquatic ecosystems (CBD definition of biodiversity)

OECD biodiversity work also support the CBD and the SDGs



International context on aligning public spending for climate and biodiversity

Multiple calls and commitments to align public spending with climate and biodiversity objectives, for example:

- SDGs: Goal 2, Goal 12.c, 14.6
- CBD Kunming-Montreal Global Biodiversity Framework: Goal D, Target 14, Target 18
- WTO
- G20 (2009; 2018), G7 Nature Compact



Steps to identify and reform EHS

- Identify and assess environmentally harmful subsidies and support
- Prioritise measures for reform
- Analyse implications on economic, environmental and social impacts
- Develop appropriate reform packages
- Monitor and evaluate ex-post

Challenges and areas for further work

- Better understand local environmental impacts of subsidies and their reform
- Better understand potential leakage implications



OECD work relevant to aligning public spending and other measures with environmental goals

- OECD (2005), Environmentally Harmful Subsidies: Challenges for Reform
- OECD (2017), Towards a G7 target to phase out environmentally harmful subsidies
- OECD (2020), A Comprehensive Overview of Global Biodiversity Finance
- Matthews and Karousakis (2022), 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 Papers
- OECD (2017), The Political Economy of Biodiversity Policy Reform
- DeBoe (2020), Impacts of agricultural policies on productivity and sustainability performance in agriculture: A literature review
- Delpeuch, Migliaccio and Symes (2022), "Eliminating government support to illegal, unreported and unregulated fishing", OECD Food, Agriculture and Fisheries Papers, No. 178, OECD Publishing, Paris, <https://doi.org/10.1787/f09ab3a0-en>.
- Valin, Henderson, Lankoski (2023), Reorienting budgetary support to agriculture for climate change mitigation: A modelling analysis. OECD Food, Agriculture and Fisheries Papers, No. 206, OECD Publishing, Paris, <https://doi.org/10.1787/28248b95-en>.
- OECD (2023), Agricultural Policy Monitoring and Evaluation 2023 (updated annually)
- OECD (2022), OECD Review of Fisheries (updated every two years)
- OECD (2023), OECD Inventory of Support Measures to Fossil Fuels
- OECD collects data on agriculture support (54 countries), support to fisheries (40 countries), fiscal costs of support to fossil fuels (48 countries), policy instruments for the environment (>130 countries)



Identifying and assessing subsidies and other incentives harmful to biodiversity:

A comparative review of existing national-level assessments and insights for good practice

- Identified 23 national-level studies that aim to identify and assess subsidies and other incentives that are harmful to biodiversity or the environment
- Studies span 12 countries (Austria, Denmark, Finland, France, Germany, Ireland, Italy, Lithuania, the Netherlands, Norway, Sweden and Switzerland) and two regions (Nordic and EU)
- Most examine environmentally harmful subsidies; 8 focus on biodiversity
- The studies vary in terms of:
 - sectors covered (nearly all studies cover agriculture and fisheries sector, and many cover transport and tourism, among others)
 - types of subsidies and other incentives that are included in the scope; and
 - approaches used in various steps of the analysis (e.g., desk research, surveys and interviews, workshops)



Four steps to identify and assess subsidies and other incentives harmful to biodiversity / environment

1. Scoping - to define the types of subsidies and other incentives harmful to biodiversity to be covered
 2. Screening - to identify the subsidies and other incentives potentially harmful to biodiversity
 3. Data gathering
 4. Assessing the extent of harm to biodiversity
- Together, these steps would allow to select which subsidies and other incentives are **prioritised for reform** and to proceed sequentially as needed
- Entails understanding the effects of reform on economic, social and environmental indicators, learning from past examples of reform and developing realistic reform plans that address the needs of the poorest.



The Political Economy of Biodiversity Policy Reform

6 lessons for effective biodiversity policy reform:

1. Seize opportunities to advance biodiversity related reforms: from crisis to public concern
2. Build alliances between economic and environmental interests
3. Devise targeted measures to address potential impacts on competitiveness and income distribution
4. Build a robust evidence base to support reform and provide resistance to pressure from vested interests
5. Encourage stakeholder engagement to build broad and durable support for reform
6. Consolidate gains to ensure that reforms are sustained over time





Sectoral analysis of environmental impacts of support

OECD Agricultural Policy Monitoring and Evaluation



▶ Annual report and database

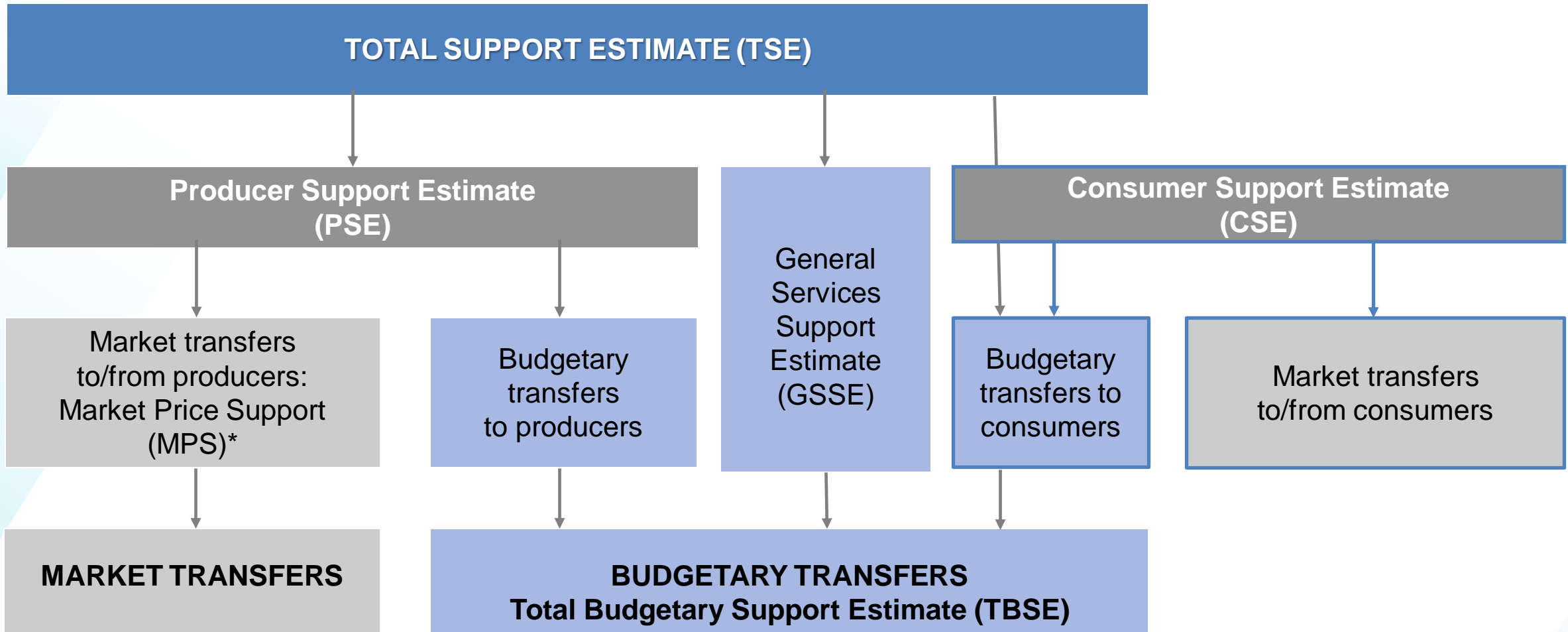
- ▶ A unique source of information on support to agriculture and on changes in agricultural policies across the world
- ▶ A coherent system to measure and classify agricultural support and to provide quantitative estimates of public support to agriculture for producers (PSE), consumers (CSE) and general services (GSSE)
- ▶ Mind the differences to the WTO measurement of support
- ▶ **54 countries covered** (OECD + EU + 11 emerging countries*)
 - ▶ About 75% of global agricultural value-added
- ▶ **2023 edition: Focus on climate change adaptation**

Report available on oe.cd/monitoring

*) Argentina, Brazil, China, India, Indonesia, Kazakhstan, Philippines, Russian Federation, South Africa, Ukraine, Viet Nam



Detailed system of support indicators describing different aspects of ag policies



... and numerous other indicators



PSE classification: Focus on implementation criteria rather than objectives

Output	A. Support based on commodity output	Production required	Current parameters
Inputs	B. Payments based on input use		
Factors and income Area (A) Animals (An) Receipts (R) Income (I)	C. Payments based on A/An/R/I D. Payments based on A/An/R/I		Non-Current parameters
Non-commodity criteria	E. Payments based on A/An/R/I F. Payments based on non-commodity criteria		
	G. Miscellaneous payments	Production not required	

In addition the PSE database contains:

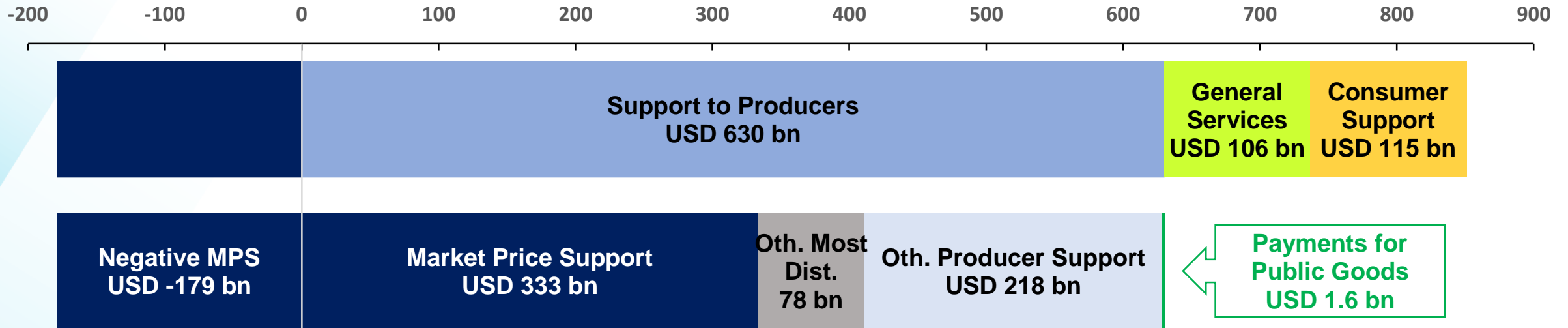
- more information on **commodity specificity transfers**
- and **a range of labels for each policy**



Agricultural support reached USD 851 billion per year in 2020-22

Structure of support in All 54 Countries

USD billion per year (2020-22)



Most distortive forms of producer support

- ▶ Encourages local expansion of production and intensification
- ▶ Greatest potential to harm the environment
- ▶ Of which USD 78 billion budgetary expenditures that could be “re-oriented”, incl. output payments and var. input payments without constraints

Less distortive payments

- ▶ Generally, less coupled to production and GHG emissions
- ▶ May be linked to environmental requirements (“cross compliance”)

Non-distortive public goods

- ▶ Not tied to specific agricultural production
- ▶ Linked to non-commodity outputs (e.g. ecosystem services)

Source: OECD (2023), “Producer and Consumer Support Estimates”, OECD Agriculture statistics (database), <http://dx.doi.org/10.1787/agrpcse-data-en>.

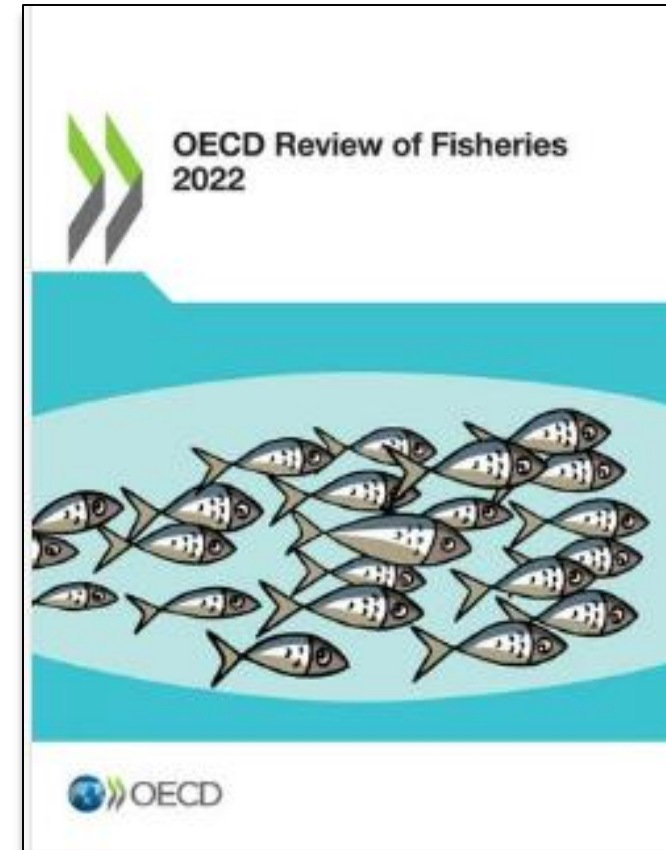


OECD work on fisheries

OECD work on fisheries investigates how public policies could better support fisheries' contribution to global food security and the ocean economy while ensuring fish stock health and minimising overall environmental impact

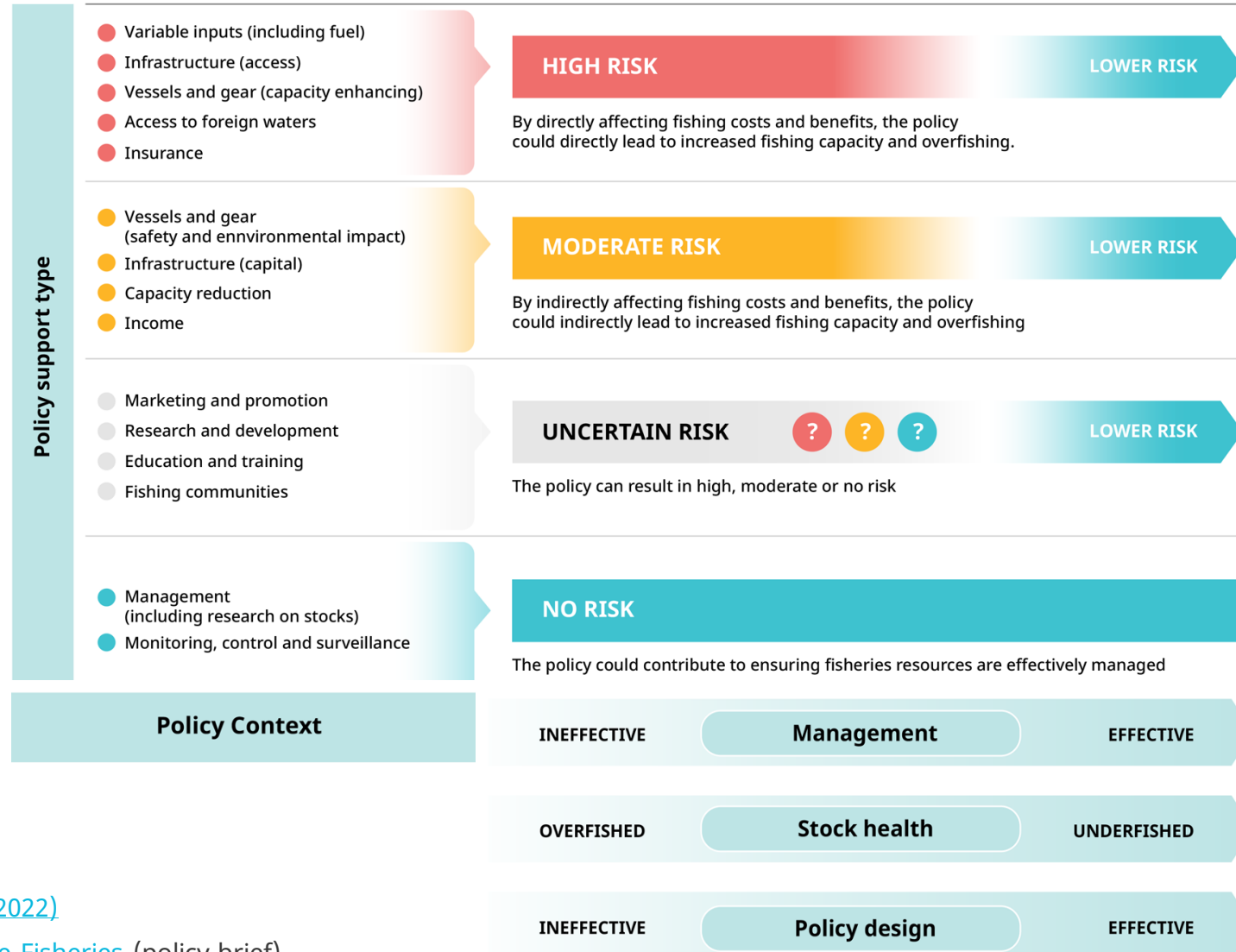
- ▶ As part of this, OECD maintains the Fisheries Support Estimates (FSE) database
- ▶ Data covers 30 OECD countries and 10 other major fishing nations, which, together, accounted for 90% of world landings by volume over 2018-2020.

<https://www.oecd.org/agriculture/topics/fisheries-and-aquaculture/>





A framework to identify the risk of encouraging unsustainable fishing in the absence of effective fisheries management



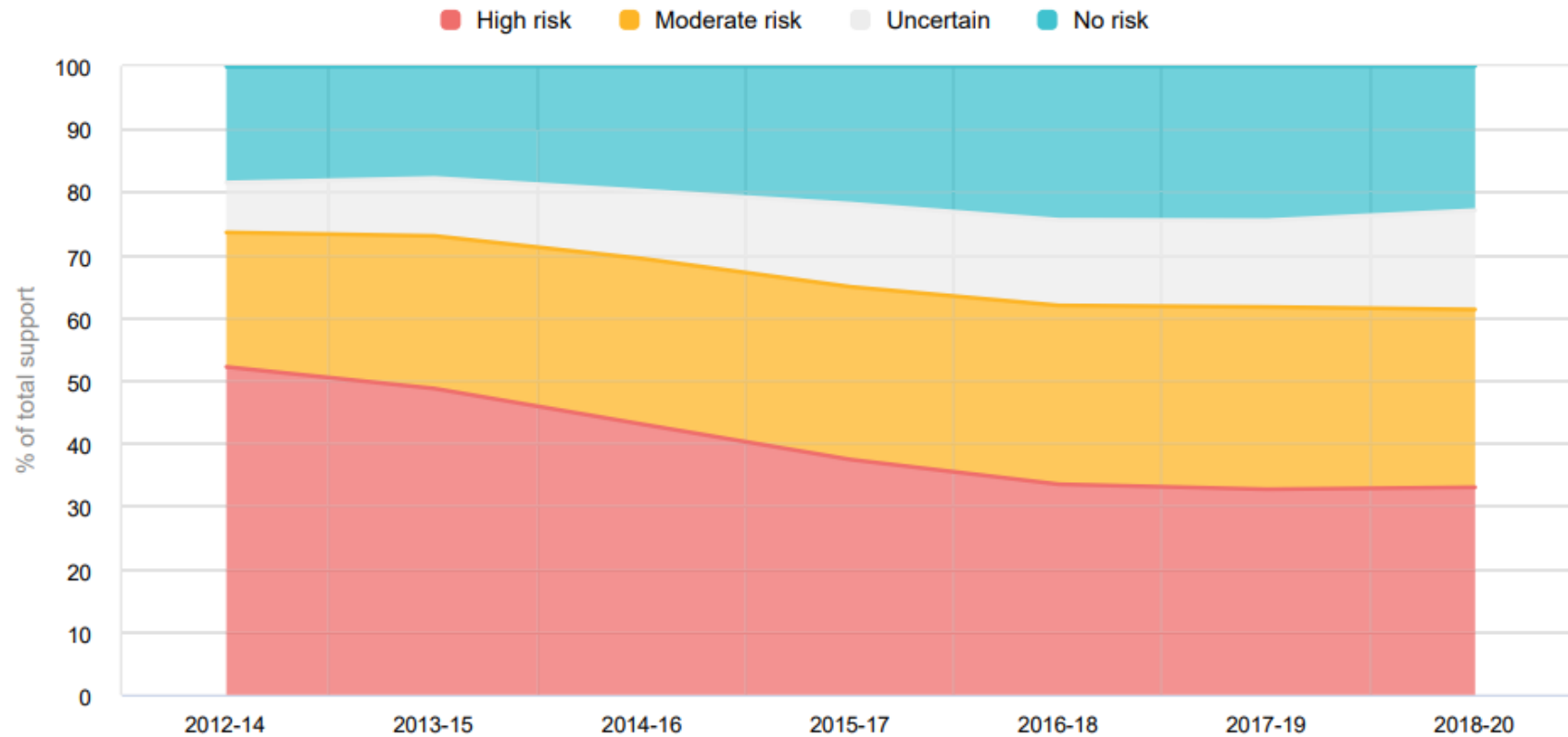
Source: [OECD Review of fisheries \(2022\)](#)

The short read: [Support Sustainable Fisheries](#) (policy brief)



How has the risk of encouraging unsustainable fishing with support evolved over time?

Composition of fisheries support by level of risk of encouraging unsustainable fishing in the absence of effective fisheries management

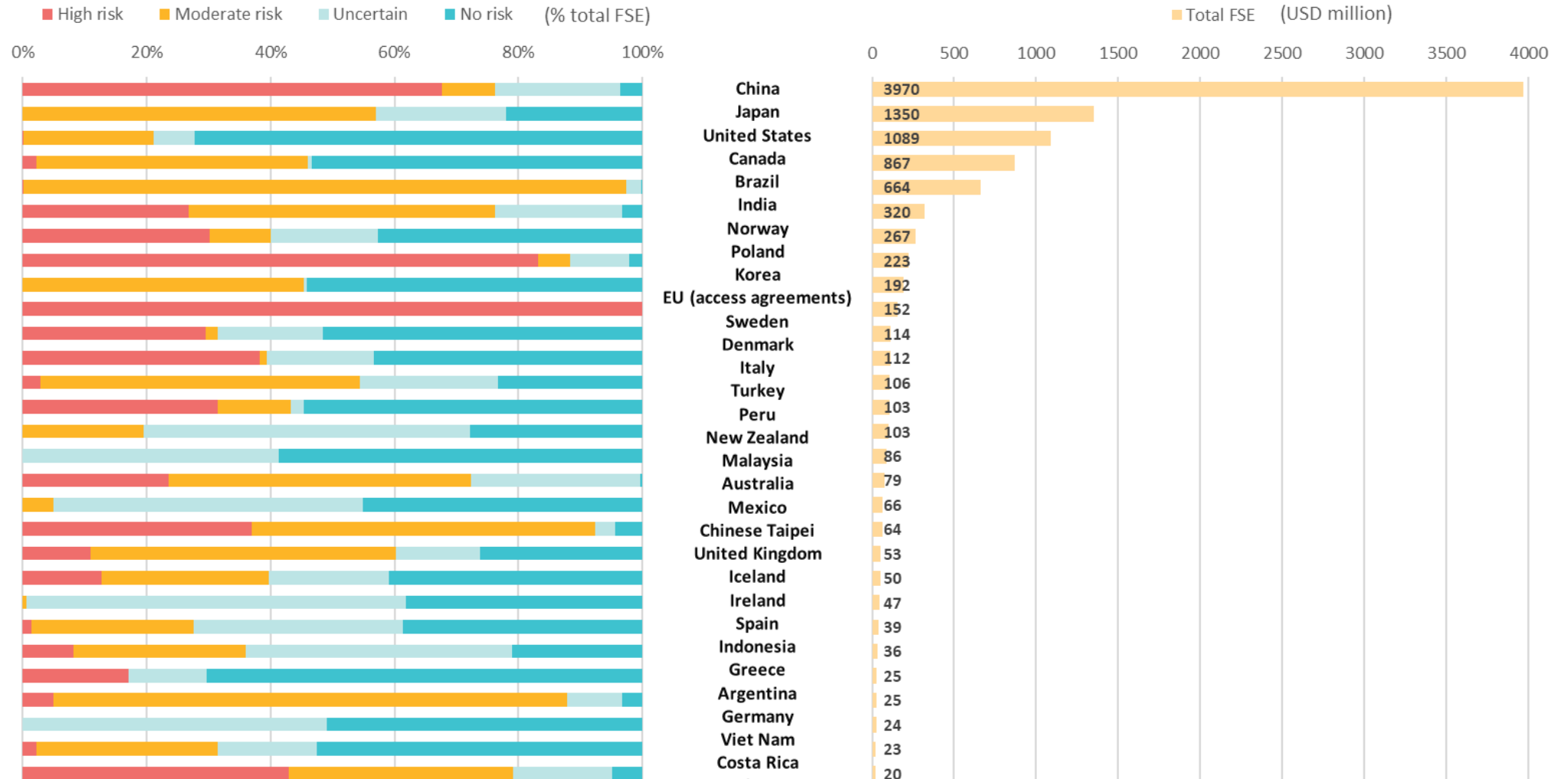


Note: the graph aggregates support to fisheries as reported in the OECD FSE Database from the 40 countries covered in the OECD Review of Fisheries (2022)

Source: Fisheries Support Estimate (FSE), http://stats.oecd.org/wbos/default.aspx?datasetcode=FISH_FSE. [Learn more about the FSE database](#) (brochure)



How has the risk of encouraging overcapacity and overfishing with support evolved across countries?



Source: Fisheries Support Estimate (FSE), Top 30 by 'total FSE), http://stats.oecd.org/wbos/default.aspx?datasetcode=FISH_FSE.
[Learn more about the FSE database](#) (brochure)

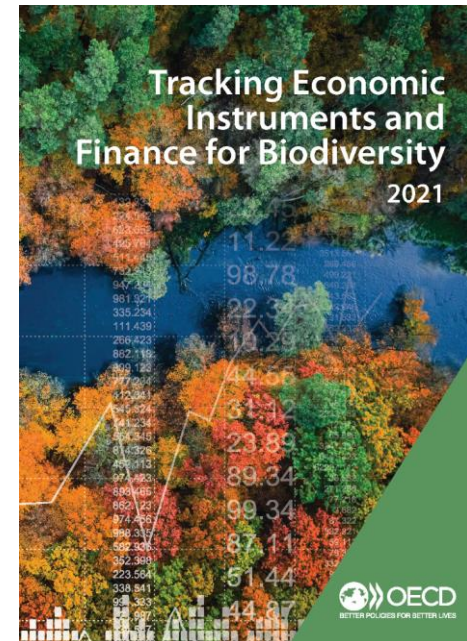


Other work: Tracking and Scaling Up Positive Incentives for Biodiversity

Tracking Economic Instruments and Finance for Biodiversity

Work in this area initiated in 2015

- Van Winkle, Karousakis, Bark and van der Heide, (2015), "Biodiversity Policy Response Indicators", *OECD Environment Working Papers*, No. 90, <https://doi.org/10.1787/5jrx8j24fbv-en>.
- Introduced "biodiversity" as an environmental domain in the OECD Policy Instruments for the Environment (PINE) database
- First issue of Tracking Economic Instruments and Finance for Biodiversity released in 2017 – and updated regularly since. Latest update 2021. Next release: 2024.
- Ongoing work on [Scaling Up Positive Incentives for Biodiversity](#)



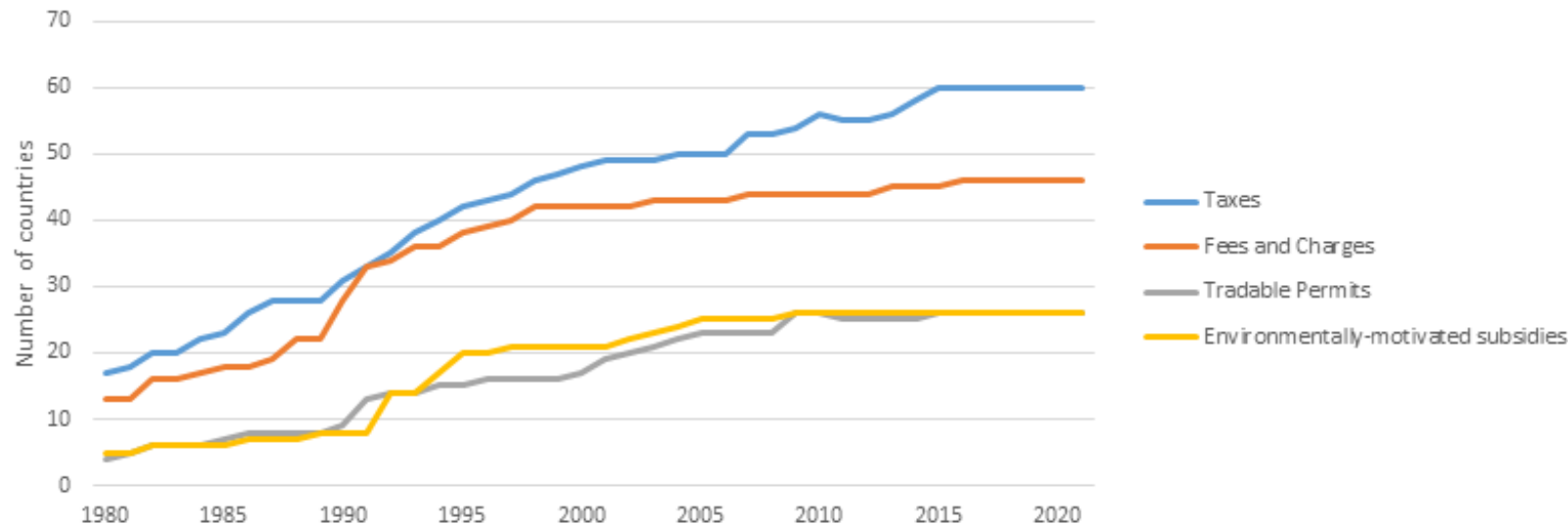


Tracking biodiversity-positive economic incentives

The OECD PINE database contains information on over 3900 policy instruments implemented in more than 130 countries globally. For each policy instrument, data is collected on:

When it was introduced; what it applies to; geographical coverage; environmental domain; industry concerned; revenues, costs or rates; whether it is earmarked; exemptions.

Biodiversity-relevant economic instruments by number of countries



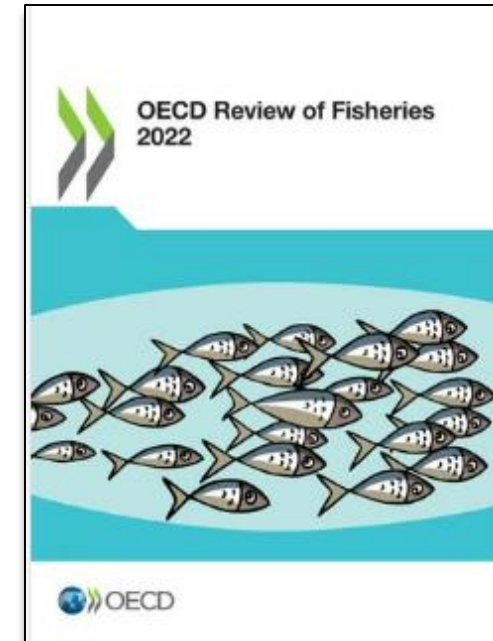
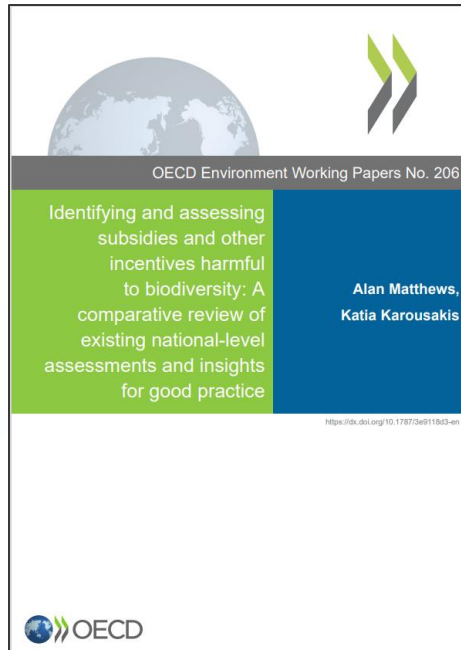
Biodiversity-relevant tax revenues:

USD 7.7 bn / year in OECD

<1% of environmentally-related tax revenues



Thank you!



Contacts:

Katia Karousakis, Biodiversity Programme Lead, Environment Directorate katia.karousakis@oecd.org

Martin Von Lampe, Head of Policy Monitoring and Evaluation Unit, Trade and Agriculture Directorate martin.vonlampe@oecd.org

Claire Delpéuch, Head of Fisheries Unit, Trade and Agriculture Directorate claire.delpauch@oecd.org