

# Aligning public finance for climate and nature goals: repurposing agricultural subsidies

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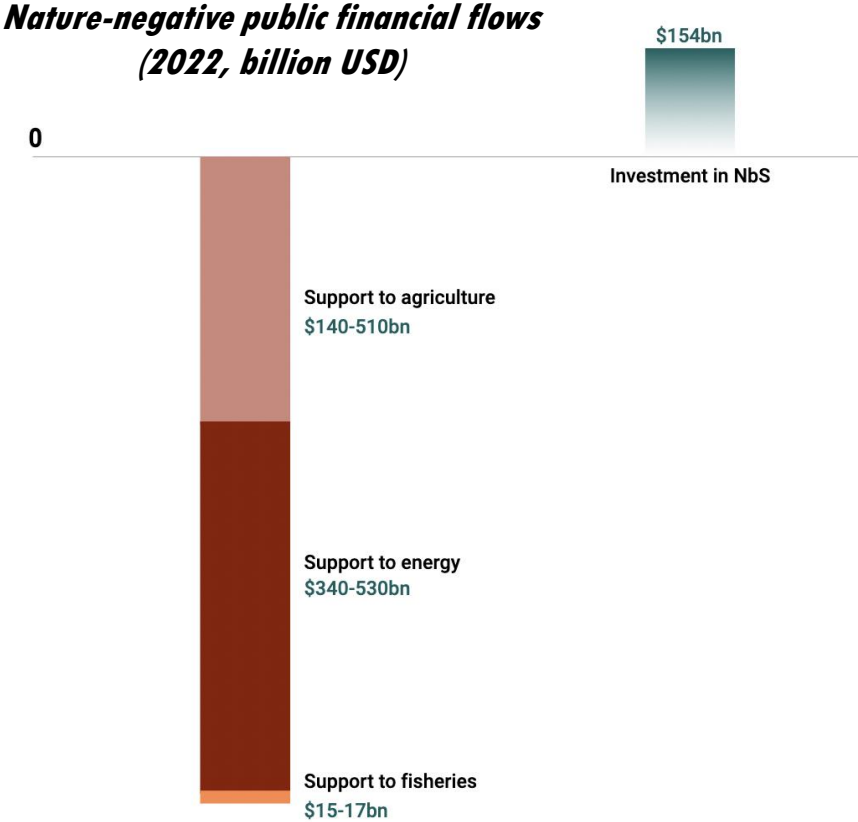
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Joy Aeree Kim  
Senior Economic Affairs Officer  
Lead, Economic and Fiscal Policy

# Public finance currently does not align with finance for nature needs

Negative public finance flows still largely overtake nature-positive finance flows.



State of Finance for Nature (UNEP, 2022)

# Impacts of food systems on environment, economy and health

- The **hidden costs** of the global food and land use system are estimated at around **US\$12 trillion per year** and are expected to grow to US\$16 trillion by 2050 (FOLU, 2019).
  - Over half (US\$6.6 trillion) arise from the impacts of obesity, undernutrition and pollution on human health.
  - US\$3.3 trillion result from the negative impacts on the climate and natural capital.
  - US\$2.1 trillion result from economic costs of food loss/waste, fertilizer leakage and rural welfare



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## A MULTI-BILLION-DOLLAR OPPORTUNITY

Repurposing agricultural support to transform food systems



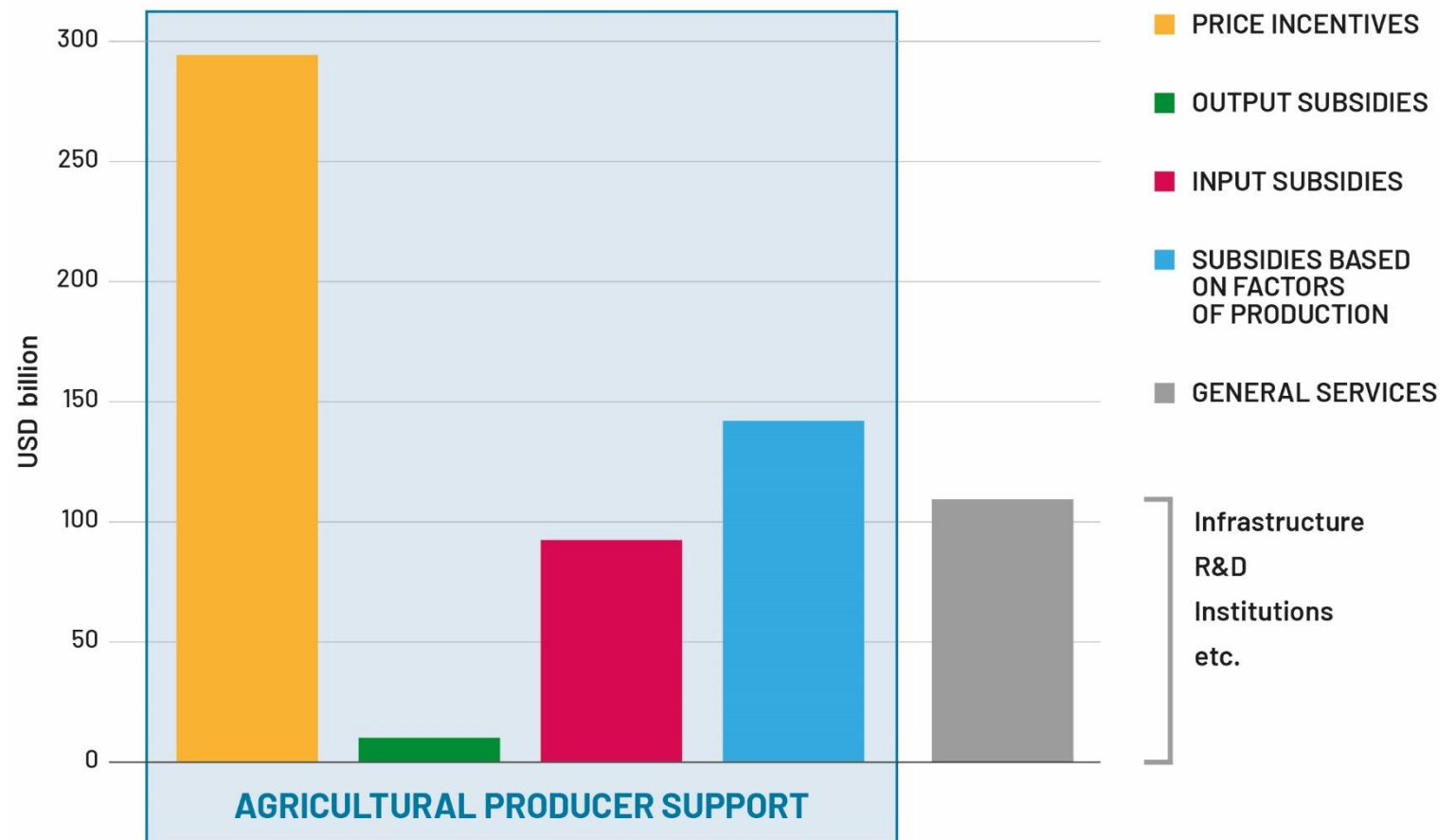
# A MULTI-BILLION-DOLLAR OPPORTUNITY

Repurposing agricultural support to transform food systems

# Supporting farmers yet hindering food system transformation

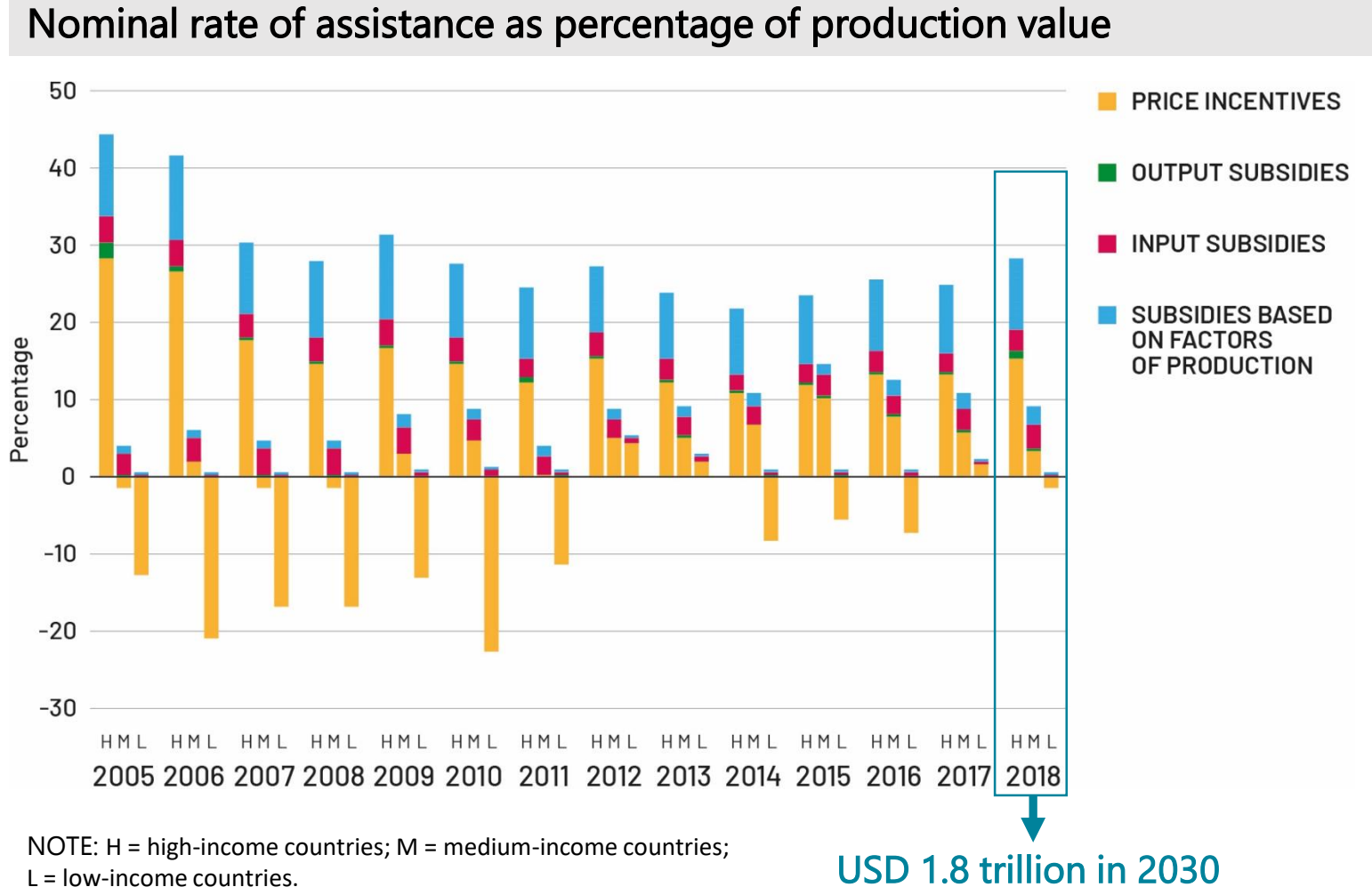
- Farmers individually receive USD 540 billion yearly on average (or 15% of total agricultural production value).
- 87% is environmentally harmful in the form of price distortions or subsidies with negative impact on health, equity and efficiency

Level and breakdown of global agricultural sector support (average 2013–2018)



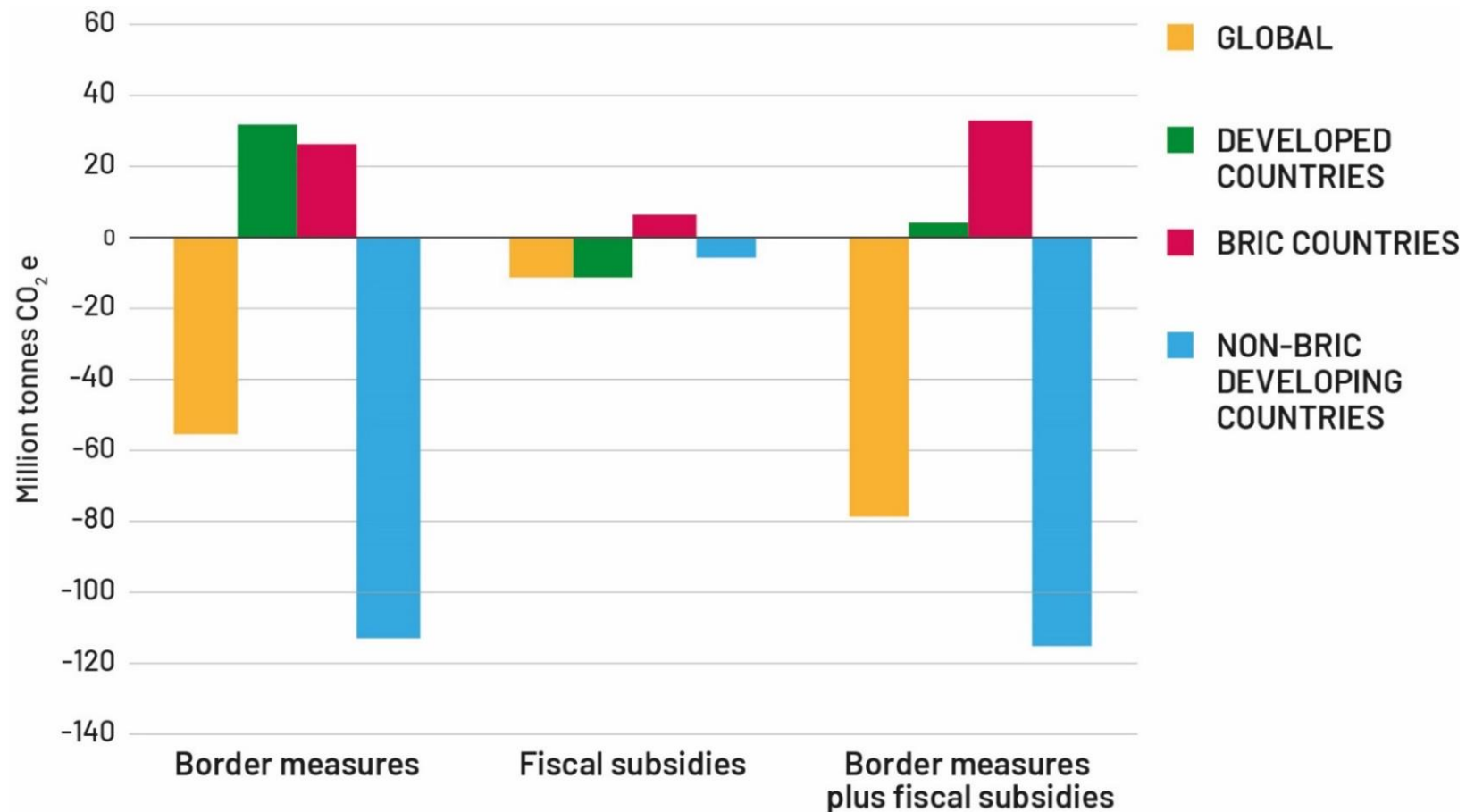
# How does support look around the world?

- Distorting support measures still common in high- and middle-income countries.
- Low-income countries have penalized producers.
- Emission-intensive commodities (i.e. beef, milk and rice) receive



# Removing agricultural support would contribute to mitigation by 2030, but...

Estimated changes in GHG emissions in 2030 due to removal of agricultural producer support



... there is trade-offs in the farm sector

Impacts of removing agricultural producer support on the farm sector						
ITEM	BORDER MEASURES	FISCAL SUBSIDIES			ALL SUPPORT	
		TOTAL	OUTPUT SUBSIDIES	INPUT SUBSIDIES		FACTORS OF PRODUCTION
PERCENT CHANGE FROM 2030 LEVELS						
Crop production	0.22	-1.60	-0.39	-0.80	-0.43	-1.30
Livestock production	0.21	-0.46	0.01	-0.13	-0.35	-0.19
Crop yields	1.82	-1.09	-0.13	-0.50	-0.47	-1.34
World prices	0.84	1.35	0.61	-0.18	0.93	1.94
Farm income	0.19	-5.70	-0.81	-1.46	-3.58	-6.29



## 2. Impact of agricultural subsidy removal on nature

- **Impact of agricultural policies on nature is complex, but past analyses show that in general: policies incentivizing conversion, expansion and intensification of land largely contribute to negative impacts on land and marine biodiversity**
- **Modelling shows that removal of all subsidies would cause reduction in agricultural land and an increase in forest and other types of habitat**
- **Impact of removal depends a lot on local biodiversity and socioeconomic context.**

### Kunming-Montreal Agreement

**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.**

# UNEP's Global Campaign on Repurposing Agricultural subsidies (2024-2025)

- Filling in knowledge gaps (e.g. Nature Positive/biodiversity indicators, assessing the impact of public expenditure on nature capitals/biodiversity, economic impact assessment of repurposing agricultural subsidies at the country level)
- Working with several countries (Brazil, Columbia, Nigeria, Indonesia, Costa Rica...)
- Engagement and communication with various stakeholder groups (investors, business, farmers' association)
- Communication with various forums (trade community, biodiversity/nature community, climate community, green economy transition community)
  
- Inviting partners to join (UNDP, UNDP/Biofin, FAO, WB, Just Rural Transition....)
- Inviting interested countries to join
- Campaign strategy and launch (Q3-Q4 2024)

# Thank you



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**JoyAeree Kim**

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United Nations Avenue, Gigiri  
PO Box 30552 – 00100 GPO Nairobi, Kenya

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