

## UN Environment Management Group Nexus Dialogues

*Addressing COVID-19 for the Environment:*

*A 3-Part Virtual Nexus Dialogue Series*

**Defining Green Recovery (27 April 2021)**

**Financing Green Recovery (4 May 2021)**

**Regional Nexus Approaches to Building Back Better (15 June 2021)**

Virtual Series

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### Outcome Document

Inger Anderson, Executive Director of the United Nations Environment Programme (UNEP), has called the COVID-19 pandemic a warning from the planet. The three planetary crises – the climate crisis, the biodiversity and nature crisis, and the pollution and waste crisis – that threaten our collective future year ([UNEP](#)), has been compounded by devastating impacts on the economy, widening the inequalities within- and between- countries<sup>1</sup> and pushing over 100 million people below extreme poverty ([World Bank](#)).

However, stimulus packages and recovery responses to the COVID-19 crisis provide a massive opportunity to not simply reset the world economy, but to transform it. “COVID recovery and our planet’s repair can be two sides of the same coin”, UN Secretary General António Guterres urged in December 2020 ([UN](#)).

Given unprecedented amounts of public money injected into the economy – compared to 2008 ([UNCTAD](#)) – the decisions and policy steps taken now will affect the global economy and shape societies for decades. It is vital for countries to build back better, by accounting for nature and institutionalizing a sustainability agenda. A “green recovery” could cut 25% of 2030 emissions, in pursuit of the Paris Agreement ([UNEP](#)).

Against this background, the UN EMG, in collaboration with UNEP, UNEP-FI, UNESCAP, UNECE, UNECA, ECLAC, ESCWA, and RCNYO, organized a 3-part series of virtual Nexus Dialogues on **Addressing COVID-19 for the Environment**.

**Defining Green Recovery** framed the rest of the series through stronger operationalization, to effectively monitor, evaluate and verify the impact of recovery and stimulus measures on environmental outcomes. **Financing Green Recovery** focused on the important role of the public sector, and fiscal policy, that can support a stronger and greener economic recovery, whilst creating a collaborative and enabling environment for the private sector to mobilize resources to Build Back Better. **Regional Nexus Approaches to Building Back Better** presents case studies on “Regional Acceleration of Climate Action and Decarbonization” and exchanges surrounding nexus thinking and integrated policy-making tools.

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<sup>1</sup> ILO. (2021). *ILO Monitor: COVID-19 and the world of work. Seventh Edition*.

Key messages noted during the Nexus Dialogues, include:

## Financing Green Recovery (4 May 2021)

Representatives from United Nations Environment Programme Finance Initiative (**UNEP-FI**), United Nations Capital Development Fund (UNCDF), Colorado State University, United Nations Environment Programme (**UNEP**), United Nations Development Programme-Global Environment Facility Biodiversity Finance Initiative (**BIOFIN**), Organisation for Economic Co-operation and Development (**OECD**), and ING Group (**ING**) discussed five key lessons learned from previous economic recoveries<sup>2</sup>, most notably the 2008-9 Great Recession:

- **Green stimulus does not equate a green recovery.** Stimulus are short-term financial mechanisms to jumpstart the economy, whereas a recovery is a commitment of five years or longer.
- Moreover, **green stimulus during the 2008-9 Great Recession did not significantly impact** government deficits and debt.
- **Successful investments from previous recoveries may not, again, yield the same result.**
- **Pricing reforms (e.g., carbon pricing and the elimination of fossil fuel subsidies) are a critical pillar** towards a green recovery and transitioning into a low-carbon, green economy.
- **There is a lack of fiscal space for green recovery**, and therefore requires the creative utilization of revenues earned and saved from pricing reforms.

Panelists identified solutions and initiatives, representing the current state of green recovery finance:

- In pursuit of Green Recovery, there are 150 existing financial mechanisms. Of which, UNDP-GEF are piloting **Nature-Performance-Based Bonds (“NPBs”<sup>34</sup>)** whereby a debtor country commits to conservation, for reduced debt repayments, lower country risk, and improved access to capital.
- There are **three developments in the finance sector demonstrating progress** contributing towards green recovery and reducing environmental risks:
  - Increased adoption of net-zero emission targets across the private sector;
  - Increased usage of internal carbon pricing to screen investments; and
  - Growth of green-bond market, symptomatic for the growth of green financing mechanisms in the private sector. E.g., the Luxembourg Stock Exchange has established a [Green Exchange platform](#) solely for green-bonds, relevant in the field of climate finance.

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<sup>2</sup> Barbier, E.B. 2020a. “Building a Greener Recovery: Lessons from the Great Recession.” Covid-19 Green Recovery Working Paper Series. United Nations Environment Programme (UNEP), Geneva, Switzerland. October 5, 2020.

<https://www.greengrowthknowledge.org/guidance/building-greener-recovery-lessons-great-recession>

<sup>3</sup> Finance for Biodiversity Initiative: Greening Sovereign Debt, <https://www.f4b-initiative.net/sovereigndebt>

<sup>4</sup> Tobin-de la Puente, J. and Mitchell, A.W. (eds.), 2021. The Little Book of Investing in Nature, Global Canopy: Oxford. [https://globalcanopy.org/wp-content/uploads/2021/01/LBIN\\_2020\\_EN.pdf](https://globalcanopy.org/wp-content/uploads/2021/01/LBIN_2020_EN.pdf)

- Greater alignment of public and private sector agendas has yielded commitments, e.g., **Net-Zero Banking Alliance**, the **UN Principles for Responsible Banking** (est. 2019), UN-Convened Net-Zero Asset Owner Alliance, responding to SDG cross-sectoral alignment, and legislative examples such as **Netherlands' legislation on mandatory energy efficiency labels for commercial real estate**.
- **Through the Global Recovery Observatory<sup>5</sup> and Green Budget Tagging**, international agencies are tracking the “greenness” of COVID-19 fiscal response packages, supporting green recovery progress tracking, leveraging accountability, and saving countries time/resources.

Challenges underlying the financing of green recovery are compounded by a key gap in aligning the capacities, resources, and commitments of the three main actors enabling a green recovery:

- Private sector actors (companies in the real economy will bring about desired change)
- Financial institutions (which finance desired change)
- Governments

**Realigning capacities begins with establishing a sense of transparency and trust** between the three actors, through facilitating and improving access to adequate data, knowledge sharing efforts, and accountability. **As a result, there is fair carbon pricing** which is necessary to “price in” externalities (which currently do not have a real numeric value). **Finally, financial institutions and the private sector are improving access to information and disclosures needed to mitigate ESG-related risks**, and encouraging the transition into more sustainable business models.

In addition to aligning capacities, the following recommendations are suggested as actionable next steps for the international community:

- **Financial sectors** can support Financing Green Recovery through four strategies:
  - **Pushing for policy reform** and long-term investments in green recovery packages;
  - **Pushing for fossil fuel subsidy removal, carbon pricing** and other pricing reforms;
  - **Through regulatory policies and developments** (e.g., introducing taxonomies and alignment of ESG measurement approaches to discourage green washing); and
  - **Through incentives designed for institutional investors** to direct their assets towards a green recovery.
- **Governments can support Financing Green Recovery by repurposing, redesigning, and rethinking subsidies** by analyzing their perceived impact. Analytics should be carried out on every subsidy for the purpose of identifying opportunities for harm-reduction or elimination.

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<sup>5</sup> The Global Recovery Observatory was developed by the Oxford Smith School of Enterprise and the Environment, the UN Environment Programme (UNEP) and UNDP, drawing inspiration from an accompanying report from the Oxford University Economic Recovery Project and UNEP. <https://data.undp.org/content/global-recovery-observatory/>

In the context of a future made possible by today's Financing Green Recovery efforts, **three significant questions must be considered:**

1. What will the implication of contemporary crisis-related public sector intervention be?
2. How will economic recovery stimulus funds be spent?
3. What will be the macro-economic implications particularly on developing countries?

**The COVID-19 pandemic yields an unexpected opportunity to reset the world economy**, reprioritizing sustainable development for future resilience. There are two dimensions of the crisis: **the short-/medium-term** requires policymakers to manage public health risks and economic stability; and **long-term thinking** posed by the environmental crisis.

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*We would like to thank the following high-level and expert panellists and organizations for their valuable contributions to the Addressing COVID-19 for the Environment Nexus Dialogue Series.*

### **Financing Green Recovery (4 May 2021)**

Moderator: Mr. Xavier Michon, Deputy Executive Secretary, UNCDF

- Mr. Eric Usher, Head, UNEP Finance Initiative
- Mr. Edward B. Barbier, University Distinguished Professor, Department of Economics, Colorado State University
- Ms. Joy Aeree Kim, Lead, Green Fiscal Policy, UNEP
- Mr. Onno van den Heuvel, Global Manager, UNDP-GEF Biodiversity Finance Initiative
- Mr. Dirk Rottgers, Policy Analyst for Climate Finance and Investment, Environment Directorate, OECD
- Ms. Floske Kusse, Stakeholder Engagement Lead, ING

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- Mr. Mustafa Chaudhry, Events and Outreach Coordinator, UNEP-FI
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#### **United Nations Environment Programme**

- Mr. Ryan Maia, Intern, UNEP