

# Sustainable Public Financing for Green Recovery

**BIOFIN approach to Green  
Budgeting**

*ESCAP/GFPN Workshop  
September 2021*



# PROBLEM



*“We are facing a devastating pandemic, new heights of global heating, new lows of ecological degradation and new setbacks towards more equitable, inclusive and sustainable development. To put it simply, the state of the planet is broken.”*

-UN Secretary-General

❑ The urgency and complexity of today’s social, environmental, and economic challenges compounded by the COVID crisis presents a more threatening situation to our collective survival than at any other period in recent history.

- According to World Bank **70-100 million** likely to have been pushed back into extreme poverty because of COVID reversing gains over the past decade;
- **One million species** are at risk of extinction;
- **10 million hectares of forests** are lost each year;
- **Rising CO2 levels are acidifying the oceans**, which are overfished and choking with plastic waste;
- People and livestock are encroaching further into animal habitats and disrupting wild spaces: **70% of the world’s wildlife may have been lost in the past 50 years; 75% of new and emerging human infectious diseases are zoonotic.**

❑ In this backdrop, global fiscal policies have done relatively little to address the severity – and at times contributing to the crisis:

- According to Global Recovery Observatory (GRO) only 21% of recovery spending in 2020, or USD 0.46 trillion, had positive green characteristics.
- But even among the positives **nature and biodiversity have been particularly neglected**

# UNDP Approach



## TURNING MILLIONS TO BILLIONS

UNDP is committing to support the 'last mile' first so that the hundreds of millions of people currently left behind - suffering the indignity of lacking access to energy, water, internet, etc. – will convert into billions of people who are lifted out of poverty – with a target of 100 million people by 2030.

## TURNING BILLIONS TO TRILLIONS

UNDP is supporting governments to 'build forward better' through a triple bottom line approach that will convert the billions currently flowing towards SDG/climate investments into at least \$1 trillion per year by 2030

## STAYING THE COURSE

UNDP's presence in over 170 countries means and working in some of the most fragile settings on the globe, where the nature-climate is most acute. This helps green recovery programme to stay on course.



# FOUR PILLARS OF UNDP'S GREEN RECOVERY APPROACH

**FOUR INTER-LINKED PILLARS – ONE OUTCOME: DELIVER THE SDGS AND PARIS AGREEMENT, EQUITABLY & SUSTAINABLY FOR ALL PEOPLE BY 2030**



## INTEGRATED DELIVERY

- Supporting investments in low carbon and CCA solutions; public works and ecosystem restoration;
- Restorative agriculture and food systems;
- Integrating nature and climate in national economic policymaking and socio-economic dialogues



## CLIMATE-NATURE COMPATIBLE FINANCING

- Greening budgets & repurposing environmentally harmful subsidies;
- Creating an enabling environment for private sector green finance through incentives and standards;
- Debt-for-Nature/Climate/Blue bonds;
- SDR expansion and going beyond debt suspension



## JUST TRANSITION FOR ALL

- Decent green jobs & livelihoods;
- Fiscal reforms to create more equitable access to education, health and environment;
- Education and social protection floors;
- Human rights and right-based approaches



## END ENERGY POVERTY

- De-risking clean energy markets;
- Increasing affordable household energy access ;
- Increasing energy resilience:
  - Sustainable infrastructure
  - Circular economy and resource efficiency approaches
- .

# Public Finance for Green Recovery – Key Pillars



## Revenue & Expenditure structures

Revenue and Expenditure measures that promotes sustainability/green agenda

## Financing measures

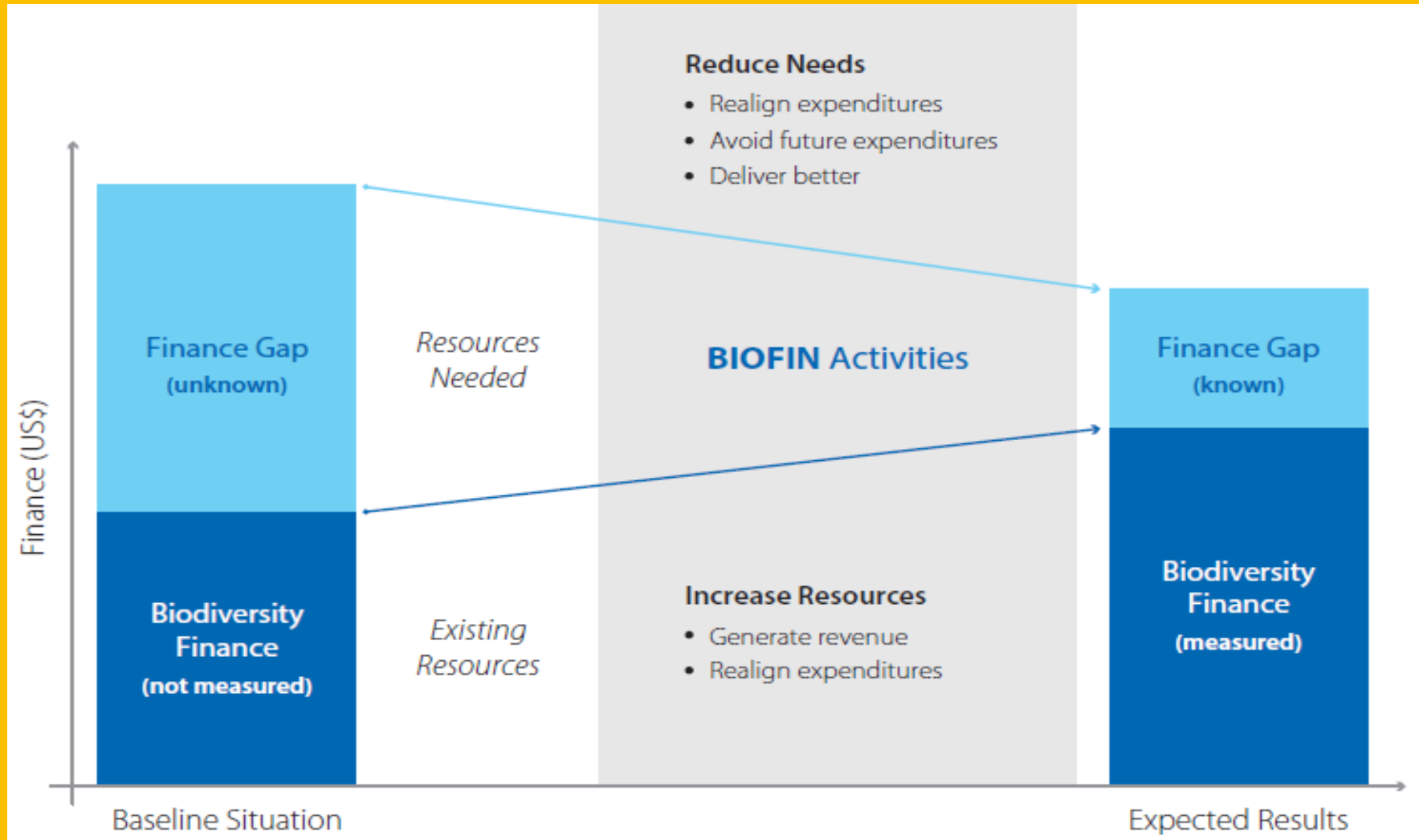
Financing targeting the sustainability/ green financing instruments/markets with clear focus on performance delivery and accountability.

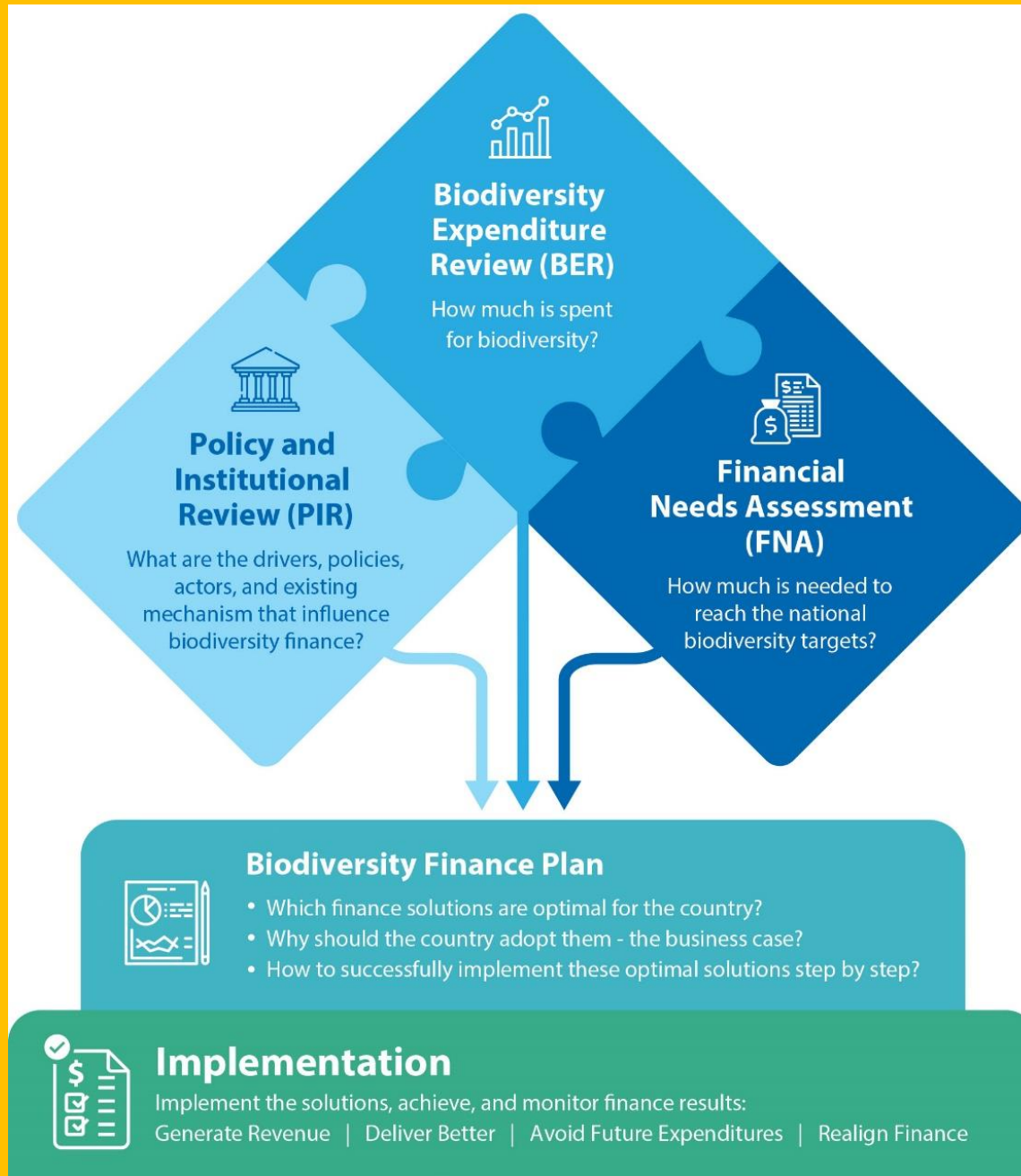
## Public Finance Management System

A robust PFM system promoting sound fiscal management for green recovery (Green PFM), transparency and predictability,

The framework has particular relevance to biodiversity: mobilizing resources, expenditure policies enabling conservation/restoration, financing for biodiversity and enabling PFM systems that brings all these together.

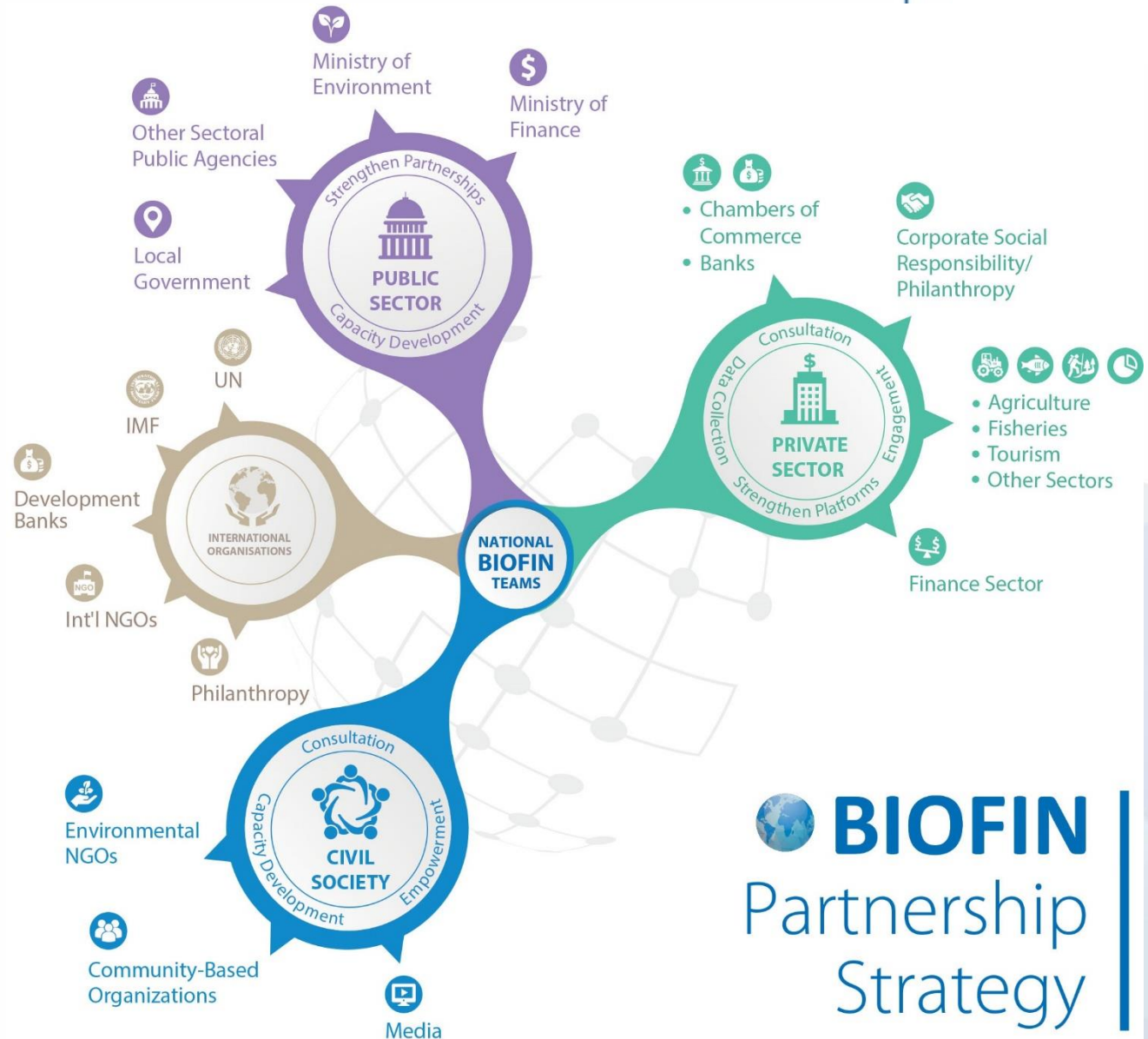
# How do biodiversity finance plans work? The BIOFIN methodology





# What are the main components of a biodiversity finance plan?

# How are Biodiversity Finance Plans developed and implemented?





# BIOFIN

## AROUND THE WORLD



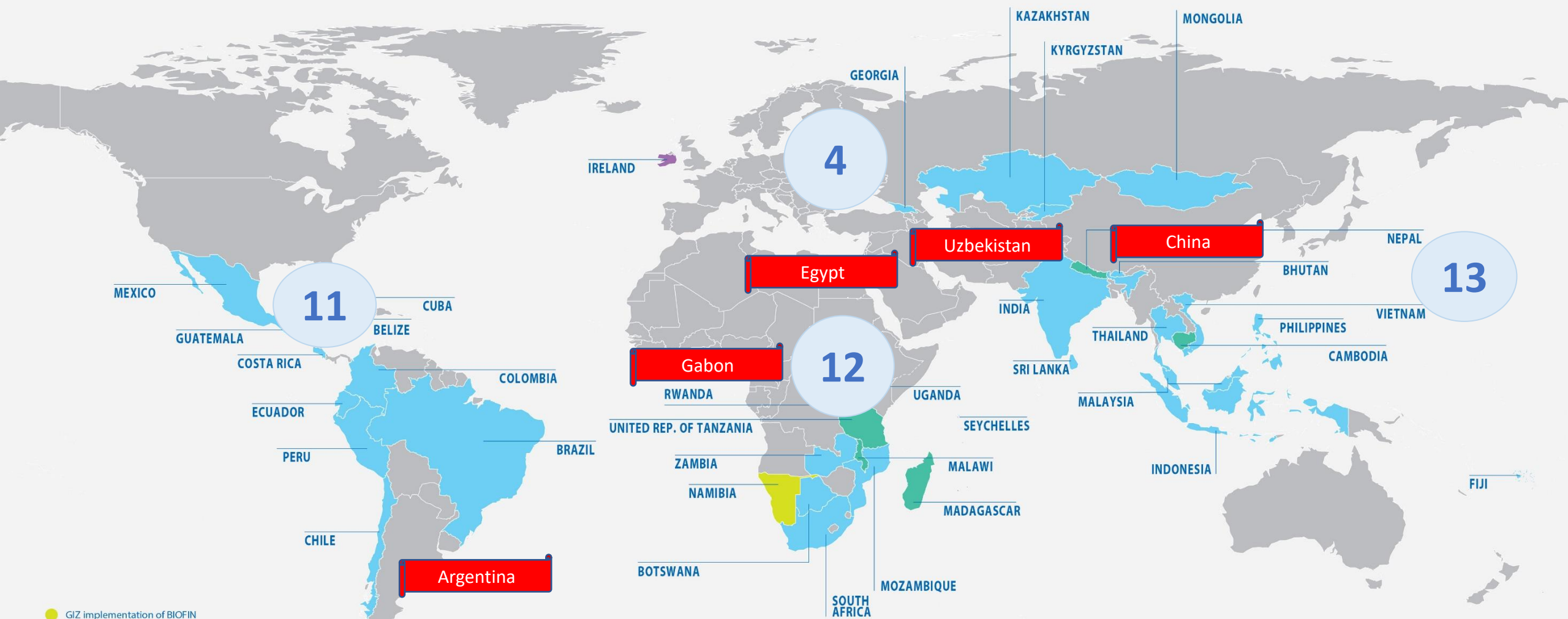
40 Countries

12



Megadiverse  
countries

New in 2021



# Public Finances for bio-diversity

- Globally, **public spending on biodiversity** remains small: ~ USD 120 billion a year according to UNDP. This is just ¼% of global GDP.
- This pales in significance to measures taken by governments considered **harmful to bio-diversity** estimated at around USD 500 billion per year!
  - **Support for fossil fuels** is one of the largest and most significant contributors (fossil fuel contribution to *climate change* is the third most significant cause of bio-diversity loss)
  - Several **agriculture support measures particularly those targeted on prices and output** that encourages high intensity use of pesticides and inorganic fertilizer
  - Further, **support measures to the fisheries sectors** targeting cost of inputs (including subsidized fuel) tend to encourage over-fishing and unsound practices that harms the marine eco-system.
- There is also a considerable challenge in **capturing relevant data** on public financing for bio-diversity globally.
  - But this is improving thanks to proliferation of NBER's

# Public Finances for bio-diversity

## Revenue Measures:

### *Bio-diversity Taxes*

Based on *polluter pays principle*: taxes levied on negative externalities caused by pollution or use of natural resources.

<b>No of countries</b>	59			
<b>No of instruments</b>	229			
Active	206			
<b>Key countries in AP</b>	Solomon Islands, Japan, Korea, Indonesia, China, Seychelles, Phillipeans			
Source:	OECD, PINE (2020)			

\* Other measures include biodiversity tradeable permits

## Expenditures Measures:

### *Bio-diversity Subsidies/fiscal transfers*

Subsidies/payments afforded at both national and sub-national levels afforded for various conservation activities as well as promotion of sustainable agriculture practices (including organic farming)

<b>No of countries</b>	25			
<b>No of instruments</b>	176			
Active	146			
<b>Key countries in AP</b>	Korea			
Source:	OECD, PINE (2020)			

### *Bio-diversity fees and levies*

A form of 'user fee' for use of environment resources and also penalties for non-compliance with bio-diversity regulations.

<b>No of countries</b>	48			
<b>No of instruments</b>	189			
Active	179			
<b>Key countries in AP</b>	Korea, China, Japan			
Source:	OECD, PINE (2020)			

*Resources for these payments could come from revenue measures*

# Public Finances for Bio-diversity



The need to ramp up spending on bio-diversity necessitates looking at financing options and considerable potential exist in terms of diverse financing instruments:

**Thematic debt instruments**  
(bonds and loan products)

**Public Contributed Funds**

**Debt for Nature SWAPS  
(D4NS)**

**Innovative Finances**

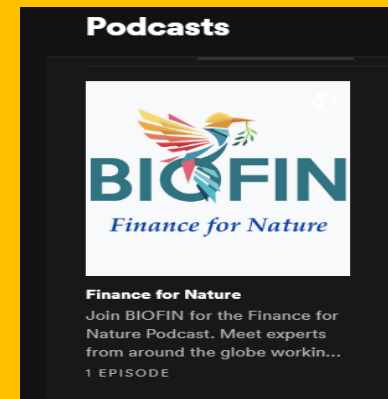
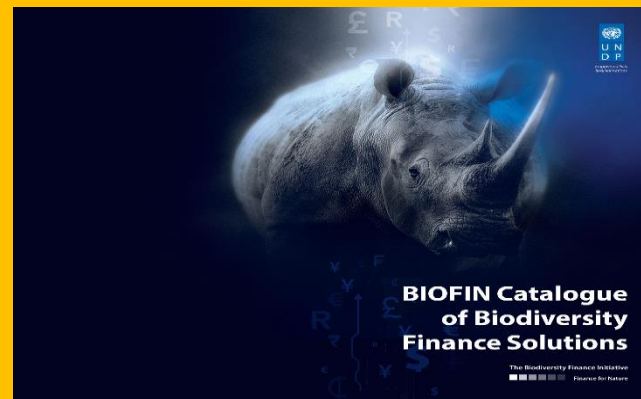
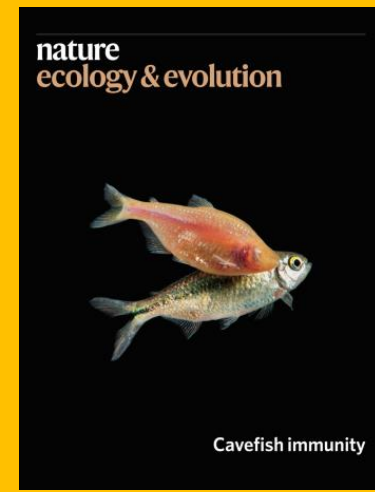
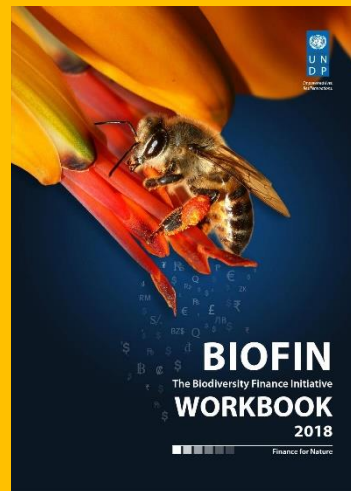


# Sustainable Financing for Green Recovery – Green PFM Systems



- **Public financial management (PFM)** comprises of all government institutional mechanisms to implement fiscal policies. **“Green PFM”** aims at **adapting existing PFM practices to support climate-sensitive policies.**
- **Green PFM, is primarily concerned with the integration of climate objectives into PFM practices** but several countries (for example, France) have a broader canvass –focusing on issues such as biodiversity and pollution in addition to climate change.
  - France assigns a *green coefficient* to each budget line according to how green the expenditure was relative to the six environmental priorities of the EU Taxonomy: climate change mitigation, climate change adaptation, water management, circular economy, pollution, and **biodiversity**. This is now an integrated element in the budgeting process.
- **Effective budgeting practices can deliver strong bio-diversity results:**
  - Program Budgeting
  - Results based budgeting (e.g Guatemala under BIOFIN initiative)

# Want to know more?



[www.biofin.org](http://www.biofin.org)



# Thank You

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