Helsinki Principle 6 Workshop: The Role of Ministers of Finance in NDC Development, Review and Implementation.

How Ministries of finance can use NDCs to guide green stimulus and low-carbon transformation

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Climate is integral to growth and development goals

"Climate policy should not be seen in isolation, but should rather be considered an integral part of the broader policy agenda to promote economic growth" (Bank of England, 2018)

"Recovery packages that seek synergies between climate and economic goals have better prospects for increasing national wealth, enhancing productive human, social, physical, intangible, and natural capital" (Hepburn et al, 2020)

"NDCs … often provide a window into the government's vision for areas of future economic growth and technology transformation, both of which have clear linkages with job creation. They frequently have to account for complex challenges where progress can deliver multiple wins in terms of reduced poverty, enhanced competitiveness, improved public health and local quality of life, and global public goods." (World Bank, 2020)

Source: Coalition of Finance Ministers for Climate Action, 2020. Ministries of Finance and Nationally Determined Contributions. Stepping Up for Climate Action. July.

Examples of long-term vision, strategy and investment plans to drive NDCs

- **Indonesia**: Indonesia's Low Carbon Development Initiative (LCDI), launched by the Ministry of National Development Planning (BAPPENAS), is a process for identifying development policies that maintain economic growth, alleviate poverty, and help meet sector-level development targets, while simultaneously helping Indonesia achieve its climate objectives, and preserve and improve the country's natural resources. LCDI policies will be incorporated into the National Mid-Term Development Plan (RPJMN) 2020-2024, which is part of the implementation of the National Long-term Development Plan (RPJPN2) 2005–2025.

- **Brazil**: A new study by WRI Brasil and New Climate Economy, *A New Economy for a New Era: Elements for Building a More Efficient and Resilient Economy in Brazil,* presents the socioeconomic benefits that Brazil could achieve, with the adoption of a broad set of policies around sustainability. The study identifies policies in three main sectors- infrastructure, industry and agriculture- that can help reduce poverty and inequality, contribute to the achievement of economic and sectoral goals, stimulate sustainable economic growth *and* make Brazil more resilient to future pandemics and other risks, such as climate change and ecosystem destruction.

- **EU**: The European Green Deal is a roadmap for making the EU's economy sustainable, by turning climate and environmental challenges into opportunities across all policy areas and making the transition just and inclusive for all. It provides an action plan to boost the efficient use of resources, stop climate change, revert biodiversity loss and cut pollution.

  > "*The European Green Deal is our new growth strategy– for a growth that gives back more than it takes away*."- Ursula von der Leyen, President of the European Commission.

  The European Green Deal has provided the basis for the EU's monetary and fiscal response to the covid-19 crisis. The investments supported by the EU recovery package and budget will be fully in line with its objectives to have a climate-neutral economy.

Sources: NCE (2019*). Low Carbon Development: A Paradigm Shift Towards a Green Economy in Indonesia*; WRI Brasil & NCE (2020). *A New Economy for a New Era: Elements for Building a More Efficient and Resilient Economy in Brazil*; WEF (2020). *What we can learn from Europe's response to the COVID-19 crisis.*

NDCs - a key role for finance ministers

- **Having well-articulated NDCs is crucial. These will need:**
    - Articulated investment programmes and projects, consistent with the long-term strategy/climate objectives, anchored in long-term growth and development strategy .
    - Clear ambitions on necessary policy frameworks.
    - Discussion of financing implications.
- **This is why finance ministers should have a key role.**

The COVID pandemic and recovery packages

- ***The world has been transformed by the COVID-19 crisis. <u>It is a game changer</u>.***
    - The impact of COVID is of an order of magnitude and scope that the world has not seen for centuries.
    - While the economic output of developing countries has not fallen as much as in developed countries, the impact on many emerging markets and developing countries, in particular on youth and the fledgling middle classes, is already immense and with potentially long-lasting and deeply damaging consequences.
    - Historic declines in commodity prices, tourism and remittances and unprecedented reversals in capital flows have fuelled a deep loss of confidence and exacerbated vulnerability to other shocks, including flooding and insect plagues.
    - The economic and social impacts are likely to be much greater in emerging markets and developing countries and their ability to respond much less.

Recovery packages and NDCs

- ***Stimulus packages are central to recovery:*** finance ministers will now need to design and introduce comprehensive stimulus packages to promote recovery and build back better - to set a clear trajectory to more inclusive, sustainable and resilient growth. ***These will need to be completely consistent with NDCs.***

  - ***Prepare a coherent strategy for the right investments***: fast, labour-intensive in the short run, with high multipliers, and with co-benefits, including for climate and resilience. Countries will need to add these criteria to the filters applied by their NDCs - economic multipliers, job multipliers and speed of implementation as additional criteria for projects in the NDC pipeline.

  - ***Implement supporting policies***: carbon prices, regulations, bailout conditionalities. These should be outlined in NDCs.

  - ***Ensure finance is available and is aligned with sustainability***: both to support NDCs and stimulus investments. NDCs need to outline how to mobilise the financing needed, in terms of the recovery and sustained investment and transformation. There are many challenges for domestic mobilisation and international support, with the objective of catalyzing private finance at scale.

- **As we implement recovery packages we will learn lessons and tackle the difficulties: they are important in informing us about the challenges of implementing NDCs and raising ambition.**

Green investments can support a better recovery

- ***Many examples of investments*** that are fast, labour-intensive in the short run, high multipliers, co-benefits, including for climate and resilience, include:
  - ***Clean physical infrastructure*** investment in the form of renewable energy assets, storage (including hydrogen), grid modernisation and carbon capture and storage (CCS) technology.
  - ***Building efficiency*** investment in the form of renovations and retrofits, including improved insulation, heating, and domestic energy storage systems.
  - ***Education and training*** investment to tackle both the immediate impacts of COVID-19 on employment and wider structural shifts from decarbonisation.
  - ***Natural capital*** investment to improve ecosystem resilience and restoration of degraded land and habitats.
  - ***Clean Research and Development (R&D)*** investment and partnerships to bring down the cost and encourage diffusion of innovative new technologies that can drive low-carbon, climate resilient growth.
  - ***Rural support*** and investment, in particular to accelerate the adoption of sustainable agriculture, ecosystem regeneration, or accelerate clean energy installations.

Integration of NDCs into recovery packages – filters and tools

- Integration of NDCs into PFM is sensible. In thinking about recovery packages there are some additional filters and tools that can be used in terms of greenness and integrating climate with growth and broader development goals. These can help shape better recovery packages:

- ***Available tools to help shape better stimulus packages:***

  - ***Well-being*** - go beyond green to consider a range of factors critical to people's well-being.

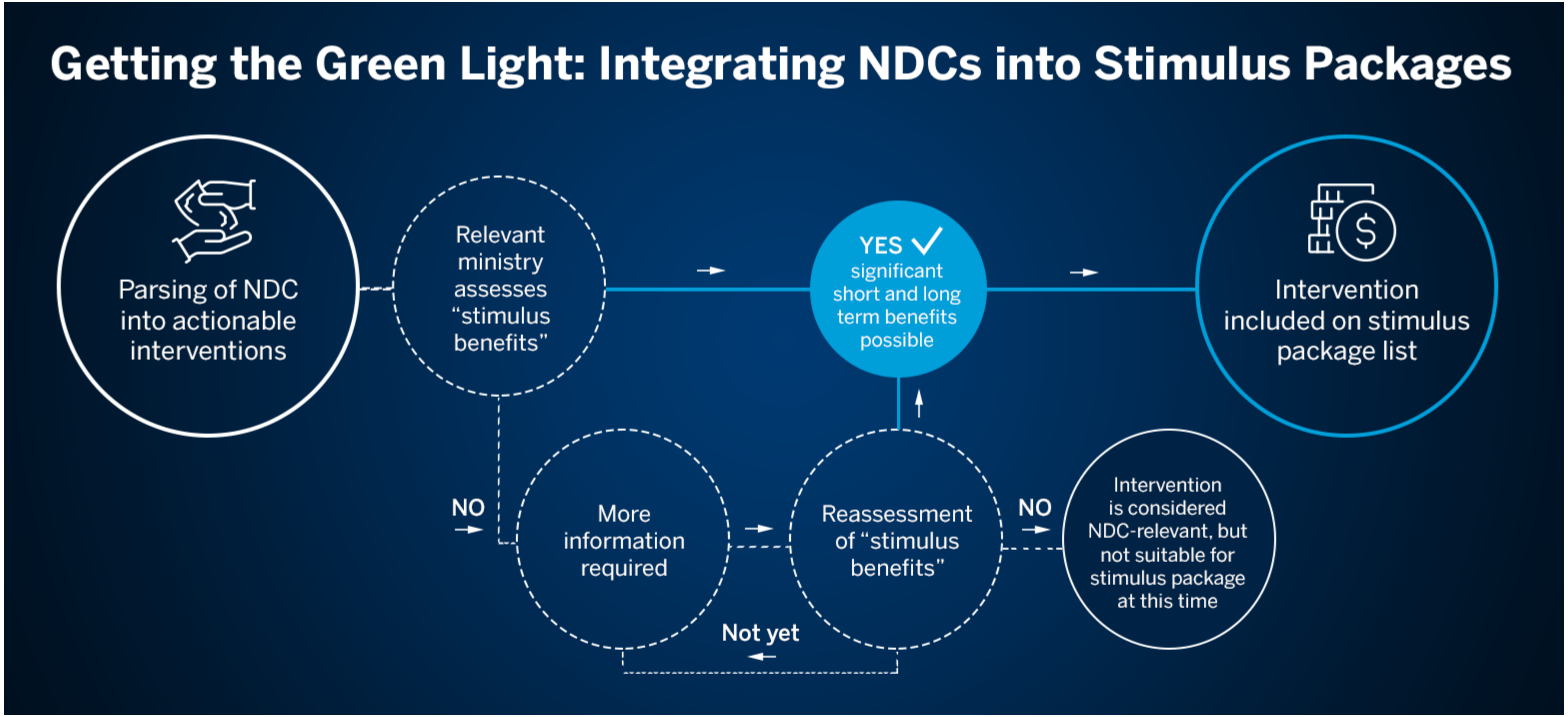
  - ***Green budgeting*** – options for doing this faster to align with green.

  - ***Project-level guidance and checklists*** – ensures proper project evaluation.

  - ***Sector-level guidance*** – especially helpful around cities/urban where most investment will take place.

  - ***Resilience, broadly defined*** – must go beyond mitigation and consider all investments through a resilience lens, including resilience of nature and adaptation.

Getting the Green Light



Source: Hammer et al. (2020). How countries' climate ambitions can support a sustainable recovery from COVID-19 (Coronavirus). World Bank blogs. https://blogs.worldbank.org/climatechange/how-countries-climate-ambitions-can-support-sustainable-recovery-covid-19-coronavirus