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Integrating Natural Capital into Government Post-COVID Economic Decision-Making

France case study

Policy brief

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This publication is part of a global study on nature-based recovery undertaken in partnership with the Green Economy Coalition and the International Institute for Environment and Development, and forms part of the Economics For Nature project.

The **Green Economy Coalition** is a diverse coalition of trade unions, businesses, NGOs, UN agencies and citizen's groups from around the world, all united by the belief that green and fair economies are possible, necessary, and achievable.

The **International Institute for Environment and Development (IIED)** is an independent research organisation that aims to deliver positive change on a global scale. Our mission is to build a fairer, more sustainable world, using evidence, action and influence, working in partnership with others.

Economics for Nature (E4N) is a global partnership of business, civil society and international policy institutions intent on system-wide change to restore nature.

Led by four global alliances, the Green Economy Coalition, the Green Growth Knowledge Partnership, WWF France and The Capitals Coalition, we are working together to make the value of natural capital visible in economic and business decisions.

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Introduction

In 2020, the COVID crisis, which has arisen from our lack of regard for the natural world, has been a brutal blow globally and exposed the structural inequalities and lack of resilience in all economies, including low-income developing countries. All over the world, the public sector has been forced to take strong action in order to safeguard lives and increase economic growth.

For the first time ever, recovery measures are a huge opportunity to prioritize safeguarding biodiversity, investing in ecosystem resilience, and putting in place mechanisms for integrating natural capital[1] into economic decision making. **As recent studies have shown, over half of global gross domestic product (GDP) is dependent on nature** (World Economic Forum, 2020) and more than 1 billion jobs globally depend on healthy and functioning ecosystems (International Labour Organisation, 2018). In addition, prioritizing nature and integrating natural capital in economic and policy decision making could create 395 million jobs and over $10 trillion in annual business value by 2030.

However, to date few countries have yet taken these steps to integrate a focus on natural capital and biodiversity. This work with the GEC (Green Economy Coalition) focuses on the progress so far and how to strengthen this in the selected countries of Brazil, India, Uganda, and France. Jointly funded by the Green Economy Coalition (GEC) and the International Institute for Environment and Development (IIED), **its objective is to influence pandemic recovery plans to mainstream natural capital in economic decision-making** and policy makers to increase finances and policies to rehabilitate and conserve biodiversity. This policy brief provides an overview of the situation in France where 10% of jobs directly depend on biodiversity (Delannoy, 2016).

In September 2020, t**he French government presented a €100 billion plan to support economic activity and job creation, called *Plan de relance***. Facing recent political conflicts and social tensions (e.g., the yellow vests movement), **the government decided to mainly support competitiveness, employment measures and social cohesion**. Major measures include:

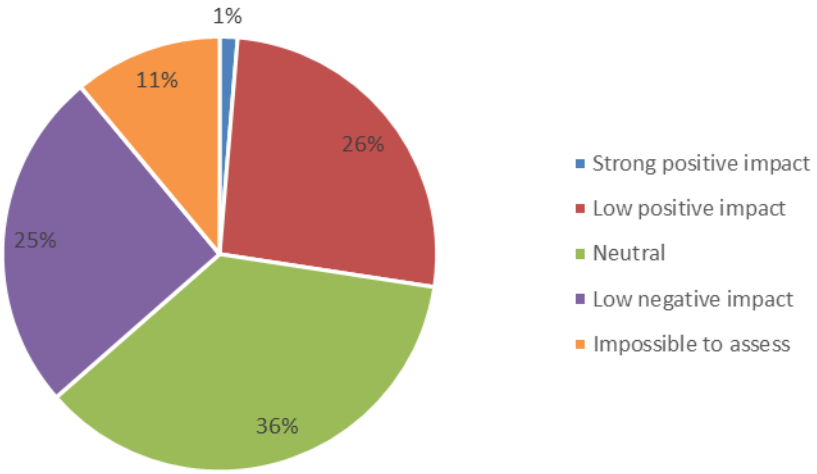
- Substantial tax reductions for French companies (by €20 billion over the 2021-2022 period);
- Supporting partial activity (€7,6 billion in 2020 and 2021);
- Public investments in the health sector (€6 billion over the 2021-2025 period).

[1] For the methodology, our emphasis here is on sustaining and conserving natural capital by which we mean nature and biodiversity with a focus on renewable resources and ecosystems, such as forests, waterbodies and watersheds – and the biodiversity that they contain. This is the capital which is most marginalized and receives least attention from economic decision-makers.

Analysis of research findings

The analysis suggests **the plan's impacts on natural capital are difficult to estimate and considers biodiversity has been neglected into recovery decision-making**. As shown in the following figure, 39 of its measures, representing 47% of its budget, are either impossible to assess[2] (11%) or qualified as neutral[3] (36%). In addition, 28% of its budget (22 measures) is expected to have a positive impact whereas 25% of spending (3 measures) is expected to have a negative impact.

Figure 1: Impact on natural capital according to *Plan de relance* budget (source: authors)



Despite the strong dependence of the French economy on biodiversity, especially in overseas territories, the study has revealed its **recovery plan misses the opportunity to invest in nature and to integrate natural capital into decision-making.** Although investments in natural capital can bring benefits and growth opportunities, results point out **a lack of attention and financing regarding biodiversity and natural capital in the French recovery plan**.

In addition, the plan allocates a small portion of its budget to conservation and restoration actions, and **does not mention the use of nature-based solutions (NBS)**, which are known for **their contribution to welfare** (IPBES & IPCC, 2021) and **can help societies recover from the devastating impacts of COVID-19 by creating economic opportunities, employment, and multiple public health and wellbeing benefits** (IEEP, 2021).

Finally, the French recovery plan does not mention any conditionality for the attribution of its funds.

[2] Impossible to assess measures are measures supporting economic sectors without regard to their impact on biodiversity.

[3] Measures qualified as neutral support the health sector, employment, high education, etc. According to our analysis, they should not have any impact (positive or negative) on natural ecosystems, water consumption or pollution, etc.

Recommendations

The analysis strongly suggests the French government in the short run to **add environmental conditions to industry and companies support measures**. The number of uncertainties regarding the recovery plan's impacts on biodiversity is important and, in order to protect natural capital, it will be essential for the French government to focus its investments towards environmentally friendly sectors.

In addition, the study recommends the government to **rigorously monitor the implementation of announced measures regarding their impact on natural capital**. If not, it is likely the *Plan de relance* will finance environmentally harmful actions and it will be important to anticipate possible negative impacts of its measures. Therefore, the French government is strongly advised to include biodiversity related indicators in their implementation in order to preserve natural capital.

More specifically, transport infrastructures actions are very likely to cause habitat fragmentation and to affect biodiversity by preventing animal movement and plant dispersal. Thus, the analysis considers the government should **monitor the implementation of ecological and wildlife corridors** in order to link the divided areas and to prevent negative impacts on natural capital.

In the long term, a large number of actions remain available to France, which could follow the lead to some countries such as China, which financed waterway protection and enhancement ($15,5 billion), public parks and green spaces ($9,5 billion) and ecological conservation initiatives ($1,6 billion), or Spain, which strongly financed tree planting and biodiversity protection ($10,4 billion).

The study has shown systematizing NBS should be considered a way to integrate natural capital into the economy.

In France for example, projects such as the *parc des Aygalades,* which is used for high-capacity hydraulic regulation in case of flooding by the city of Marseille, have shown NBS can be more profitable than human-made infrastructures and that investing in ecological engineering activities can bring more benefits (CDC Biodiversité & Vertigo Lab, 2019).

Another famous example is the largest restoration project in Europe, the Emscher Landscape park in Germany, which in almost 20 years has generated an estimated 85 892 jobs (WWF and International Labour Organization, 2020).

In order to better integrate natural capital into its economy, other measures for the French government could include:

- Reducing taxes on sustainable and eco-friendly goods and services, including manufactured goods and chemicals which have a positive environmental impact;
- Encouraging actions aimed at reducing plastic waste, which strongly contributes to pollution and affects the marine environment;
- Reducing natural resources extraction, which has been identified as one of the main factors of biodiversity loss.

Finally, the study suggests public spending should systematically undergo a rigorous appraisal of its impact upon natural capital using a robust and consistent framework that brings transparency to spending decisions and helps governments make the most of its spending. Methodologies that carefully assess the impact of spending on nature are already available and should continue to be developed in order to facilitate robust decision-making and to be widely adopted.

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