Sustainable Recovery Efforts in Developing Countries

Assessment of selected GGGI Member Countries based on GGGI's Green Recovery Index

Recovery in Developing Countries

1. The recovery measures in the assessed GGGI member countries (developing countries) support the achievements of the SDG targets but do not prioritize green incentives.

— *On average only 11 % of announced stimulus per country will have a positive environmental impact*
— *Among OECS members only less than 12% of announced stimulus will have a positive environmental impact*

2. The assessed GGGI member countries are not doing enough to shift to a green development trajectory:

— *Assessed developing economies – such as India, Indonesia, Mexico, Mongolia – still have high-carbon incentives leading to low climate index component scores*
— *Least developed countries, are among the worst performers as they* show insufficient social- green incentives to support a sustainable transition and develop long-term resilience, leading to low social index component scores
— *Nature and biodiversity recovery incentives have been neglected by most assessed countries, including OECS members.*
— *Small island states tried to oriented their stimulus towards climate adaptation and social resilience; however, they lack financial resources to implement them.*

4. The assessed GGGI member countries prioritized green productive investments and green fiscal and monetary incentives. However, to ensure a green transition, countries should add incentives to promote "Green skills" , "Green planning, strategies and governance", "Gender and social inclusion", "Green skills", "Green regulation", "Greening the financial sector", and "Green behavioral change"

5. Best performers have both a high economic dependence on natural capital and strong political support towards sustainability (i.e. Philippines, Peru, Vietnam, Thailand)
Best performers AMONG OECS members prioritized risk management and resilience development with a sustainability focus (i.e. Dominica and St. Lucia)

6. Sample countries particularly lack incentives for a green recovery of the industrial sector. Most countries, including the OECS' members, support a green recovery on the agricultural, energy, transport and waste sectors.

7. How to close GAPS for a more sustainable/green recovery in developing countries and OECS members?

— *Support natural capital projects, which address the lack of nature related incentives*
— *Assess the potential and need for green skills required for future green jobs*
— *Support the implementation of innovative financing mechanisms for green recovery that boost the participation of the private sector*
— *Pushed for a gender balance and inclusive recovery*
— *Promote a subnational level action aligned with national goals*

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I. Overview of Recovery Incentives

The greenness of recovery of 15 GGGI members were assessed

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GGGI's countries sample provide an adequate representation of economies development

	Developing Economies	Least Developed Countries	Small Island Developing States
Asia (6)	Mongolia, Thailand, Viet Nam, Philippines, India	Lao PDR	
Africa (4)	Côte d'Ivoire	Rwanda, Burkina Faso, Senegal	
Americas (4)	Mexico, Colombia, Peru		OECS (1)
Oceania (1)			Fiji

1. OECS members assessed: Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitt and Nevis, St. Lucia, Monserrat, St. Vincent and the Grenadines.

Source: GGGI, based on UN Country Classification, 2021

Categorization of recovery incentives

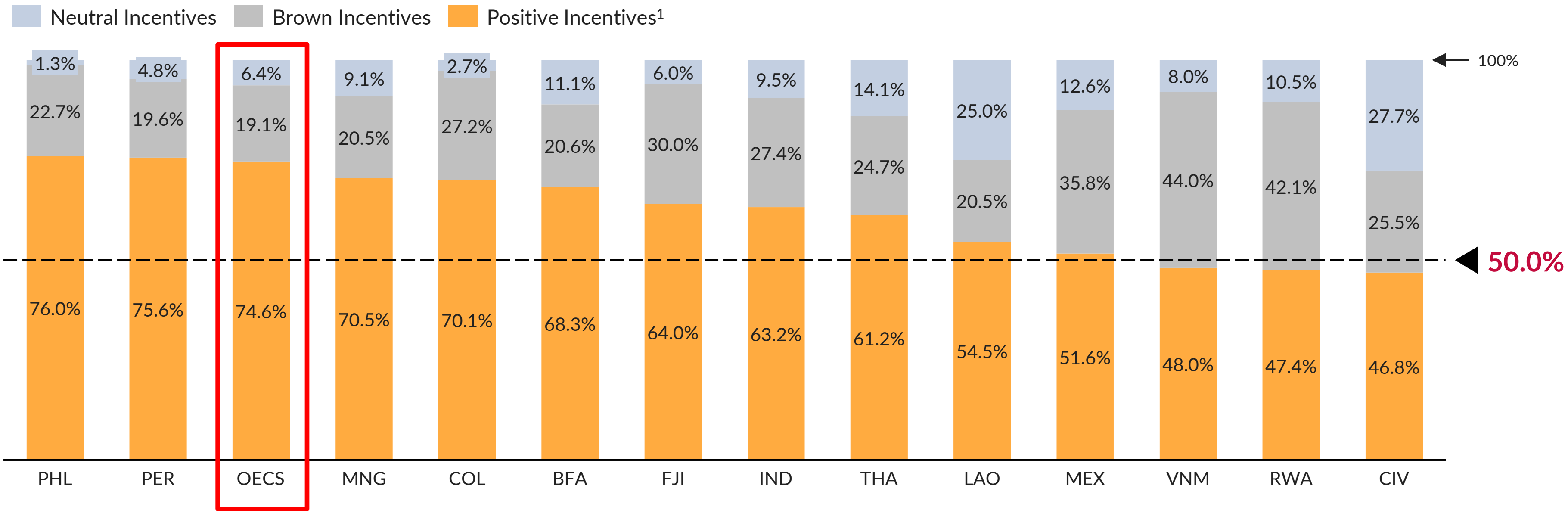
Examples per type of incentives

	Positive Incentives	Green Incentives	Brown Incentives	Neutral Incentives
Nature	• N/A	• Waste and water management • Reforestation and Restoration • Aquaculture and fisheries support • Ecosystem's rehabilitation	• Cancelling of environmental fines • Reduced regulations charge and fee rates for water resources • Investments and support to mining sector	• Extend forest permits for 6 months
Climate	• N/A	• Increase levies on fossil fuels • Infrastructure projects on Waste, Public Transport, and RE Energy • Policies on electric vehicles and energy storage	• Tax exception for motor vehicles • Construction of fossil fuel power plants • Support to airlines • Support to livestock breeding	• Non specific industrial and infrastructure incentives • Securing oil for strategic reserve
Social	• Health and education related spending • Cash transfers for vulnerable population • Social housing • Temporary work programs	• Support for Green SMEs • Support for small farmers and its value chains • Sanitation work	• Implement utilities tax for businesses	• Debt relief measures (e.g. personal loans and SMEs) • Monetary regulation

III. Green Recovery Index Results

On average, half of the announced incentives (costed and uncosted) per country support the achievement of the NDCs... (1/2)

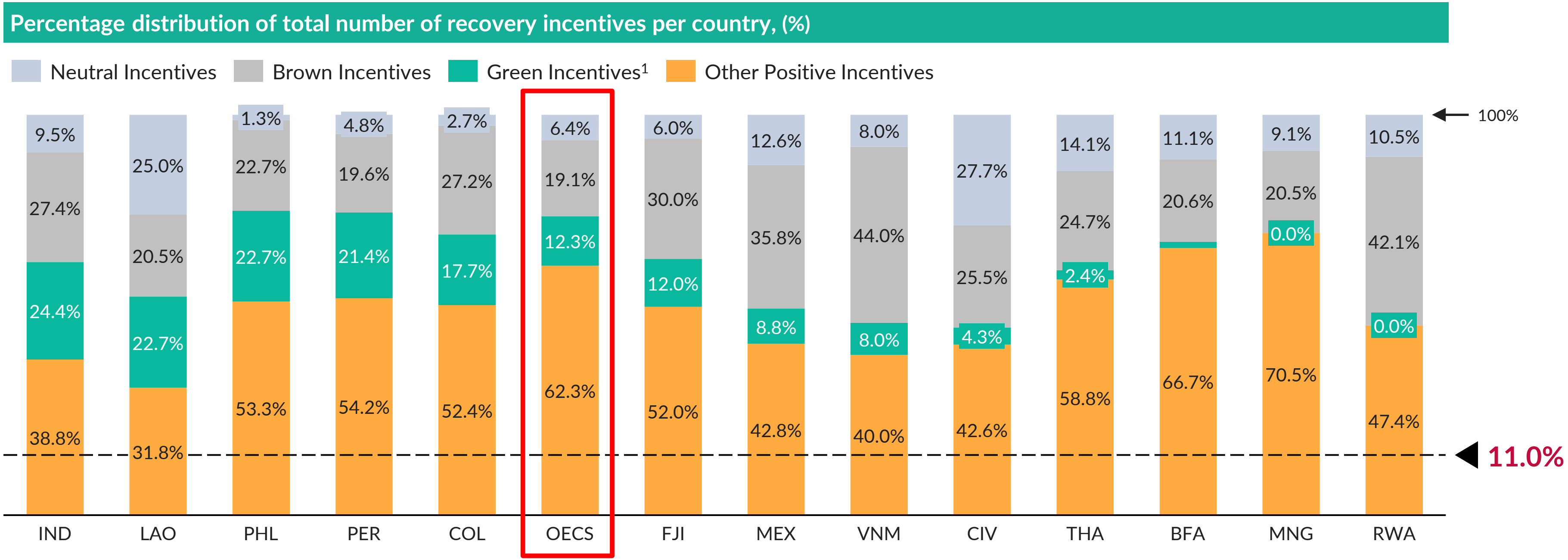
Percentage distribution of total number of recovery incentives per country, (%)



1. Positive incentives consider climate, nature and social incentives beneficial for the environment or that support the SDG Framework.

Source: GGGI, 2021

.. However, only 14% (on average) of announced incentives per country support a green recovery (2/2)



1. Green incentives consider climate and nature incentives beneficial for the environment.

Source: GGGI, 2021

Best performers have both a high economic dependence on natural capital and strong political support towards sustainability

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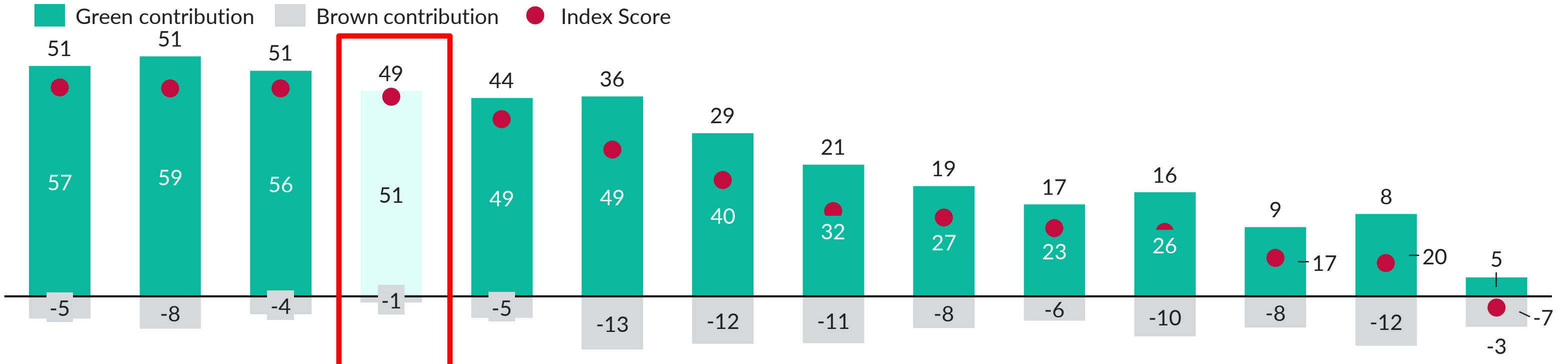
Greenness of Stimulus Index Score

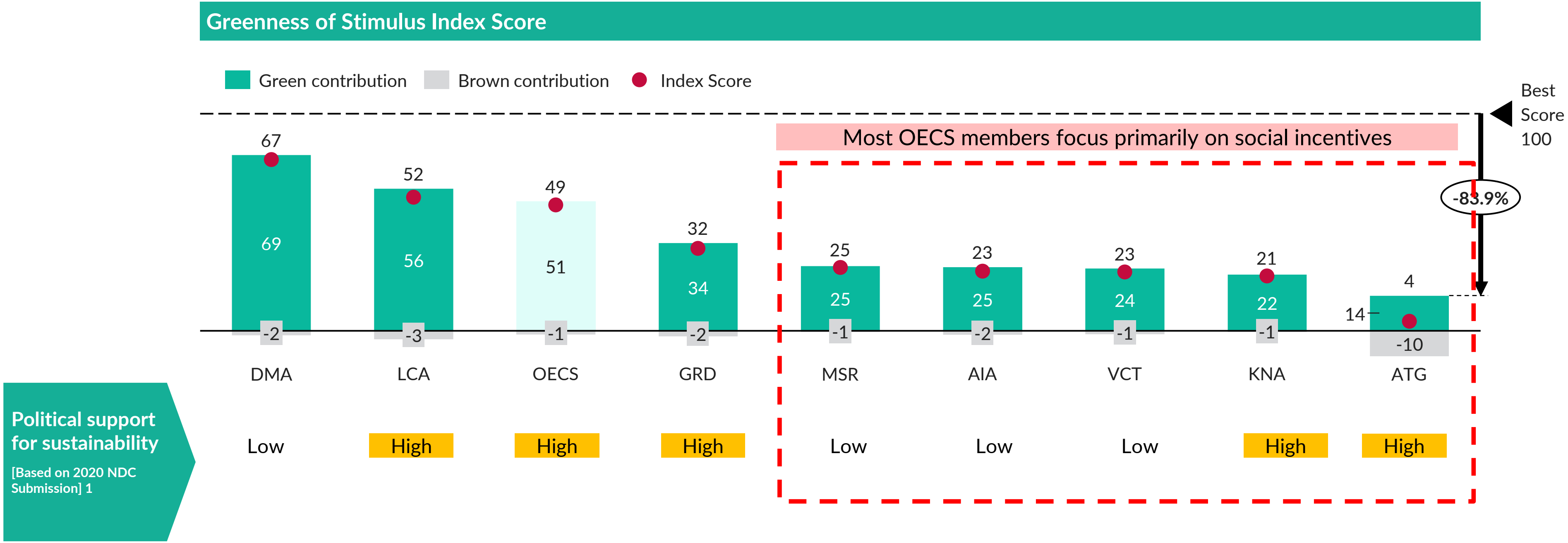


	VNM	PER	PHL	OECS	THA	MEX	COL	IND	RWA	BFA	LAO	FJI	MNG	CIV
Political support for sustainability[1]	Low	High	High	High	Medium	Low	High	Low	Medium	Medium	Medium	Medium	Medium	Low
Natural Capital Wealth (USD/ Per capita, 2014)	9,381	24,914	5,644	N/A	10,144	14,629	15,932	4,739	6,650	5,755	22,590	N/A	50,047	11,016

1. High – Countries that have submitted stronger NDC targets to the UNFCCC, Medium – Countries that submitted/pledged new NDC targets, Low- Countries that did not increase NDC ambition or countries that have not updated targets as of Oct 2021.

Sources: World Bank. (2018). The Changing Wealth of Nations; Climate Action Tracker, 2021; GGGI, 2021

Among OECS members, best performers prioritized risk management and resilience development with a sustainability focus



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Sources: World Bank. (2018). Climate Action Tracker, 2021; GGGI, 2021

Examples of green incentives among best performes in the OECS

Examples of GREEN incentives

	Dominica	St. Lucia
Nature	• Restoration of waterways • Agriculture, Fisheries and Food Security - Emergency Agricultural Livelihoods and Climate Resilience Project	• N/A
Climate	• Global Centre for Agriculture Resilience • ResilienSEA Triple Bottom Line Blue Economy Investment Fund • Renewable energy solutions - Building A Resilient Low Carbon Electricity Sector	• Unrolling of an Ambitious Portfolio of Public Sector Capital Projects and Private Sector Shovel Ready Projects. • Waiver of Duties for the Purchase of Vehicles for Minibus Operators
Social	• N/A	• Rural Community Small Projects Economic Stimulation Initiative.

- There is a lack of nature related and social- green incentives that could be easily implemented.

Examples:

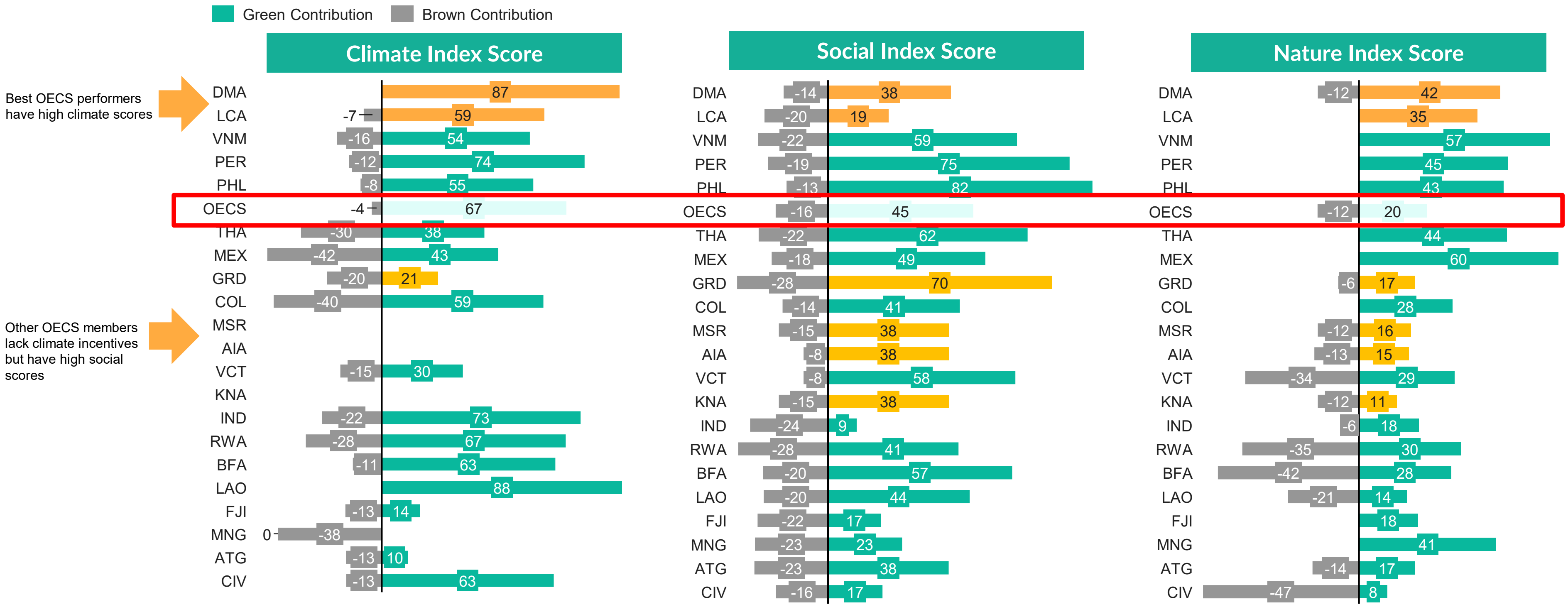
NATURE INCENTIVES

- Productive and natural infrastructure investments for agriculture
- Programs to improvement forest management and increase legal practices in the sector (e.g., extending permits)
- Reforestation and restoration programs (incl. forests, waterways, etc.)
- Support for tourism programs that prioritized nature and biodiversity conservancy
- Waste management activities

SOCIAL GREEN INCENTIVES

- Provide additional support to green SMEs
- Improve value chains for small farmers

Best performers have high positive scores in all nature, social and environmental components of the green recovery index

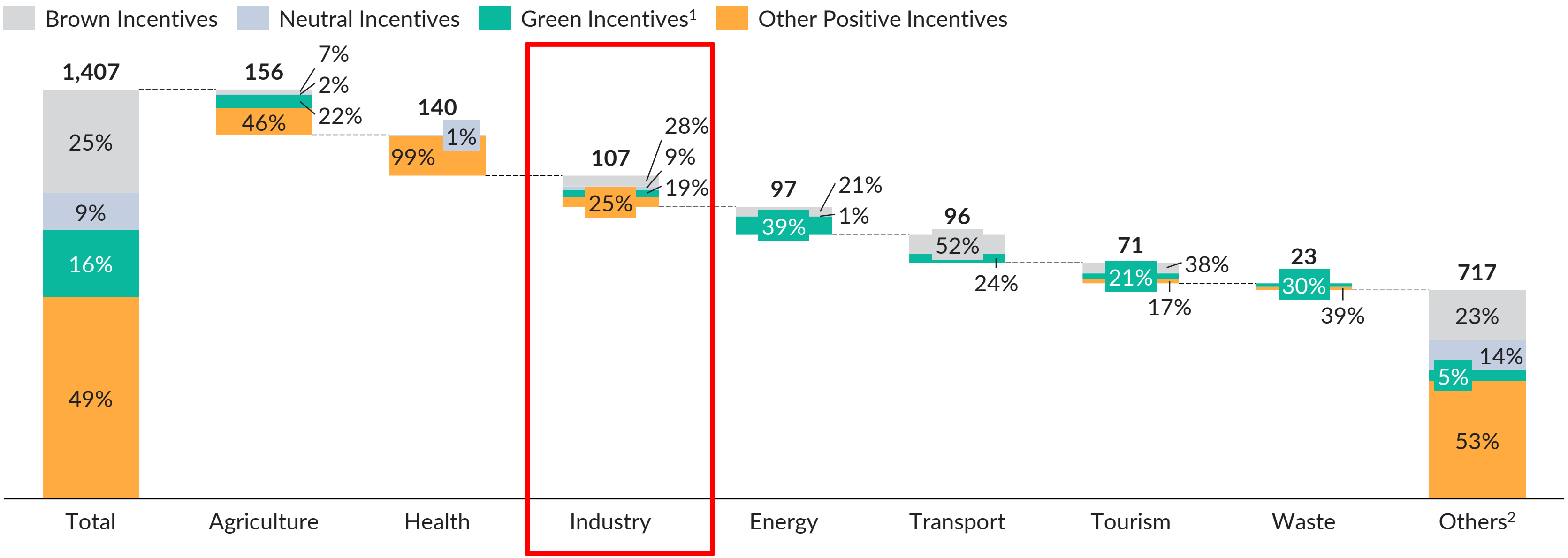


Source: GGGI, 2021

Preliminary Results

Sample countries particularly lack incentives for a green recovery of the industrial sector

Percentage distribution of recovery incentives per type (%)



1. Green incentives consider climate and nature incentives beneficial for the environment; 2. Others include measures for improving market conditions (e.g., price monitoring, provision of loans (non-sector specific) , support to SMEs non sector specific, stimulate local consumption, monetary regulation, tax increase or tax cuts, etc. It also includes incentives for the following sectors: Information and communication, Financial and insurance activities, Real estate activities, Professional, scientific and technical activities, Administrative and support service activities, Public administration and defense, compulsory social security, Education, Arts, entertainment and recreation.

Source: GGGI, 2021

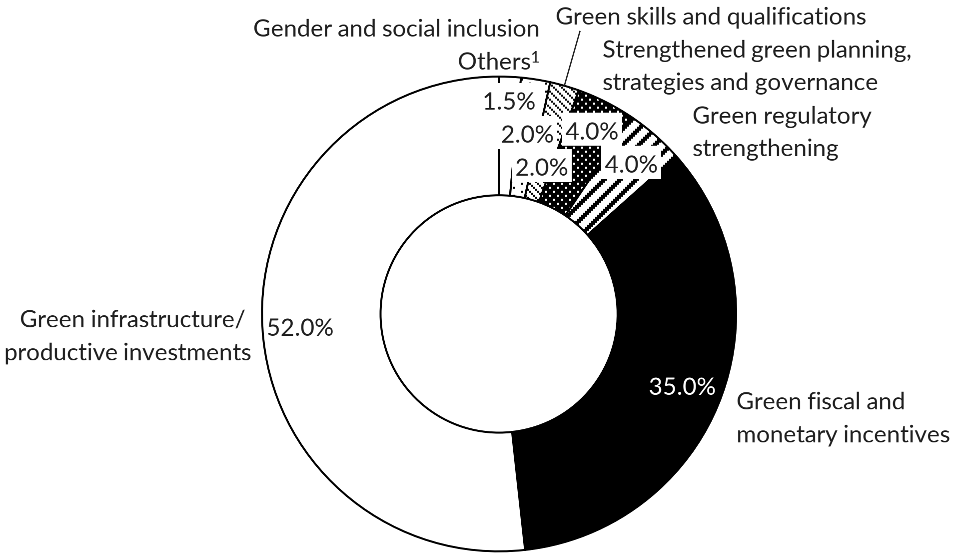
A balance between types of green recovery incentives can ensure a green transition

Benefits of a balanced set of green recovery incentive types:

- Backing up green productive investments with green policies and strategies can ensure a long–term recovery and strengthen private sector participation
- Aligning unemployment programs with the development of skills for future green jobs can increase the country's competitiveness in the long run.
- Green productive investments should consider gender and social inclusion perspective to ensure success in developing countries
- Implementing incentives directed towards greening the financial sector can increase investments towards green sectors at the long-term
- Recovery incentives are an unprecedented opportunity to encourage behavioral changes for sustainability

Countries focus on green productive investments and green fiscal and monetary incentives

Percentage distribution of green incentives per focus (%)



1. Others include: Sustainable financial System e.g. agricultural insurance, ESG implementation in the banking system and Green Behavioral Change.

Source: GGGI, 2021

IV. Recommendations to mainstream a green recovery

Best practices identified in developing countries

For planning the recovery

Prioritizing job creation through green recovery measures in other to make simultaneous progress on poverty and inequality reduction

Increasing resilience of the most vulnerable population

Linking the recovery initiative to the country's annual budget

For financing the recovery

Aligning future economic stimulus packages with national climate and development policies and targets to increase long-term mobilization of climate finance and quicker implementation.

Prioritizing investments in sectors that might have future impacts on fiscal revenues

Strengthening the overall financing of the agenda for sustainable development

For implementing the recovery

Creating a cross-ministerial/ cross-sectoral technical group in charge of the economic recovery

Implementing bottom -up solutions and promoting an iterative execution

Six actions could help mainstream green recovery in developing countries

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Actions	Example	GGGI Green Recovery Project Example
1 Increase recovery incentives related to natural capital and biodiversity	**Philippines- Seek to** strengthening green regulation. E.g. Intensifying surveillance and enforcement activities to protect wildlife and their habitats and enhance the National Greening Program	**Fiji –** Green Tourism Recovery
2 Diversify the type of green recovery incentives to develop green skills, green policies, strengthen green regulation, greening the financial system, etc.	**India and Thailand -** Incorporate re- skilling programs for low- income workers that facilitate an occupational transition towards green and digital jobs	**Mongolia -** Green Jobs assessment for RE
3 Aling innovative financing mechanisms to green recovery projects	**Colombia-** "Projects for Taxes" Program Allows SMEs and citizens to pay taxes as direct investments in sustainable projects that benefit locations affected by violence and poverty.	**Peru –** Support for Green Bond Issuance
4 Utilize subnational green recovery actions to subside the absence of national level green priorities	**Mexico -** The members of the "Alliance of Mexican Governors by the Climate" constantly exchange experiences on successful green recovery incentives at subnational level	**Mexico –** Green Recovery Support for Puebla
5 Design and align green recovery incentives to reduce the informal sector in green sectors	**Peru -** The recently published "National Multisectoral Strategy to Fight Illegal Logging 2021 – 2025 and its Action Plan " is align with the forestry related recovery incentives such as the reactivation of regional branches of teams for forest control and the extension of forest operations permits.	**OECS and the Pacific –** Greenpreneurs Programme
6 Leverage green recovery through maximizing the participation of civil society and the private sector	**OECS -** Overall all OECS members have prioritized measures to Support Private Sector Investments across high carbon sectors, particularly RE and sust. transport.	**OECS and the Pacific –** Greenpreneurs Programme

Moving from a green recovery to Net Zero Emissions in developing countries

The pathway towards needs to address unemployment, poverty, inequality, disparities of capacity, and economic hurdles that currently face the developing countries.

Policies

- Focus on skills development for future green jobs
- Complement mitigation incentives with adaptation and resilience measures.
- Leverage green recovery committees and technical groups to establish enforceability mechanisms for the new sustainable development commitments

Finance

- Invest in projects already considered for a viable pathway towards Net Zero
- Leverage Carbon Finance - International Carbon Markets
- Establish environmental, social, and governance (ESG) standards for investments.

Capacity-building

- Long-term and consistent collaboration and engagement amongst different stakeholders with a clear common vision
- Invest in data gathering and information development to inform decision-making and to track progress

Thank You

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