



Statement on a resilient COVID recovery and resilience bonds from governments

As of August 2020, 23.3 million people around the world have contracted COVID-19, and at least 800,000 have died.¹ The scale is devastating and continues apace across the globe.

The public health crisis has caused the largest global recession in history. Over the next few years, this devastation is expected to result in at least \$9 trillion of losses to the global economy.²

The vulnerabilities of our health and social systems and the fragility of our economies have been exposed.

Scientists tracking the far-reaching repercussions of climate change have been sounding the alarm on the risks of a pandemic for decades, yet we were woefully unprepared.

Land degradation, wildlife exploitation, intensive farming and climate change have increased the rise in zoonotic diseases that can be passed from animals to humans. The COVID-19 pandemic is the first of what is likely to be a century of shocks related to climate change and environmental degradation. Pandemics, heat waves, volatile weather, population displacement, and increased conflict are all but certain features of the 21st century.

Our global community is now at a crossroads.

We can simply mitigate the short-term damage of the current pandemic and await what comes next, or we can take the mantra of “build back better” seriously and make smart investments that will ultimately improve our resilience to shocks over the long-term.

Are the massive, unprecedented stimulus packages being rolled out by governments around the world today (\$10 trillion announced in just the first two months of the COVID-19 pandemic) meaningfully tackling the interconnected issues at the heart of our fragility: climate change, poverty, inequity, and the broader well-being of our people and planet?

While many governments have recognized the need for a sustainable and resilient recovery, most governments have not (thus far) used economic stimulus to invest in climate change or long-term resilience.³

Guidelines on recovery investments could now help drive a focus on the right measures to take.

Taxonomies, the most notable of which is the EU Taxonomy on Sustainable Finance, are gaining phenomenal momentum in the context of driving policy and finance for low carbon activities.

We propose that this proven approach be used to catalyse Covid recovery finance to invest in long-term resilience and the SDGs.

Given that today, bonds are the single largest pool of capital (an estimated \$100 trillion), we believe that influencing the trillions of dollars of sovereign bond issuance expected over the next few years is an opportunity to align public and private sector incentives to finance social, economic, and ecological resilience.

Since the onset of the pandemic, investor interest in social bonds, a derivative of the green bonds “use of proceeds” format, have soared and similar COVID-19 bonds have emerged as a new way for governments to tap capital markets to finance COVID stimulus measures while simultaneously delivering social benefits.

The rapidly growing socially and environmentally responsible bond market with its multitude of labels (i.e. green bonds, COVID-bonds, SDG bonds, sustainability linked bonds, social bonds, catastrophe bonds, etc.) can be unified by a common value proposition: the creation of a more equitable and resilient society.

The consolidation of multiple objectives through a taxonomy that translates social, economic, and ecological well-being into a blueprint for COVID recovery investment (a procurement list of sorts) has the potential to significantly scale-up investments in resilience.

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A 'resilient recovery taxonomy' will channel mounting investor demand for investments in SDGs and climate action to directly influence how governments design stimulus packages, that they in turn can finance through sovereign bonds.

Green bonds have demonstrated the path ahead; in the context of COVID-19, we can create a preferential market that inspires the right kind of issuance by the public sector for a resilient, sustainable recovery.

Our vision is a future where the health and well-being of all people and the planet is hardwired into public spending and private investments.

We propose four core priority actions that will deliver on the immediate needs for the historic financial flows in response to the COVID-19 pandemic to invest in social, economic, and ecological resilience while efficiently addressing recovery. These core actions include:

1 Build consensus on the principles that define a resilient COVID recovery



There is a need to harmonize the high-level guidance and recommendations that are emerging, to present a singular view and voice on the principles

that should guide a resilient recovery. The Climate Bonds Initiative proposes establishing a Resilient Recovery Task Force (RRTF) comprised of experts and thought-leaders on resilience, macroeconomics, SDGs, health, welfare systems and other key sectors, and representatives of key allied agencies such as the UNDP. The immediate goal of the RRTF would be to develop and issue a unified statement and set of 'Resilient Recovery Principles (RRPs)', signed off by diverse and numerous stakeholders, including from the investment community.

2 Develop evidence-based taxonomies and standards



We need a high-level 'Resilient Recovery Taxonomy (RRT)' that provides a broad blueprint of key investments that can be used in the short-term to design recovery

packages and sovereign green bonds. This needs to be followed by a deeper analysis with more precise criteria that can be applied to sectors, activities, and/or processes to evaluate their alignment with the RRT.

3 Issue sovereign bonds



We need to support governments around the world to issue sovereign bonds to finance the gap in public resources to invest in a resilient and inclusive recovery.

4 Maintain trust and transparency



In order to drive market demand and investment, there must be a significant level of trust that investments are actually aligned to recovery and resilience goals. By

tracking the market, commenting on the credibility of claims of resilience and social impact, and highlighting lack of disclosure and transparency - we can help protect the integrity of resilient recovery financial instruments.

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1. <https://covid19.who.int/>
 2. <https://wedocs.unep.org/bitstream/handle/20.500.11822/32316/ZP.pdf?sequence=1&isAllowed=y>
 3. https://www.vivideconomics.com/wp-content/uploads/2020/08/200820-GreenStimulusIndex_web.pdf