

**CRITERIA FOR ASSESSMENT:
HOW TO IDENTIFY SUSTAINABLE
RECOVERY MEASURES**

Criteria for assessment:

How to identify sustainable recovery measures

The working group on sustainable recovery appointed by the Finnish Minister of the Environment and Climate Change Krista Mikkonen is tasked with preparing measures for the supplementary budget that will promote economic recovery while also responding to the climate crisis and a decline in biodiversity.

International institutions, such as the UN, World Bank, International Monetary Fund (IMF), International Energy Agency (IEA) and European Commission, as well as several business networks, have stated strongly that post-coronavirus pandemic recovery measures must be ecologically sustainable. Leading economists also confirm that sustainable recovery is the most efficient way to recover from the point of view of the economy as well.¹

The working group on sustainable recovery focuses on the measures included in the post-crisis management plan in particular. It makes more sense to incorporate sustainability considerations into these measures than into direct crisis measures to resolve the acute health crisis, for instance.

The measures of the post-crisis management plan on the whole should contribute to resolving the ecological sustainability crisis and reaching the carbon neutrality objective. Even significant employment-creation projects should avoid negative impacts on the climate, the use of natural resources or biodiversity. All of the post-crisis management measures should be reviewed with regard to how they support the economic, employment and climate objectives and stop the decline in biodiversity. Therefore, the working group has prepared a set of criteria that can be applied to the assessment of measures to support decision-making.

If measures are taken that significantly interfere with the achievement of the Government programme's climate and nature objectives, this must be the result of serious consideration and sustainability pledges should be required in return, for example. An example of this is a recipient of subsidies pledging to reduce emissions towards carbon neutrality² or reduce the decline in biodiversity.

Criteria for assessing action proposals

The ease and efficiency of applying the criteria have been the starting point for preparing the criteria. The more extensive and complicated the criteria are, the more time and resources applying them takes. It is therefore important to identify the key criteria with which we can identify the measures with the biggest impact. Because the criteria are specifically designed for the assessment of recovery measures, they are not exhaustive, for example in terms of social impacts. The Finnish Ministry of Finance guidelines concerning the third supplementary budget were also applied to preparing the criteria.

A qualitative framework is proposed as the assessment framework: ++, +/-, -, --. The assessments should make use of environmental impact assessments already carried out and other literature.

¹ www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-02.pdf.

² Existing tools, such as [Science Based Targets](#) and [voluntary Green Deal agreements](#), can be used for this purpose.

Criterion	Assessment of the criterion
1. Impacts on the economy and employment	
1a. Impacts on employment (FTE and socio-economic impacts)	<p>What are the impacts of the measure on employment (FTE) per euro used, also taking into account the permanence and nature of the jobs, where applicable? Increases employment per euro used significantly (+ +), increases it to some extent (+), has a neutral effect (x), reduces employment to some extent (-), reduces employment significantly (- -). If it is possible to quantitatively assess the FTE impact, it can be presented here.</p> <p>The socio-economic impacts can also be assessed here, such as impacts on the regional economy or income distribution.</p>
1b. Society's confidence in economic recovery	Does the measure increase the confidence of the public and the business community in economic recovery? Yes/no . If yes, justify briefly.
1c. Leverage effects on the private sector	Will the measure create "leverage effects" in the private sector, i.e. will it result in new measures that would not be taken without the measure? Yes/no . If yes, justify briefly.
1d. Impacts on the public-sector economy	Can the implementation of an already-planned measure be brought forward? Yes/no . If yes, justify briefly.
2. Impacts on the climate and environment	
2a. Solving the climate crisis	<p>How does the measure contribute to the achievement of the carbon neutrality objective and a reduction in greenhouse gas emissions (including emissions and sinks) compared to the baseline (i.e. already agreed actions)? Reduces net emissions significantly (+ +), reduces net emissions to some extent (+), has a neutral impact (x), increases net emissions to some extent (-), increases net emissions significantly (- -).</p> <p>In addition, does the measure have potential impacts on carbon sinks through the use of forests? Yes/no.</p> <p>Does the measure support adaptation to climate change? Supports it significantly (+ +), supports it to some extent (+), has a neutral impact (x), makes adapting more difficult and thereby increases the risks associated with climate change to some extent (-), makes adapting significantly more difficult (- -).</p>
2b. Sustainable use of natural resources and promoting the circular economy	How does the measure promote reducing the use of virgin natural resources and the transition to a circular economy compared with the already agreed actions? Promotes the transition significantly (+ +), promotes the transition to some extent (+), has a neutral effect (x), makes the transition more difficult to some extent (-), makes the transition significantly more difficult .
2c. Biodiversity and the state of the environment	How will the measure promote the biodiversity of Finland's nature, a reduction in biodiversity loss and an improvement in the state of the environment? Promotes it significantly (+ +), promotes it to some extent (+), has a neutral effect (x), makes it more difficult to some extent (-), makes it significantly more difficult (- -) .

Criterion	Assessment of the criterion
3. The criteria below concern quick recovery measures proposed for inclusion in the supplementary budget proposal	
3a. Launching the measure and the timing of impacts	Can the project be launched quickly so that favourable impacts on the economy and employment can be expected quickly, already during 2020? Yes/no.
3b. Non-recurring nature of the expenditure of the measure	Is it a fixed-term measure that only incurs expense and/or loss of income during the period 2020-2021 (only for a justified reason, such as payment authorisations, could expenditure be allocated to year 2022 as well)? Yes/no.
3c. Targeting industries or groups that have suffered from the coronavirus crisis	Does the measure benefit Finnish industries, businesses and groups of people that have suffered the most from the situation caused by the coronavirus and lockdown measures? Yes/no.

1. Impacts on the economy and employment

Stimulus packages aim to speed up economic recovery once the normal operations of companies and households resume. In order to minimise the negative impacts of the coronavirus crisis on well-being, it is important that the impact of the stimulus measures per euro invested is as high as possible.

a. Impacts on employment

Employment impacts per euro invested are the most important individual indicator. If the impacts of the measure or investment on employment have not been calculated or cannot be calculated with the resources available, they can be estimated on the basis of the local content of investments, for example. In estimating the impacts on employment, it is also possible to pay attention to the permanence and other characteristics of the jobs³.

³ For example, the level of wages and weekly number of working hours, i.e. whether it is a part-time or full-time job.

The key questions in assessing impacts on employment are:

- What are the impacts of the measure on employment (FTE) per euro used, also taking into account the permanence and other characteristics of the jobs, where applicable? **Increases employment per euro used significantly (+ +), increases it to some extent (+), has a neutral impact (x), reduces it to some extent (-), reduces it significantly (- -)**. If the multiplier impacts of the measure on employment are known, both direct impacts and multiplier impacts can be estimated.
- The socio-economic impacts can also be assessed here, such as impacts on the regional economy or income distribution.

In addition, the criteria below can be used for assessing the other economic impacts of the measure in accordance with the guidelines on the supplementary budget.

b. Society's confidence in economic recovery

A key question in assessing society's confidence is: does the measure increase the confidence of the public and the business community in economic recovery? **Yes/no** (please justify).

c. Leverage effects on the private sector

With regard to private sector investments, it could be assessed whether the measure will create "leverage effects" in the private sector, i.e. will the measure result in public-sector measures that would not otherwise be taken? **Yes/no** (please justify).

d. Impacts on the public-sector economy

For example, some of the measures could be investments that the Government programme has already earmarked for implementation, but which could now be introduced earlier. The impact of these measures on the public-sector economy could be less, because the measures would have been implemented anyway at a later date. If this is the case, please indicate so.

It should be taken into account in the assessment whether the measure is an already-planned measure that is now proposed to be brought forward. **Yes/no** (please justify).

2. Impacts on the climate and environment

In addition to economic impacts, the impacts of the measures on the climate and biodiversity and other impacts on the environment are at the core of their assessment. Solving the ecological sustainability crisis is as acute an issue as before the coronavirus crisis, and the impact on the sustainability crisis should always be assessed in the use of public funds. In particular, the proposed recovery and reform measures should support measures that will not only help the recovery of the economy, but also solve the sustainability crisis. This is a win-win situation: we can create sustainable growth and jobs at the same time as reducing the climate burden of our measures.

Finland chairs the Coalition of Finance Ministers for Climate Action together with Chile.⁴ The coalition aims to consistently incorporate the mitigation of the climate crisis and reduction of climate risks into the planning and implementation of financial policy. Financial policy instruments, such as taxation, are an important way of pricing climate emissions and thereby mitigating global heating.

It is unrealistic to assume that all measures would have positive environmental impacts. On the other hand, **even significant employment-creation projects should avoid significant negative impacts on the climate, the use of natural resources or biodiversity** (principle of do no harm). This principle should be applied to all stimulus measures supported with public funds. Therefore, in addition to positive environmental impacts, it is important to think about criteria or examples with which significant negative impacts can be identified.

a. Solving the climate crisis

The key questions in assessing climate impacts are:

- How does the measure contribute to the achievement of the carbon neutrality objective and a reduction in greenhouse gas emissions (including emissions and sinks) compared with the baseline? **Reduces net emissions significantly (+ +), reduces net emissions to some extent (+), has a neutral impact (x), increases net emissions to some extent (-), increases net emissions significantly (- -).**
- In addition: Does the measure have potential impacts on carbon sinks through the use of forests? **Yes/no.** The purpose of this question is to support the overall assessment of the measures and ensure that it is assessed with regard to each measure. Therefore, the question does not have a direct impact on the assessment of each individual measure.
- Does the measure support adaptation to climate change? **Supports it significantly (+ +), supports it to some extent (+), has a neutral impact (x), makes adapting more difficult and thereby increases the risks associated with climate change to some extent (-), makes adapting significantly more difficult (- -).**

Examples of measures that would have positive impacts with regard to reaching the carbon neutrality objective:

- Promoting clean energy (increasing capacity, promoting a smart energy system).
- Promoting energy efficiency through renovation, for example.
- Promoting low-emission transport (either with direct subsidies for the purchase of electric vehicles, for example, or subsidising the charging infrastructure for electric vehicles).
- Strengthening of carbon sinks.
- Consistent legislation to promote the adoption of new technology.

⁴ www.cape4financeministry.org/coalition_of_finance_ministers.

Promoting technologies based on fossil energy and rolling back climate regulation, such as energy-efficiency standards, are examples of measures that would have negative impacts on reaching the climate objectives.

b. Sustainable use of natural resources and transition to a circular economy

From the point of view of the sustainable use of natural resources, the key question is:

- How will the measure reduce the consumption of virgin natural resources and promote the transition to a circular economy compared to the baseline? **Promotes the transition significantly (+ +), promotes the transition to some extent (+), has a neutral impact (x), makes the transition more difficult to some extent (-), makes the transition significantly more difficult (- -).**

Examples of measures that would promote the transition towards a circular economy:

- Promoting new service models and a sharing economy.
- Repairing and remanufacturing products.
- Improving waste management.
- Promoting material efficiency.
- Carbon capture and utilisation (CCU).

Use of virgin sand and rock material in infrastructure and construction projects when secondary materials such as industrial side streams suitable for the purpose were available is an example of a measure that would make the transition towards a circular economy more difficult.

c. Biodiversity and the state of the environment

The key question with regard to promoting biodiversity, improving the state of the environment and stopping the biodiversity loss is:

- How will the measure promote the biodiversity of Finland's nature, a reduction in biodiversity loss and an improvement in the state of the environment? **Promotes it significantly (+ +), promotes to some extent (+), has a neutral impact (x), makes it more difficult to some extent (-), makes it significantly more difficult (- -).**

Examples of measures that would have positive impacts:

- Developing the infrastructure of nature conservation areas (to support recreational use and tourism)
- Rehabilitating and restoring habitats, including water rehabilitation measures.
- Nature-based solutions for the use of natural resources and water management.
- Climate and environmental measures in agriculture.

Land use and changes in land use may have impacts on biodiversity and the state of the environment. For example, clearing valuable forest land can cause considerable negative effects on biodiversity, while intensive land use can burden the state of the environment. Forest drainage also often causes challenges to the surrounding nature.

3. Quick recovery measures proposed for inclusion in the supplementary budget proposal

The assessment of the criteria specified in this section does not influence the actual assessment; it helps to align the proposed measures with the guidelines on the supplementary budget.

a. Launching the measure and the timing of impacts

The impacts of measures can materialise over the short or long term. There are also differences in the preparation phases of the measures: some can be launched quickly while others require additional work and permit procedures, for example. **Recovery measures** (such as measures proposed for inclusion in the supplementary budget) **in particular should be quickly launchable and their impacts on employment should materialise quickly**. On the other hand, the impacts can justifiably only be visible in the long term in reform measures, such as with regard to R&D&I subsidies.

The timing of the impacts does not justify excluding a measure in the work of the working group per se, but it is nevertheless a guiding criterion for the funding channel of the measure (supplementary budget, state budget 2021, EU funding, etc.).

Observations regarding the short-term impacts of measures to be included in the supplementary budget:

- Positive impacts on the economy and employment should materialise to a significant extent quickly during 2020.
- It should be taken into consideration how the measures can be launched, considering the lockdown measures and their foreseen and possibly changing duration. It can make sense to consider advancing investments, purchases or other projects already decided upon – i.e. measures that would be realised in any case but can be implemented earlier (this criterion is taken into account with regard to impacts on the economy and employment).

With regard to measures proposed for inclusion in the supplementary budget, the key question is:

- Can the project be launched so that favourable impacts on the economy and employment can be expected quickly during 2020? **Yes/no**.

b. Non-recurring nature of the expenditure of the measure

Recovery measures are not intended to result in permanent additional expense or loss of income in the state budget, i.e. they are intended to be non-recurring.

With regard to projects proposed for inclusion in the supplementary budget, the key question is:

- Is it a fixed-term measure that only incurs expense and/or loss of income during the period 2020-2021 (only for a justified reason, such as payment authorisations, could expenditure be allocated to year 2022 as well)? **Yes/no**.

c. How do the measures target industries and groups that have suffered from the coronavirus crisis?

The guidelines on the supplementary budget also assess how the measures target industries and groups that have suffered the most from the coronavirus crisis.

- The measures should target as accurately as possible those Finnish industries, businesses and groups of people that have suffered the most from the situation caused by the coronavirus and lockdown measures.
- The measures should not target industries that currently or after the release of the restrictions enjoy high demand and activity.

With regard to projects proposed for inclusion in the supplementary budget, the key criterion is:

- Does the measure benefit Finnish industries, businesses and groups of people that have suffered the most from the situation caused by the coronavirus and lockdown measures? **Yes/no**. If the answer is yes, specify briefly.

Other observations

The above-mentioned criteria focus on identifying the impacts in Finland. Many projects can, however, have **considerable impacts beyond the borders of Finland**, and these impacts can be both negative and positive.

With regard to reform measures, in particular it should be assessed whether the measure helps to **reform the economy in a sustainable direction in the long term** (for example, the direct environmental impacts of projects using new technology can be very small per euro spent, but if this can commercialise new technology, the long-term benefits can be considerable).

It is also important to review what negative impacts the coronavirus crisis will have on already planned or commenced climate measures and other sustainability measures, and to **aim to ensure the implementation of these measures in spite of the crisis**.

Working group on sustainable recovery

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Mari Pantsar, Director, Sitra

Hannele Pokka, Permanent Secretary, Ministry of the Environment,
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Juhani Damski, Permanent Secretary, Ministry of the Environment, as
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