Position paper of the sectoral department

Green Recovery

The Background

The Covid-19 pandemic poses extreme challenges for countries worldwide. While the focus was initially on the immediate social and economic effects, it soon became clear that the crisis will also have medium and long-term effects on economic, social, political and ecological development. The Covid-19 pandemic has become "the worst human and economic crisis of our generation," writes the UN Secretary-General in his progress report on the Sustainable Development Goals (SDG)[1]. The global economy is experiencing the deepest recession since the Great Depression in the 1930s. In many countries, gross domestic products (GDP) are declining by more than 20 percent[2], accompanied by immense job losses[3]. The United Nations have predicted that in some areas, such as poverty, hunger and education, developments could fall behind by at least a decade.

Furthermore, the pandemic cannot only be understood as a health crisis with far-reaching economic and social consequences, but also as the prevailing symptom of an existential environmental and climate crisis on earth. The pandemic has been fostered by a number of megatrends in recent decades: The dramatic degradation of natural ecosystems, rapid loss of biodiversity and explosive population growth. These developments have led to ever smaller natural refuges for wild species and a significant increase in the spread of zoonotic infectious diseases (diseases transmitted from (wild or farm) animals to humans or from humans to animals).[4] Changed climatic conditions also influence the multiplication and distribution of pathogens, vectors and carriers and promote the frequency of disease outbreaks and transmission paths. The interdependence between pandemic, economic crisis, environmental degradation and climate change indicates that measures to cope with the direct effects of the corona crisis (recovery) must be in line with international goals such as the Agenda 2030, the Paris Agreement and the Convention on Biological Diversity (green recovery).

Aligning measures for economic recovery with sustainability criteria is not only ecologically necessary, but also the right way from an economic perspective. A study by the University of Oxford, which examined more than 700 economic stimulus measures in the context of the 2008 financial crisis, shows that green projects can often achieve significant employment effects, high revenues in the short term and cost savings in the long-term[5]. Similar calculations by the World Economic Forum (WEF) point to significant employment potentials for environmentally friendly economic stimulus solutions, especially in the areas of food production, land and sea use, as well as in the construction, infrastructure, transport, and energy sector.[6]

Our position

In this context, GIZ takes the following positions:

- **Green Recovery (GR) measures should generate immediate and transformative effects ("double dividend").** On the one hand, GR measures should be rapidly implementable, target group- and context specific, focusing on acute needs to cope with the immediate social, economic, environmental, and political consequences of the Corona crisis. On the other hand, GR measures should set the course for structural changes

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in the medium and long term and form the basis for a transformative change towards sustainability, resilience and climate neutrality ("building back better").

■ **Priority should be given to "green" employment promotion.**
"Green" jobs[7], i.e. jobs that contribute to the preservation or recovery of the environment or climate, whether in traditional sectors such as manufacturing and construction or in new, emerging green sectors such as renewable energy and energy efficiency, offer significant employment potential[7], also for lower skilled population groups. Employment promotion measures (short-term as well as long-term) should therefore make use of the potential of "green" jobs.

■ **Climate protection and sustainability goals must be adhered to.**
Sustainable use of natural resources (soils, forests, water, energy sources) is a prerequisite for achieving the SDGs, becoming more resilient to crises and protecting against further pandemics. Against this background, environmental standards must not be sacrificed for short-term stimulus effects on the economy, as we are currently observing.[8] GR actions should therefore be strongly aligned with international goals such as the Agenda 2030, the Paris Climate Agreement, the new Convention on Biological Diversity, and the Sendai Framework for Disaster Risk Reduction.

■ **GR measures should accelerate the transition to a resource-efficient economy.**
Most conventional products are resource- and energy-intensive and thus claim an ever larger area of nature. This increases the risk of new pandemics. Innovative and resource-efficient product design saves fossil resources and inputs and enables the reuse, repair and recycling of resources, up to the complete closing of material cycles. Against this background, GR economic and trade policy measures should provide incentives for a transformation towards sustainable consumption and production patterns and from linear to circular economies.

■ **The focus of GR measures should be on areas with high decarbonization potential.**
In order to achieve the Paris Agreement's international climate goal of limiting global warming to below 2°C compared to pre-industrial levels, and thus break the cycle of advancing climate and environmental crisis, the level of ambition of nationally determined contributions (NDCs) must be further increased.[10]
A large share of possible fields of action with high decarbonization and simultaneous employment potential are concentrated in cities (energy supply, mobility, water-, waste- and sanitation infrastructure, construction).

■ **GR measures should internalize environmental costs and mobilize private capital.**
To mobilize private funds and systematically redirect financial flows to sustainable development, GR measures should be supported in the short term by green tax incentives and in the longer term by green financial market- and domestic budget policies. In this way, ecological cost transparency is created and false incentives, e.g. through subsidies in environmentally and climate damaging areas, are reduced. Since economic stimulus measures in the context of GR put a burden on public budgets and, in some countries, threaten to lead to public debt crises, these measures should be supplemented by advice on public finances (e.g. increasing tax revenues, good financial governance).

Our recommended actions

The concept of "green recovery" - bridging immediate economic stimulus and transformational measures - is new in its current global dimension. However, GIZ's diverse experience in advising partners and clients in both short-term crises and long-term transformations can be used for the development and implementation of GR measures. The following recommended actions are accordingly focused on both levels: The design of GR measures by partner governments on the national level and the support of these by International Cooperation. GIZ considers the following the most important recommendations for action:

■ **We recommend to our partner countries an ecologically sustainable labor market policy based on local capabilities and the targeted promotion of innovative MSMEs as well as appropriate qualification measuress.**
In order to provide immediate support for companies and employees whose existence is threatened, advice is needed on promptly effective social and labor market policy measures. In this context, GIZ can look back on many years of experience in the (further) development of social security systems and public employment programs, e.g. in Indonesia or in the Sahel region. We can support our partner countries in designing existing short-term (temporary) employment programs to contribute to environmental protection, climate change mitigation and

adaptation. In the medium term, curricula will be supplemented and training and study programs to promote key ecological and social competencies (including green entrepreneurship) will be developed. Advice is needed on ways to bridge short-term liquidity shortages and on business continuity measures for MSMEs, especially in the informal business sector. GIZ has approaches and instruments at its disposal to support MSMEs and self-employed persons, on the one hand, in the low-emission, resource-efficient alignment of their business models ("greening businesses") and, on the other hand, in the development of market opportunities in green sectors ("green businesses").

■ **We recommend accompanying GR measures in our partner countries by macro-economic modeling and effective communication.**
Acute economic and social emergencies increase the pressure on decision-makers to lower the ambition level of sustainability and climate targets and to focus on short-term impacts. In order to be able to advocate sustainable political decisions to the public in the sense of "building back better", it helps to provide evidence-based proof that the described co-benefits between economic, social and ecological goals exist. GR measures should therefore be designed, if possible, with the help of quantitative models for the cost/benefit analysis of an environmentally friendly restart or the value of ecosystem services and be accompanied by effective communication. Communication must be based on figures/data/facts and show connections between phenomena/crises (climate/environment/pandemic/social issues) and their effects (long-term development paths, transparency) in order to achieve changes in behavior. Also, target group specific (data-based) emotional messages can be used to overcome barriers ("Fridays for future"). We recommend targeted support for national research institutions and statistical authorities, whose work is central to national development planning (including scenario modeling) and crisis prevention measures, as well as the promotion of alternative data collection methods (including citizen-generated data).

■ **We recommend the design of green economic and industrial policy strategies.**
GIZ supports partner countries in designing economic and industrial policy strategies and roadmaps aimed at minimizing the economic impact of the Corona crisis and the transformation to a low-emission, resource-efficient, and socially balanced economy. The economic and social specifics of individual regions and business locations must be given particular consideration. On the one hand, coherence with (already existing) sector-specific strategies (e.g. climate, energy, rural development) is essential. On the other hand, adequate compensation or suitable employment alternatives must be considered for those who are particularly badly affected by transformation processes (just transition). The private sector and civil society (including associations, trade unions) should be involved in planning such strategies and roadmaps through appropriate dialogue platforms. In addition, public procurement can provide important stimuli for economic recovery and sustainable economic development during the crisis. Special significance should be given to building resilient and sustainable economic structures, based on local innovations and by using and promoting the potential of MSMEs. Sustainable production and consumption patterns can also be supported through the establishment and harmonization of national and international (social and) environmental standards in global value and supply chains and recognized sustainability labels. To create more transparency in supply chains and make them more crisis resilient, GIZ also offers advice on smart (digital) and adaptive business and supply practices for producers.

■ **We recommend using the cross-sectoral scope for action and dialog opportunities of regional and municipal actors for GR measures.**
Cities are particularly vulnerable to pandemics and are also the places where economic revitalization measures to deal with pandemic consequences have their greatest impact. Major investments in sustainable urban infrastructure (e.g. public transport / design of public spaces / energy efficiency in buildings / development of digital infrastructures / efficient water supply and wastewater disposal) stimulate the economy in the sense of GR, secure jobs and create additional sustainable employment stimuli. To this end, MSMEs and local economic structures must be involved in planning and implementation. In many countries, service delivery in the sectors addressed by the SDGs is entirely or partly the responsibility of local governments. Local and regional governments are also the first point of contact in coping with the present crisis. GIZ has a wide range of experience in strengthening cities and rural regions in their competen-

cies and capacities to act across sectors (digital planning tools, regional and infrastructure planning, evidence-based policy making using disaggregated and alternative data).

■ **We recommend designing GR measures in a way to accelerate the energy and transport transition.**
GIZ supports its partner countries in securing energy supply, making it more resilient, and at the same time accelerating the necessary climate-friendly transformation of their energy sectors (with the long-term goal of 100% decarbonization and energy access).
In the short term, projects should aim to give advice to distressed local MSMEs in the energy and transport sectors. In the medium term, the development of innovative and integrated planning tools (energy planning and transport planning 2.0) for regulators and national energy suppliers / mobility providers could be supported. Digitalization also holds significant potential to make sustainable energy and transport systems more resilient to future shocks. Real-time diagnostic tools and artificial intelligence (AI)-based early detection, for example, help to control processes remotely, thus reducing the need for infectious face-to-face contact.

■ **We recommend supporting partner countries in the implementation of holistic climate and disaster risk management concepts.**
These concepts combine instruments from the fields of climate protection and adaptation, disaster risk management, and social security and financial system development. Capacity building to strengthen and integrate risk-informed approaches enables relevant stakeholders to incorporate cross-sectoral risks into their decision-making and take anticipatory action. Possible fields of action exist at various levels: On the one hand, the capacities of national climate and disaster protection authorities and technical agencies need to be strengthened across sectors. On the other hand, civil society must be supported through protection and inclusion of particularly vulnerable groups and measures to strengthen resilience and prepare for catastrophes, e.g. through the further development of programs in the context of "Adaptive Social Protection" (ASP) or the expansion of climate and disaster risk insurance.

■ **We recommend fiscal and financial policy reforms to reduce environmentally false incentives and generate additional public and private funding.**
The Corona crisis confronts many of our partner countries with enormous financial challenges: The financing of GR measures requires investments that often necessitate additional new debt. Reduced tax revenues put public budgets under additional pressure. In this circumstance, the leverage of private funds takes on a high degree of urgency. This is achieved by systematically transforming financial systems in partner countries in line with the goals of sustainable development (sustainable finance) and an economy for the common good. Experience has shown that, in addition to political and regulatory frameworks, cooperation with the local financial sector and companies makes a significant contribution. The positive effects and potentially higher payoff of investing in sustainable management should be emphasized. Support for the reduction of environmentally harmful and climate-damaging subsidies and ecological fiscal reform, e.g. through the introduction of a CO_2 pricing, are also central fields of action for GR measures. In addition, the consideration of environmental, social and governance criteria in risk assessment processes in the financial sector is important. Through focused cooperation with the financial sector, the availability of green, sustainable financing can be expanded, e.g. in the form of green bonds and credits. For this purpose, the EU-wide classification system for sustainable economic activities and investments (EU taxonomy) can help.

Innovation – Digitalization and Big Data

GIZ recommends making use of the opportunities offered by digitalization and Big Data in the context of GR measures. Digitalization strengthens the resilience of jobs and health during a lockdown and, beyond that, that of the environment and climate. For example, investing in smart city technologies can increase the resilience of particularly affected metropolitan areas to pandemics, while saving energy and resources and making cities greener and socially more inclusive. The promotion of digital competencies of MSMEs and trade associations and the provision of digital services (including Industry 4.0) for enterprises are other examples. Digital competencies and services can support innovative business- and marketing models and green product- and process innovations to reduce environmental impacts (e.g., open source-based enterprise resource planning systems, digital voucher systems, or ("digital twin") for sustainable supply chains). The use of digitalization technology to create transparency regarding user behavior, habits and preferences of consumers also provides a valuable basis for the further development and tailored design of policy measures for a sustainable economy.

This is accompanied by the promotion of data availability and quality for the co-production of knowledge and decision-making. Robust and high-resolution (Big Data) information and its collaborative and transparent development can help make policy decisions more resilient and credible in the context of or following crises. In this context, the demand-based provision of Open Environment Data (climate, agriculture, cities, infrastructure, among others) should be supported. This provides the basis for evidence-based policy advice through open innovation processes (e.g. Data Hackathon), monitoring of GR relevant indicators (climate, biodiversity, infrastructure, nutrition) through earth observation data, strengthening of alternative (digital) data collection methods (e.g. "citizen generated data", geographic information systems & satellite data) and data utilization potentials (e.g. through machine learning and AI).

Cooperation partners

Due to the complexity of GR programs and measures, close cooperation with a broad range of different stakeholders at various levels (local, national, regional, international) is necessary. The need to learn from each other at an international level, to build on good examples and innovative approaches, is greater than ever in the pandemic. This is reflected in the currently frequent launch of various new virtual exchange forums. GIZ is already a member of many international alliances and networks and maintains a close exchange with international organizations and development banks in many projects (especially for the implementation of global agreements).

A key challenge is to convince policymakers, as well as industry and civil society, that economic stimulus packages must be green and must not deviate from sustainability/climate goals. Therefore, we recommend a close cooperation with (research) institutions and statistical authorities that are able to model GR measures. In addition, we need strong communication partners who tailor messages to specific audiences, using evidence and emotion to trigger changes in behavior. Think tanks (including behavioral research) also play an important role here, because they are often well networked in science and politics and are suitable for influencing political agenda-setting. Educational institutions and providers of business development services are needed as intermediaries and training institutes to support the private sector in the development of sustainable business models and to qualify employees accordingly.

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