Global Dialogue on Responding to the COVID-19 Pandemic and Economic Crisis: Building Back Better Aligned to the SDGs and the Paris Agreement

Summary for Policymaking

Overview

An early glimpse of the future

The COVID-19 crisis provides an early glimpse of how the climate and biodiversity crises will affect the world. The impacts of the pandemic and economic lockdown have led to a stark decline in development gains, disproportionately affecting low-income and vulnerable households, communities and countries. Disparities have sharpened within countries and between developed and developing countries; the latter has experienced a “perfect storm” of unemployment, capital flight, loss of remittances, and increasing debt leading to the largest economic contraction in decades.

Though slower in onset, the climate and biodiversity crises will ultimately be deeper and broader in impact, undercutting our ability to achieve the Sustainable Development Goals (SDGs). Moreover, these crises are interlinked; the shrinking space between natural and human systems is one of the root causes for zoonotic pandemics.

Yet the lockdown demonstrated extraordinary interventions are possible. Safeguarding human health was put at the center of policymaking and public investment. And we experienced a different world, a postcard from the future: cleaner air and water, less traffic and noise, and often more engagement with community, family and nature. While the severe pain of the crisis must not be underestimated, these experiences can help us envision the future we want.

Building an inclusive, green and resilient recovery is now an urgent and shared global challenge. We must build back in a way that addresses the very significant near-term challenges of unemployment, food insecurity and jump-starting the economy, while tackling the underlying drivers of climate change and biodiversity loss. Because stimulus packages are emerging at lightning speed and the power of incumbency and inertia is strong, we need to quickly build public and political support for change.
It is essential to shift from snapshot to transition thinking. We should consider three categories for the recovery: the industries and technologies of the future (such as renewable energy, electric vehicles, and sustainable agriculture) that must be accelerated; those of the past (such as coal power) that must be phased out; and those in transition (such as steel, automotive and aviation) that must be shifted toward transformation.

While recovery efforts will likely be uneven and extend over several years, the critical timeframe for action is the next 15 months, as countries invest $10-20 trillion or more for relief and recovery. How countries and the international community pursue the recovery will determine the climate and sustainable development trajectory for the coming decade.

The path ahead

As countries move down the difficult road of recovery from the COVID crisis, participants in the Global Dialogue highlighted five key priorities:

1. **People must be at the heart of a green and resilient recovery.** Given the unprecedented social and economic impacts of the COVID crisis, we must pursue a recovery that puts people first and has their overall well-being, and that of future generations, at the core. This is a once-in-a-generation opportunity to build around people's aspirations for something better. Granular attention is needed to the sectors and geographies where jobs are being lost and where new jobs can be generated. Social dialogue and stakeholder engagement are critical to success, and local communities must be directly involved in shaping the recovery—that is **“with us, not for us.”**

2. **Most countries and institutions have yet to invest adequately in a green and resilient recovery.** While some countries are leading the way with ambitious plans, in others the outlook appears mixed or headed in the wrong direction. Globally, we need to move beyond rhetoric and ensure substantial investments in redesigning our power sector, cities, buildings, transportation and food systems that can put us on a transformational path, while also avoiding harmful high-carbon corporate bailouts and regulatory changes that could lock in emissions for years to come. And to ensure that recovery investments and policies are in fact green and resilient, we will need clear metrics and ongoing reviews.

3. **The recovery must place resilience at its center.** The COVID crisis has shown us that resilience is fundamental to the future when it comes to challenges such as health, climate, biodiversity, air pollution, food, and building more inclusive societies. While some recovery plans have begun to address climate action in areas like renewable energy and buildings, they have so far devoted much less attention to strengthening resilience to climate change and using nature-based solutions.

4. **Global crises are often interlinked.** Recent crises have exposed interdependencies across sectors and borders. We must recognize the links between climate, health, jobs and equity, and biodiversity and ecosystem loss in order to reduce the risk of and better manage future complex crises. This requires building partnerships to reach key decision-makers beyond the climate “bubble” (e.g., finance ministers) and building alliances with other movements and constituencies working on health, labor, poverty and nature-based solutions.

5. **International cooperation and solidarity must step up in times of crisis.** Countries must work together to overcome challenges that don’t respect national borders. Critically, developing countries will need additional resources to build back better, and bilateral development cooperation and international financial institutions such as the IMF and MDBs must help fill this gap. Many developing countries will require debt restructuring and cancellation, and local financial markets will need to be strengthened. And the recovery should be guided by key global objectives for the decade ahead: the 2030 Agenda for Sustainable Development and SDGs, the Paris Agreement and updated Nationally Determined Contributions, the goals and targets of the future Convention on Biological Diversity post-2020 global biodiversity framework, and the Sendai Framework for Disaster Risk Reduction.
Ultimately, as we recover globally, we must reexamine underlying assumptions, redefine growth and development models and reinvigorate equity and sustainability strategies. This moment offers a unique opportunity to engage people around the world in deciding what kind of growth we want and the importance of making human, societal and planetary well-being central to our policies and institutions as we move forward.

What is happening today?

Globally, governments have already committed an unprecedented $11.8 trillion in fiscal stimulus to combat the pandemic-driven economic downturn—more than three times the amount committed in response to the 2008-09 financial crisis. As UN Secretary-General Guterres has emphasized in his six actions for a better, climate positive recovery, we need to make our societies more resilient; embark on a transition with green jobs and sustainable growth; align all bailout support with the Paris goals; end fossil fuel subsidies and place a price on carbon; take climate risk on board and ensure financial decisions meet environmental and social goals; and work together as an international community.

The general direction of investment in individual countries has some bright spots but is raising concern. About 30% of the announced fiscal stimulus is being directed to sectors with high environmental impact, mostly without conditions or consideration for sustainability or resilience. Vivid Economics found that in 14 out of 18 countries, spending that could negatively impact the environment outweighs the positive. Another study by 14 research groups on the energy sector found that only six of the G20 nations are committing more public money to clean energy than to polluting sectors, and that overall, countries have pledged $204 billion to fossil fuels—52% of all money committed to the energy sector—compared to 35% for clean energy (along with 13% for other energy purposes).

Some emerging responses are greener than others. The European Union’s $896 billion stimulus plan and its $1.3 trillion 2021-2027 budget would set aside 30% for climate-friendly investments and include a $17.5 billion Just Transition Fund to help vulnerable regions cut reliance on fossil fuels. The package will follow the principle of “doing no harm.” Germany is investing $57 billion of its $146 billion stimulus package to reduce the country’s carbon footprint, which includes $17 billion toward low-carbon transportation such as electric vehicles.

The United Kingdom has promised to “build back green,” and has released $3.7 billion in preliminary support for energy efficiency improvements. In France, major points of the government’s $8.9 billion stimulus for transportation include increased subsidies for buyers of electric or hybrid vehicles.

Elsewhere, the picture is mixed. The Republic of Korea has announced $10.5 billion in green spending as part of a larger stimulus package. However, the country has also extended nearly $3 billion in bailout funds to its largest coal producer and is continuing to finance overseas coal-fired power plants. China has said its spending will focus on 5G, rail upgrades and grid enhancements, but coal permitting has accelerated and the amount of coal-fired power capacity under development has increased 21% since the end of 2019. India is one of several countries to support nature-based solutions, spending about $800 million to support afforestation, but has also announced $6.5 billion in spending on new coal infrastructure, $2 billion on oil and gas, and $1.2 billion toward solar. And Nigeria is investing about $600 million in solar home systems, while the rest of its $5.9 billion package includes spending on agricultural expansion, roads, and gas.

At the far end of the spectrum, the United States has announced around $3 trillion in fiscal support—the most of any country—with zero consideration to sustainability. Indeed, the package has provided tailored, targeted relief to oil and gas companies (though not to oil and gas workers). Meanwhile, U.S. presidential candi-

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1 Pending approval by the European Parliament and detailed implementation rules.
date Joe Biden has proposed a $2 trillion recovery plan with investment in clean energy, sustainable transport (including electric vehicles and public transport), buildings, agriculture and environmental justice.

**A handful of countries are setting beneficial conditions for policy reforms and regulatory shifts, both important elements of reform packages.** For example, while more than a dozen European countries bailed out airlines with no strings attached, France baked environmental requirements into its support for its airline and auto industries. Canada announced that large companies receiving government bailouts must publish annual climate-related disclosure reports. Nigeria has said it will end subsidies to fossil fuel consumption, channeling funds instead to health and education.

**However, other countries are rolling back critically needed regulations in an effort to stimulate economic growth.** For example, the Mexican government indefinitely suspended tests for new clean-energy projects, citing the need for increased reliability of the national electrical system during the pandemic. Brazil announced that it would scale back environmental enforcement and relax land use permitting, efforts pivotal to fighting deforestation, controlling emissions and protecting biodiversity. Indonesia passed a law deregulating the mining industry while also providing substantial funds to state-owned oil and gas, electricity and airlines. And in the United States, the president unilaterally weakened the National Environmental Policy Act and also rolled back fuel efficiency standards for automobiles.

**Social protection policies are receiving support, though explicit links to climate can be strengthened.** More than half of the world’s countries have included social protection policies to ensure basic income security and access to health care as part of their response to the COVID crisis. This includes adopting new social protection programs or expanding existing ones to provide access for excluded groups, such as informal workers, self-employed workers, migrants and the homeless. These measures are particularly essential for the 2 billion informal workers who lost 60% of their wages in the first month of the crisis.

**Notably, a number of private sector actors have made clear their support for a green and resilient recovery.** More than 150 companies with a combined market capitalisation of over $2.4 trillion and representing over 5 million employees called on governments to prioritize a faster and fairer transition from a grey to green economy, urging world leaders to build net-zero climate targets into their COVID recovery efforts. Over 60 German companies, including Bayer, Allianz and Deutsche Telekom, have called for COVID-19-related state aid to be tied to climate action, and an alliance of European CEOs and ministers are urging the EU to build its recovery package around the Green Deal strategy of sustainable growth. More than 30 major companies—including McDonald’s, Pepsi, Cargill, Dell and Unilever—have called on the U.S. Congress to include support for renewable energy in its next COVID-19 relief package.

**Some international institutions have mapped out what a clean recovery could look like.** For instance, the IEA has proposed a suite of sustainable energy investments for 2021-2023 that, according to an assessment carried out with the IMF, would boost global economic growth by an average of 1.1% a year, save or create roughly 9 million jobs a year, and cut greenhouse gases by 4.5 Gt.

**Meanwhile, international financial institutions (IFIs) are providing critical emergency financing for COVID-19 response in more than 100 countries, large-scale funding that could jump-start country efforts to build back better.** But whether IFIs will support more sustainable investments as the focus shifts to recovery remains unclear, particularly as the World Bank and others increasingly rely on policy-based lending.

**Mobilizing the transition in key sectors**

**Building resilience**

We have concrete examples of ways to strengthen climate resilience while also providing social and environmental benefits and building preparedness for other risks, such as pandemics and economic crises. Solutions exist, and we need to identify and amplify these examples. Yet access to knowledge about what works, what does not and why, is a major gap and barrier to scaling and replicating those solutions and lessons learned. Going forward, we need to identify concrete sectoral opportunities to build resilience as part of the recovery, such as in infrastructure, water, food systems, etc. For example, during the COVID crisis, efforts to boost the capacity of women’s groups, workers, and farmers to adapt to climate impacts are also helping them address the health and food security risks they are facing during the pandemic.
We must not create an artificial divide between development and climate resilience. On one hand, adapting to the impacts of climate change can be characterized as “doing development differently,” whereby adaptation can unlock economic potential and result in more social inclusion and better environmental outcomes. On the other hand, investments in development—from basic public services, health care and social protection programs to improvements in good governance, information and knowledge, and human, social and institutional capacity—contribute to greater climate resilience.

“With us, not for us”: Vulnerable populations—both within countries and globally—must have a voice and a role in shaping the response to and recovery from the pandemic. We must do away with a “beneficiary” frame, where programs are developed for rather than by vulnerable populations. Locally led planning and action, and investments in existing social capital of communities, will be key to effective and resilient recovery. Moreover, South-South learning must be supported.

Stimulus measures should be “stress-tested” to ensure that they are resilient to multiple risks, including climate change, pandemics and economic shocks. During implementation, we will also need ongoing monitoring, assessment and review of recovery investments. Moreover, economic models need to build in climate impacts so that resilience and a comprehensive climate risk management framework become fully part of economic planning during the recovery. Risks will need to be identified at the local and regional levels. In addition, supply chains have been tested by the pandemic and will need to be rethought so that they are more resilient and sustainable and, in some cases, more regionally based. Capital flows from sources outside governments, including from private banks, insurance pools and pension funds, should also be assessed for climate resilience.

Energy transition

As we start to focus on recovery, we need to build new and green, making sure renewables and green technologies are prioritized when energy demand returns. Renewables are already cheaper in many geographies and, in some places such as India, the fall in energy demand during the COVID crisis has mainly come at the expense of coal-based power due to the lower operating costs of renewables. It also demonstrates that when the grid contains large shares of renewables, a stable power supply is possible. This is a “postcard from the future” for the direction of fossil fuels, and it is a story about system change, not individual projects. As we emerge from the crisis and as energy demand returns, efforts should be undertaken to cancel currently shelved fossil investments and help renewable and green investments be the first to take off.

It will be vital to avoid investments in coal and other fossil fuels that are often uneconomical and will likely be “stranded” in the future. We should aim to phase out unsustainable sectors but do so with the utmost attention to employment and other economic impacts; public support in the short term should be limited to transition processes aimed at a socially sound closure and retirement of facilities. Regulatory rollbacks are also a significant risk that must be avoided and addressed.

Industry bailouts in sectors such as aviation, automotive manufacturing and steel should come with effective green conditions, including accountability measures, tied to transition pathways. Recovery plans should invest in the technologies of the future in such sectors, aiming to scale up alternatives to reduce emissions at milestones over the next 5-10 years. It will also be essential to hold businesses accountable for following through on those commitments; carbon risk assessments with simple mandatory metrics should be put in place to underpin the transition in sectors receiving support.

Policy frameworks for the energy transition will also be critical. After the 2008-09 financial crisis, stimulus financing often didn’t have the intended impact because there was a lack of key policies to make green business models sustainable and market-proof (e.g., carbon pricing). Because the energy sector is heavily regulated in many countries, policy frameworks for utilities will be key, and licensing and permitting should be structured to facilitate the transition to renewables. In developing countries, support for building and bolstering institutions is key, and the availability of good data, which is key to accessing finance, measuring impact and ensuring transparency, must be addressed.
Biodiversity, land-use and nature-based solutions

We need a “One Health” approach—an approach that reflects and addresses the interconnections among environmental, animal and human health. One million species are threatened by extinction—many within decades—more than ever before in human history. As humans encroach further on natural ecosystems, the usual barrier between pathogens in animals and humans is being transformed into a “connecting highway.” Seventy percent of new emerging diseases—potentially including COVID-19—are zoonotic in origin. The loss of ecosystem integrity increases the risks of these disease spillovers and pandemics by increasing contact with carriers of pathogens, while intensive livestock production also creates risks. Rather than react to pandemics and other disease outbreaks only after they occur, we should take preventive action now and restore the barriers between humans and animals, especially by protecting and restoring natural ecosystems and stopping illegal wildlife trade.

The economic impacts of the COVID-19 pandemic places pressure on biodiversity, especially in developing countries. For instance, in some developing countries, the steep decline in ecotourism has placed economic pressure on communities and made it more difficult to protect ecosystems and protected areas. However, all countries can be united around the same solutions, including addressing supply chains, preserving protected areas, and building sustainable, resilient agriculture and food systems in all countries.

Agriculture and food systems, including livestock and other domesticated animals, are closely linked to biodiversity loss and land-use change. To address this in recovery packages, we need to take a farm-to-fork approach (such as that in the European Green Deal), including understanding how agriculture and food systems place pressure on ecosystems and biodiversity and how they can be mobilized to protect and restore ecosystems. Key steps during the recovery also include restoration efforts that provide jobs and support ecotourism so that efforts to ensure that protected (as well as other ecologically valuable) areas are sustained. In addition, urban greening and sustainable food production can be an important part of the solution.

Rather than react to pandemics and other disease outbreaks only after they occur, we should take preventive action now. Sustainable supply chains and private sector engagement are also critical to advancing nature-based solutions. As part of recovery efforts, we need to build supply chains that promote inclusive, sustainable and resilient practices in commodities such as soy, palm oil and cocoa.

International collaboration and multilateral processes are critical to advancing protection of biodiversity and ecosystems. The confluence of the Biodiversity COP and the Climate COP in 2021 will offer a key opportunity to bring together the agendas of biodiversity and climate, particularly through the implementation of nature-based solutions. Moreover, the discussions on the goals and targets of the future Convention on Biological Diversity global post-2020 biodiversity framework and the enhancement of Paris Agreement commitments (NDCs) for 2030 is an important opportunity for aligning the two agendas for the coming decade. A pact between producer and consumer countries on reducing deforestation through commodity supply chains could also play an important role in protecting ecosystems and biodiversity, reducing emissions and creating a more stable source of revenue for small producers. Benchmarks and accountability for ecosystem protection in the recovery could be based on the 2030 goals linked to the CBD’s global biodiversity framework.

Cities and transport

Cities are being hit hardest by the COVID crisis, yet cities offer abundant, promising opportunities to respond with speed and impact in the recovery. Lower income and other disadvantaged people in cities are facing higher rates of infection and deaths, and cities are also facing severe strain because of the economic crisis, including major impacts on budget revenues. But the concentration of people, infrastructure, and economic activity in cities mean that they can move rapidly to decarbonize and become resilient in line with the Paris goals. Moreover, cities have experienced some benefits during the crisis that could be built on: cleaner air, more biking and walking, and increased neighborhood engagement. There is now a public appetite and political opportunity for fundamental shifts that we have missed in the past, and some cities, like Bogotá, Milan and Paris, are seizing the moment to implement greener, low-carbon strategies.
There are numerous shovel-ready projects in cities that can make cities greener, more livable, equitable and more resilient to future climate and pandemic threats. These projects include building efficiency retrofits, nature-based solutions for water supplies, extension of pipe and sewer networks, and public transport upgrades. Recovery investments in clean, connected, and resilient urban development offer a triple dividend for the economy, public health and climate change. There is a gap right now, however, between local and urban initiatives and national recovery packages, which have not, with some exceptions, included investment in cities.

The city is only as strong as its weakest link: we must integrate informal workers and settlements into immediate and long-term planning and solutions. Sheltering-in-place, social distancing and handwashing are key tenets of the public health response to the virus, but for the billions of urban poor, these guidelines are essentially impossible without the space and services to do so. If there is not investment in slums, informal settlements, informal workers and the urban poor, then vulnerability will be rooted within city systems. When residents of informal settlements have avenues and platforms to guide decision making, outcomes are better.

This is the moment to bolster public transport and shift our mobility models. Public transport is the backbone of mobility in cities, and urban equity and the functioning of urban systems is at risk if public transport systems collapse. Cities have been forced to drastically reduce services and occupancy, shuttering revenues, yet improving and expanding public transport systems provides a low-carbon opportunity for economic stimulus that supports local jobs and can be core to urban recovery plans. This is also the time to make space for non-motorized transport—bikes and walking. The pandemic is changing the paradigm; this is the moment to put biking and walkability into long-term planning frameworks. The city of Bogotá, Colombia, provides an example of quick action to convert car lanes and bus corridors into dedicated biking lanes and enable continued mobility during the COVID crisis.

Finance

Robust finance will be critical to achieving the transition. Around the world, we need to avoid unnecessary austerity policies and ensure financial support to stimulate demand in climate action and investment in sustainable infrastructure. This should include mechanisms that reduce the cost of capital for renewables and low-carbon energy in all countries, particularly in developing countries where capital costs are high and will likely increase as a consequence of the crisis. MDBs and the IMF must play an essential role in developing sophisticated financial instruments, as well as providing clear financial signals to countries about pursuing energy transitions in line with the Paris Agreement.

Addressing current and future debt vulnerabilities will be key. Before the COVID crisis, many developing countries were already in debt distress, often spending significant portions of their national budgets to service their debt. As a result, developing countries often lack the financial stability to borrow from international markets at low rates or in some instances also face challenges accessing concessional finance. Green recovery support for developing countries should therefore include debt relief and restructuring that also reflects the financial risks from climate vulnerability facing many of these countries and values political commitments for sustainable development policies, including climate and biodiversity.

Mobilizing and channeling stimulus finance for resilience will be critical. Resilience bonds and use of revenues from fossil fuel subsidy reform are two options. Recovery efforts should also attract and guide private investors to support climate resilience, including incentives to ensure adequate financial return.

Elimination of fossil fuel subsidies and unsustainable agricultural subsidies is an immediate opportunity. Many current policies, including subsidies, often promote action that is detrimental to climate and biodiversity and do not incentivize better private sector action. The savings from removing subsidies can be shifted to green and resilient activities in support of a just transition or to other sectors such as health care, education, etc. The decline in oil prices during the COVID crisis provides an opportunity to reduce or eliminate fossil fuel subsidies without harming consumers. The subsidies, which often do not benefit consumers most in need, are also a burden on many national budgets. We are seeing some movement on fossil fuel subsidy reform, for example in Nigeria, where the government has committed to phasing out their remaining consumption subsidies.

Finance can be mobilized for ecosystem protection and nature-based solutions, but it needs to be brought to scale. To make the “business case” for nature-based solutions, it will be critical to highlight the evidence that investments in these solutions can provide significant economic benefits during the recovery.
example, every dollar of investment in mangroves can provide $7 in economic benefits, and studies have shown that nature-based investments can have as much economic impact as traditional infrastructure. Ministers of finance, trade and planning must be part of the conversation, so they understand and support green finance and investment, particularly in those countries where much of the ecosystem loss is taking place. There are already innovative financial models underway, including to support preservation and restoration of forests and marine ecosystems, but these must be brought to scale and may require subsidies and financial support in some cases. There are also discussions about the possibility of debt-for-nature swaps as part of the recovery, but this approach will need to be explored further.

Cities will use their own resources for the recovery, but they will also depend on transfers and political support from national governments and there is a clear need to ensure cities have direct access to funding from international sources. Cities’ municipal revenues are drastically decreasing as cities are having to reprioritize spending toward health infrastructure and urban sanitation. Cities’ budgets need to be strengthened. While cities will continue to use their own resources, it is clear that they will also increasingly depend on intergovernmental transfers, funding from MDBs, and investments by the private sector. Assistance is needed in unlocking these funds and ensuring that cities can access them directly and efficiently. For example, EBRD is providing support for recovery projects in cities through their Green Cities Program to support climate action planning; the Cities Climate Finance Gap Fund will support the early-stage preparation of low-carbon and climate-resilient urban infrastructure projects in cities of the Global South; and, the Cities Climate Finance Leadership Alliance (CCFLA) brings together key players to discuss the framework needed to improve cities’ access to finance.

Some essential next steps

- **Build stronger and broader partnerships for mobilizing a green recovery.** This is critical to generating the support needed for a green, resilient and inclusive recovery. This includes building the right partnerships to reach and engage key decision-makers beyond the climate “bubble,” including finance ministers and international finance institutions. And it must involve building strong alliances with other movements and constituencies from outside the climate community, such as those on health, labor and inequality, and nature-based solutions, including those working “on the ground.”

- **Put in place benchmarks, tracking and accountability.** Recovery packages need to be screened to ensure that they will advance climate objectives—including toward the Paris temperature and resilience goals—as well as biodiversity and ecosystem objectives. Clear metrics, along with ongoing reviews to provide accountability, are essential. In addition to screening to ensure alignment, minimum “do no harm” standards must be applied. Furthermore, establishing accountability and governance processes will also be essential to ensure that governments and private sector actors actually follow through on their commitments.

- **Lessons and best practices need to be shared among countries, regions and key actors.** As governments and other stakeholders around the world pursue recovery plans, we need to ensure that best practices and key lessons—including challenges and failures—are shared. Recovery programs should be compared and effective approaches disseminated to encourage the best possible approaches to COVID recovery. The Platform for Redesign 2020 being launched by Japan and UN Climate Change offers a key opportunity to share lessons and build greater awareness of green and resilient recovery strategies.

- **Conduct “deep dives” in particular geographic contexts and sectors.** It is critical to recognize that not all geographies or sectors are facing the same challenges or have the same opportunities at hand. This is particularly true when we look at the differences between developing and developed countries. As a consequence, COVID recovery needs to be rooted in and responsive to specific country and regional contexts and particular sectors, and we need to bring together key stakeholders to pursue those context-specific approaches.