



Green recovery

BACKGROUND

The COVID 19 pandemic is causing a major economic downturn worldwide. According to the World Bank, the global economy shrank by 4.3 per cent in 2020 compared to the previous year. The crisis is also already having a devastating impact on developing countries; millions of people are without jobs and income. The crisis could push an additional 100 million people or more into extreme poverty.

It is important that the recovery process promotes a **transformation of both the economy and society** that focuses on **sustainability and climate protection**. The term "Better and Green Recovery" describes a socially just and low-emission approach to economic and social reconstruction that is guided by the 2030 Agenda for Sustainable Development, the 17 Sustainable Development Goals (SDGs) and the Paris climate agreement. This includes measures that help both overcome the social, economic and political consequences of the crisis while at the same time setting the course for structural reforms leading to more sustainability, climate neutrality and resilience. In short, investments in crisis management must accelerate socio-ecological transformation.

Furthermore, the coronavirus crisis and the climate crisis should not be played off against one another. Green recovery as an aspect of better recovery offers a double dividend, combining economic reconstruction with setting national economies on track to become more climate-neutral and climate-resilient. It is essential to learn **from the mistakes of the 2008 global financial crisis**. At that time, opportunities to fight climate change were missed. After global CO₂ emissions initially declined, they rose sharply again in 2010. Research undertaken since the financial crisis has

shown, however, that green projects create more jobs, lead to greater long-term prosperity, and even deliver higher short-term returns as compared with traditional economic stimulus measures.

The crisis must be used as an opportunity to push for resolute climate policy. In 2020, the G-20 countries expect a 7.5 per cent reduction in energy-related CO₂ emissions. However, **without far-reaching climate protection measures, emissions will rise again, and the goals of the Paris Agreement will not be reached.** Economic stimulus packages of around 13 trillion US dollars are planned worldwide. These need to be designed with green recovery in mind.

IMPLEMENTING GREEN RECOVERY

A wide range of measures can contribute to green recovery. In the areas of climate change mitigation and adaptation, for example, investments can be stepped up into green infrastructure and **the decarbonisation of the energy sector**. Globally, an energy transition could create a total of 100 million jobs by 2050 across the entire energy sector, about 40 million more than there are today. There is also potential in innovative technologies such as green hydrogen. Furthermore, according to the Global Commission on Adaptation, investments of 1.8 trillion US dollars in early warning systems, climate-resilient infrastructure, improved dryland agriculture, global mangrove protection and efficient water use could generate a total of 7.1 trillion US dollars in net benefits worldwide between 2020 and 2030. It is also crucial to **improve the enabling environment and create fiscal incentives**. The keys to success are the introduction of carbon pricing systems and the reduction of (hidden) fossil fuel subsidies.

BMZ SUPPORTS GREEN RECOVERY WORLDWIDE

The BMZ supports its partner countries, for example, through the following measures:

- The German Federal Ministry for Economic Cooperation and Development (BMZ) is cooperating with the World Bank to make its extensive **reconstruction programs**, which will mobilize around 160 billion US dollars by mid-2021, sustainable and climate-friendly. This can be done, for example, by focusing on renewable energies and reducing fossil fuel subsidies. To this end, the BMZ provided start-up funding of 20 million euros for the **World Bank's Green Recovery Initiative**, in addition to funds provided by the United Kingdom (5 million pounds) and Austria (6 million euros).
- As part of the NDC Partnership, funds have been made available to **send economic advisors to the finance ministries of partner countries on a short-term basis**. They provide advice on making economic stimulus packages climate-friendly. The Partnership is already active in 33 countries.
- The BMZ has provided an additional 4 million euros for the activities of the **International Monetary Fund's Climate Change Capacity Development Program**. The aim is to strengthen the capacity of finance ministries and central banks to introduce fiscal measures, such as carbon pricing schemes, that can stop climate change and strengthen climate change adaptation.
- In addition, the BMZ is providing funding of 1.4 million euros to the **UNDP programme "Building the Economy of Tomorrow: Using NDCs to Inform Green Recovery"**. Its aim is the climate-friendly design of economic recovery measures in the wake of the COVID-19 pandemic. The programme is part of UNDP's NDC Support Programme.

- As part of the **InsuResilience Global Partnership**, BMZ subsidises premium payments for **insurance policies that partner countries in Africa have taken out to protect themselves against climate risks**. This relieves the strain on countries' budgets, which are already particularly stretched due to the pandemic. Thanks to the subsidies amounting to 19.5 million euros, up to 20 million people in sub-Saharan Africa can be insured against drought damage in the current agricultural season through the African Risk Capacity (ARC).
- The **EU's climate and energy cooperation with Africa** also offers opportunities for a double dividend for German development cooperation. The cooperation aims to supply rural Africa with sustainable energy and at the same time contribute to achieving the 2030 Agenda through the EU Commission's Green Energy Initiative, which is supported by Germany.



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