



# Green recovery

## BACKGROUND

The **COVID-19 pandemic** led to a major economic downturn worldwide. Although the global economy is expected to return to growth by the end of 2021, **developing and emerging countries will continue to struggle with the devastating consequences for a long time:** millions of people are without jobs and income, and 97 million people have slipped into extreme poverty.

It is now important that the recovery process promotes a **transformation of both the economy and society** that focuses on **sustainability and climate protection**. Recover forward, and as a part of it, 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 Agreement. Green recovery helps to address the consequences of the crisis while at the same time setting the course for structural reforms towards sustainability, climate neutrality and resilience. In short, investments in crisis management must accelerate the socio-ecological transition.

**The coronavirus crisis and the climate crisis should not be played against one another.** Green recovery offers the dual opportunity for economic reconstruction, while setting the course for climate-neutral and climate-resilient economies. To this end, lessons must be **learned from the mistakes of the 2008 global financial crisis**. At that time, opportunities to fight climate change were missed. After global CO<sub>2</sub> emissions initially declined, they rose sharply again in 2010. However, studies had already shown at that time 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 can and must be used as an opportunity to push for resolute climate policy**. In 2020, CO<sub>2</sub> emissions sank 6.4 per cent. However, in 2021 the International Energy Agency (IEA) already forecast an increase in energy-related CO<sub>2</sub> emissions of 4.8 per cent. Of the roughly 14.6 trillion US dollar stimulus packages adopted by the world's 50 largest economies in 2020, only about 18 per cent were in line with the principles of green recovery. The Federal Ministry for Economic Cooperation and Development (BMZ) is promoting various measures to change this in the future.

## 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 in green infrastructure and **decarbonisation of the energy sector can be accelerated**. Globally, the potential exists to create 100 million jobs by 2050 across the energy sector, about 40 million more than today. Investments in green infrastructure also generally yield high returns. 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. Innovative technologies based on **green hydrogen** also offer enormous potential for sustainable development and new economic and ecological opportunities. To achieve all these goals, it is crucial to **improve the enabling environment and create fiscal policy**

**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 BMZ is cooperating with the World Bank to make the Bank's extensive **reconstruction programs**, for which around 160 billion US dollars were made available by mid-2021, sustainable and climate-friendly. Work has focused on, for example, renewable energies and reducing fossil fuel subsidies. To this end, the BMZ has thus far provided 80 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 are being made available to **send advisors to the finance and planning ministries of 20 partner countries on short notice**. These advisors are supporting the climate-friendly design of economic stimulus packages.
- 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 better implement fiscal policy measures, such as carbon pricing schemes.
- In addition, the BMZ is funding the **UNDP programme "Building the Economy of Tomorrow: Using NDCs to Inform Green Recovery"** with 1.7 million euros. The programme is part of UNDP's NDC Support Programme. Five countries (Jordan, Albania, Benin, Ecuador, Vietnam) will receive targeted support to integrate NDC measures into COVID-19 recovery programs. In addition, both public budget planning and the mobilisation of private financial resources shall be geared, as a whole, more strongly towards green recovery.

- As part of the **InsuResilience Global Partnership**, the BMZ subsidises premium payments for **insurance policies that African partner countries have taken out to protect themselves against climate risks**. This relieves the strain on countries' budgets, which are already stretched due to the pandemic. The subsidies of 19.5 million euros enabled several countries to renew their insurance policies and thus continue to provide insurance protection for millions of poor and vulnerable people. In total, up to 9 million people in sub-Saharan Africa could be insured against drought damage in the 2020/2021 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 policy. The cooperation aims to supply rural Africa with sustainable energy. Within the framework of the Africa-EU Energy Partnership (AEEP), which Germany supports as co-chair, it also contributes to achieving the 2030 Agenda.



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