



Articulating social and environmental policy for post-COVID-19 recovery

Resilient and Inclusive Circular Economy to Build Back Better and Greener

POLICY BRIEF

“We need to turn the recovery into a real opportunity to do things right for the future” – United Nations Secretary-General

The COVID-19 recovery needs to be aligned to the Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change. As the UN Secretary General, António Guterres said, we need to “learn from this crisis and build back better... we could better face this challenge - with stronger health systems, fewer people living in extreme poverty, less gender inequality, a healthier natural environment, and more resilient societies...”

COVID-19 has changed our economic and social landscape. The pandemic has exposed many fragilities in our economies, deepening existing inequalities, and making the plight of the poor and vulnerable more visible. The pandemic also challenges us to rethink the systems that underpin the economy. Should stimulus packages focus on finding the way back to business as usual, or could they accelerate the shift that has already started towards a more resilient, low-carbon and circular economy? There are growing calls for a green recovery and for using the crisis as an opportunity to build more inclusive, resilient and low-carbon circular economies. The World Economic Forum is highlighting the unique window opportunity for the “Great Reset”¹ of our economies and societies.

1. <https://www.weforum.org/great-reset/#:~:text=The%20Great%20Reset%20is%20a,more%20sustainable%20post%2Dpandemic%20world.>

Objectives:

This briefing note aims at sharing important areas for governments to consider during the design of their stimulus packages to respond to the post-COVID-19 crisis. It provides key areas that would contribute to building back better and greener using policy tools and approaches of green economy, circular economy and sustainable consumption and production. It also focuses in key sectors with the highest potential for resource efficiency and low carbon, and for green jobs generation. The note includes initial ideas where UNEP could provide support to countries.



1. Investment in sustainable and resilient infrastructure



2. Green Fiscal Space as central for financial relief and green jobs



3. Circular Economy a driver to building resilience in value chains



4. Sustainable tourism – recovery plans and integrated waste management.

1 Sustainable and resilient Infrastructure

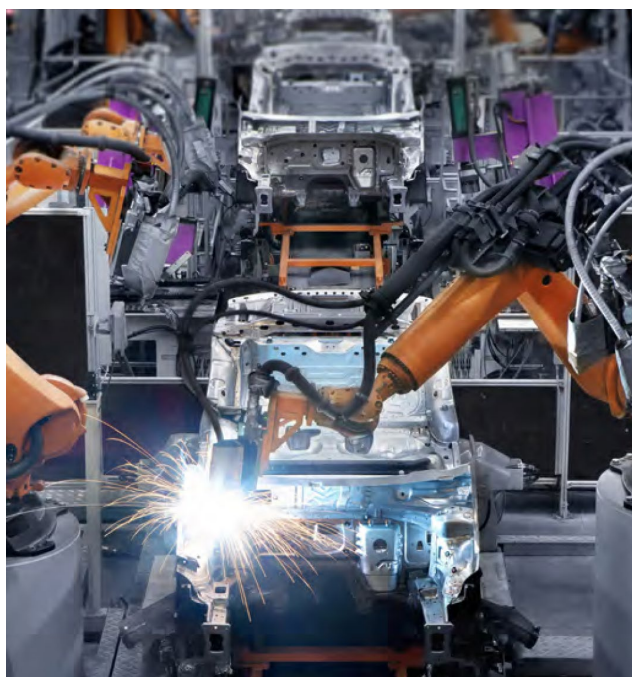
Investing in sustainable infrastructure could bring opportunities for recovery and inclusive growth through employment creation, income generation, and creation of assets and services.² It is estimated that an increase in infrastructure investment equivalent to 1% of GDP could result in an additional 3.4 million direct and indirect jobs in India, 1.5 million in the United States, 1.3 million in Brazil, and 700,000 in Indonesia'.³ However, the current stock and use of the world's infrastructure is also associated with over 60% of global greenhouse gas emissions.⁴ Investing in infrastructure that promotes economic stability and jobs in ways that are consistent with the Paris Agreement and the SDGs will reduce this figure and help avoid future interconnected crises. Therefore, the UN Environment Programme (UNEP) is supporting countries in developing national strategic infrastructure plans; which at the same time, would support to achieve the SDGs 9, 12 and 13.



The design of sustainable public procurement strategies for infrastructure could include specific measures to optimize employment impacts and for green and resilient infrastructure. These include incentivizing the use of labour-based and local-resource-based solutions, green technologies and more inclusive practices. Sustainable public procurement can harness existing expenditures towards green growth and the attainment of sustainability objectives, triggering as well green markets and new jobs. Public procurement represents an average of 15% of GDP in OECD countries and 25% of GDP in developing countries.⁵

2 Green Fiscal Space is central for financial relief and green jobs

Green fiscal policies can play a key role in countries' recovery efforts by removing inefficiencies in public expenditures and raising additional fiscal revenues which can be directed towards immediate COVID-19 relief measures while supporting medium- to long-term investments and planning for a more sustainable, resilient and inclusive future. Initial analysis of recent stimulus measures by selected major economies shows the majority of public resources are going towards business-as-usual activities and sectors, with a notable lack of consideration for environmental sustainability.⁶



2. UNEP. (2019). Integrated approaches to sustainable infrastructure. https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/Integrated_Approaches_To_Sustainable_Infrastructure_UNEP.pdf

3. McKinsey Global Institute. (2013). Infrastructure productivity: how to save \$1 trillion a year. https://www.mckinsey.com/~media/McKinsey/Industries/Capital%20Projects%20and%20Infrastructure/Our%20Insights/Infrastructure%20productivity/MGI%20Infrastructure_Full%20report_Jan%202013.ashx

4. The New Climate Economy. (2016). The sustainable infrastructure imperative. <https://newclimateeconomy.report/2016/>

5. A specific target, SDG 12.7.1 is dedicated to sustainable public procurement

1.

Guyana – Green Economic modelling – sustainable infrastructure

The construction and maintenance of a sustainable road network, using recycled asphalt pavement, would generate a saving for the government that is three times higher than the investment required. The construction of green roads with permeable pavements could yield significant additional savings. The use of recycled materials reduces the need for virgin materials by approximately 13.5 million tons, or 16.2% compared to the baseline. (UNEP, Green Economic Modelling, 2019)



As governments are devising green fiscal stimulus policies, they must look to maximize short-term growth and employment effects, while steering economies to a green and fair transition. There is a great heterogeneity in the capacity of countries to finance the COVID-19 relief and recovery efforts. Most low-and middle-income countries face extremely high borrowing costs, large existing debt burdens and heightened inflation risks. Therefore, monetary policy alone cannot deliver the enormous scale of relief and recovery resources needed. They are likely to face constrained fiscal space due to high existing debt-to-GDP ratios and the risk of inflationary pressures.⁷ Many developing countries dependent on resource rents have also seen budget positions weakened due to the fall in demand for commodities, while countries dependent on oil and gas revenues have been doubly affected by the dramatic decline in oil prices. Thus, improving the efficiency

of public expenditures, reallocating scarce public resources and reforming fiscal policies to raise additional revenues will be priority actions in most countries. Most importantly, models of recovery need to clearly articulate how they will fundamentally redefine our future economies and its relationship with nature, which sustains life.

With the anticipated drop in tax revenues, improving efficiency of public expenditure will help countries to mobilize required resources where it is most needed. In this regard, green fiscal policy could cut down inefficient expenditures such as environmentally harmful subsidies to create fiscal space while reducing GHG emissions and health impacts for instance. Moreover, the recent fall in oil prices presents a window to gradually phase out fossil fuel subsidies and redirect these resources towards renewable energy. Green fiscal reforms also help redirect the savings to the most needed priority sectors like health or sectors that create green and decent jobs. This will support the achievement of SDGs 8, 9 and 13 among others.



3 Circular Economy: building resilience in value chains

The COVID-19 crisis makes the circular economy more relevant than ever, as it holds innovative solutions. The crisis has impacted dramatically the Small and Medium Enterprises (SMEs), which represent 99% of all companies in the region and generate more than half of jobs. Preliminary surveys suggest that only 15% of firms with sales lower than US\$ 5,000 per month will survive after 2 months of lockdown in the region.¹⁰

In this context, there is an urgent need to include SMEs and with better effort to design smarter, innovative, and more diverse supply chains, that strengthen the participation of local suppliers and reduce the dependency on imports of our economies and its associated environmental impacts. But only when all actors along the product life cycle find profitable ways to take resource scarcity into account, and only if they share both costs and benefits, will the circular economy be able to unfold its full potential.¹¹ The International Resource Panel suggest that remanufacturing and comprehensive refurbishment can contribute to GHG emissions reduction by 79% to 99% in appropriate sectors.

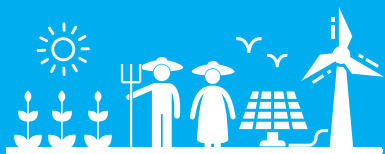
6. Vivids Economics using IMF COVID response tracker data and Oxford Coronavirus Government response tracker.

7. April 2020 Global Debt Monitor: COVID-19 Lights a Fuse, IIF, April 07, 2020 (<https://www.iif.com/Publications/ID/3839/April-2020-Global-Debt-Monitor-COVID-19-Lights-a-Fuse>)

2.

Carbon pricing: Carbon taxation can be especially effective in the current low oil price environment. The IMF estimates that a carbon tax of US\$75 per ton would increase pump prices by less than the overall decline due to the oil price collapse.⁸ Such policies should be combined with other measures like feebates to incentivise greener transport solutions and energy efficiency improvements; and accompanied by smart communication and assistance for low-income and vulnerable households and communities.

Green Investments: research estimates that "\$1m invested in the oil and gas in the United States creates just five jobs, compared to 17 jobs per million dollars invested in energy-saving building retrofits, 22 jobs for mass transit, 13 for wind, and 14 for solar".⁹



Remanufacturing can reduce new material requirement by 80% to 98%; comprehensive refurbishing could save slightly more materials on average, between 82% and 99%. Repair could save an even higher share, between 94% and 99%; and arranging direct reuse largely does not require any inputs of new materials.¹²

Another domain in which circular economy appears particularly relevant is food production and distribution. The current industrial agricultural model relies on fossil fuels and practices that are damaging to ecosystems and are built around supply chains that involve long-distance transport that make it vulnerable to border closures. Various countries and cities are emphasising the need for shorter producer-to-consumer models. It therefore appears timely to further explore the potential of large-scale investment in regenerative, peri-urban production, together with digitally-enabled precision agriculture. Circular economy tools need to be supported by changes in consumption and production patterns, which can contribute to multiple SDGs, including 2, 8, 9, 12, 13, 15, among others.



4 Sustainable tourism recovery plans and integrated waste management

Tourism is among the most affected of global sectors and its recovery depends on the restoration of tourist arrivals, linked to the reopening of borders. LAC and particularly Caribbean countries are heavily dependent on tourism. For instance, it accounts for 34% to 48% of total output in GDP terms in The Bahamas, Barbados, and Jamaica, and 27%, 11.6% and 9.5% of direct employment respectively, with all three countries ranking in the in the global top 20 of the most tourism dependent countries.¹⁷



8. IMF Special Series on COVID 19 – Greening the recovery, April 2020. (<https://www.imf.org/~/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-greening-the-recovery.ashx?la=en>)

9. The Guardian, <https://www.theguardian.com/commentisfree/2020/apr/20/climate-crisis-will-deepen-the-pandemic-a-green-stimulus-plan-can-tackle-both>. Accessed on April 21, 2020.

10. Sistema B. Encuesta LATAM COVID -19. <https://sistemab.org/wp-content/uploads/2020/04/Result.-EncuestaLATAM-COVID-Marzo20.pptx-1.pdf>

11. World Economic Forum. Why the Circular Economy needs to link up the whole supply chain <https://www.weforum.org/agenda/2018/09/why-the-circular-economy-needs-to-link-up-the-whole-supply-chain/>

12. International Resource Panel (2019). Re-defining Value – The Manufacturing Revolution. <https://www.resourcepanel.org/reports/re-defining-value-manufacturing-revolution>

13. Jocelyn Blériot, Ellen MacArthur Foundation "The Covid-19 recovery requires a resilient circular economy"

<https://medium.com/circulatenews/the-covid-19-recovery-requires-a-resilient-circular-economy-e385a3690037>

3.

Circular Economy in the health

sector. In terms of jobs, it is estimated that the circular economy could create 3 million new jobs by 2030 alone in the European Union . In Latin America could generate up to 6 million new jobs through activities such as remanufacturing, repair and recycling; allowing for, while also installing new infrastructure and the adoption of technologies specific to Industry 4.0, thus enabling developing countries to finally get on the bandwagon of fourth industrial revolution.

Circular Economy in the food

sector. A circular scenario could lead to a 50% reduction of pesticides and synthetic fertiliser use by 2030 in Europe (compared to 2012 levels), while resulting in a 12% drop in household expenditure and better products. It can reduce emissions by 5.6 billion tonnes CO₂e, corresponding to a 49% reduction in the projected 2050 total food system emissions. (Ellen MacArthur Foundation).



Recent projections of global tourist arrivals predict a reduction of between 20% and 30% in 2020, significantly larger than in 2009 during the financial crisis, which was around 4%. In this scenario, it is projected that GDP would decrease -2.5, -0.8 and -0.3 percentage points respectively, in the Caribbean, Mexico and Central and South America.

Overall, travel and tourism in the SIDS generates approximately US\$30 billion per year. A decline in tourism receipts by 25% will result in a US\$7.4 billion or 7.3% fall in GDP, according to UNCTAD. It is expected that for many SIDS, the COVID-19 pandemic will directly result in record amounts of revenue losses without the alternative sources of foreign exchange revenues necessary to service external debt and pay for imports. While many economic sectors are expected to recover once restrictive measures are lifted, the pandemic will probably have a longer lasting effect on international tourism on which SIDS depend. This is largely due to reduced consumer confidence and the likelihood of longer restrictions on the international movement of people.

The regional tourism sector has been relatively slow as a business group, to adopt sustainability practices offered in millions of dollars worth of investment and capacity building projects dating back decades. In particular, the tourism SMEs have lagged behind larger resorts and hotels, some of which made resource efficiency a standard business practice. During COVID-19 recovery, further environmental impacts are likely to arise including the increased use of single use plastics and chemicals to meet both real and perceived health and hygiene standards. Furthermore, the impact of the COVID-19 pandemic on women working in the tourism industry in SIDS is disproportionate but the emerging policy responses have so far failed to address this gender gap.

All forms of tourism can contribute towards the transition to an inclusive green economy through green investments leading to resource efficiency, climate-change mitigation, biodiversity and cultural heritage conservation, and the strengthening of linkages with local communities. For many countries, it will be a top priority to re-activate the tourism sector and its jobs and might refocus to national or regional tourism. It would be important to include these environmental and social aspects in the tourism related economic stimulus packages.

13. Jocelyn Blériot, Ellen MacArthur Foundation "The Covid-19 recovery requires a resilient circular economy"

<https://medium.com/circulatenews/the-covid-19-recovery-requires-a-resilient-circular-economy-e385a3690037>

14. WHO, "Circular Economy and Health: Opportunities and Risks", 2018. <http://www.euro.who.int/en/publications/abstracts/circular-economy-and-health-opportunities-and-risks-2018>

15. Konrad Adenauer Stiftung, "Coronavirus, Economía Circular 4.0 y Nuevo Pacto Verde", Petat Ostojic, Serie ECLA Cambio Climático en Tiempos de Coronavirus, N.2, Abril 2020. Link

16. Jocelyn Blériot, Ellen MacArthur Foundation "(ibidem)

17. Mooney, H., & Zegarra, M. A. (2020, April 16). COVID-19: Tourism-Based Shock Scenarios for Caribbean Countries. Retrieved from <https://blogs.iadb.org/caribbean-dev-trends/en/covid-19-tourism-based-shock-scenarios-for-caribbean-countries/>.

4.

Transforming tourism value chains for more resource efficient and low-carbon development. (Saint Lucia and the Dominican Republic).

Dominican Republic, has developed with UNEP's technical support, a national roadmaps and implementation plan for lowering emissions and improving resource efficiency in the tourism value chains by 2030. With the pandemic these plans are even more relevant. The project is also supporting hoteliers in their recovery plans by developing strategies with emphasis in energy efficiency and zero waste (from plastics and food) and the creation of more and better jobs to the most vulnerable populations.

UNEP will assist in i) providing technical assistance on waste management and circular economy strategies and plans, ii) delivering capacity building and trainings and, iii) facilitating knowledge products and technical guidelines.



How can UNEP support countries?

UNEP is committed to supporting countries efforts on investing to build back better and greener¹⁸ by providing policy advice to countries, facilitating knowledge sharing and promoting dialogues and south-south cooperation.

1) Green Fiscal assessment: Carrying out economy-wide green fiscal policy assessments to analyze and assess pathways to resource COVID-19 recovery measures and create incentives for long-term sustainability and resilience.

2) Sustainable Public procurement (SPP): providing methodologies, criteria and assessment for SPP including focus on key sectors: health, food and infrastructure.

3) Sustainable infrastructure: providing advice on principles, approaches and criteria for sustainable infrastructure, through The Green Finance Platform, and Hub on Sustainable Infrastructure.

4) Sustainable Tourism recovery plans and integrated waste management: Offering technical support and advice.



For more information: **Adriana Zacarias Farah, Regional Coordinator, Resource Efficiency, UNEP.**
adriana.zacarias@un.org

18. UNEP (2020) Working With the Environment to Protect People: UNEP's COVID-19 Response, <https://www.unenvironment.org/resources/working-environment-protect-people-unepps-covid-19-response>