



UNITED NATIONS

ECLAC

Resilient and Low Carbon Economy: The Guiding Axis for the Post-Pandemic Economic Recovery

Beyond a giant public health crisis, the COVID-19 pandemic has generated a deep and wide economic and social crisis. The post-pandemic economic recovery and reactivation presents challenges and potentialities that must be considered. There is a crucial need for generating jobs and economic growth at an accelerated pace to recover losses and reduce the social suffering. It is then important to ask which economic sectors should be prioritized to reach these goals. We must consider that an economic recovery with the same environmental consequences we had before this pandemic, could lead us towards deepening the climate and water crisis, with long-term consequences in our capacity to maintain the economic process healthy and productive. In other words, we would be leaving one crisis to go into another one, even more global, of a much more long-term and with more enduring, damaging and pervasive effects. Then the economic recovery and reactivation must be focused in the low carbon economic sectors that can generate, at the same time, jobs and environmental resilience, strengthening the human capacity to create prosperity. How we can, regionally, respond to these challenges?

Latin America and the Caribbean possess a significant part of the world natural wealth, with its economy and exports widely dependent of these natural resources. At the same time, the future of the economy in the region and its capacity in dealing with its current problems (economic growth, inequalities) will depend not only on the proper functioning of the whole set of natural resources and environmental services, but also on the recuperation of the already degraded natural resources. That means a better environmental resilience.

Effective public policies to develop and support low carbon economic sectors will be key to assure a new cycle of development, growth and job creation within the region in the post pandemic context. Possibly, one of the main conclusions we could reach for the adoption of a sustainable course for the economic development is to combine and coordinate taxes instruments, regulations, reorientation of public budgets and private investments in line with an environmental big push proposed by ECLAC. A set of coordinated, coherent and synergic instruments will produce, inevitably, a business environment where a flow of sustainable investment can prosper, generating a virtuous cycle of growth, jobs and a transition towards a low carbon productive matrix.

Sustainable production and consumption must be translated into practice, facilitating innovations in the urban environment, promoting the maintenance of the agriculture, livestock and forestry productivity in rural areas and a strong transition towards renewable/clean energy. The strategy of action must prioritize economic sectors with potential to disseminate impacts and produce an environmental big push. The initial steps should consider at least three synergic sectors:

1 - production of clean energy: energy transition

Increase the offer of non-conventional clean energy in the energy matrix is a strong facilitator of technological innovation and new flows of investments, contributing to overcome problems related to coordination of policies associated to low carbon pathways. Cleaner energies perform better in generating jobs and reduce CO2 emissions drastically.

2 - developing the nexus among water/soils/forest

The efficient management of landscapes (water resources, soils, forests, agriculture) should find its expression in a new rurality where integrated production systems allows the reorganization of the production chains, generating a more labour intensive circular economy, more productivity, less emissions and environmental impacts. This production conversion creates wealth and jobs with social and economic benefits.

3 - sustainable urban mobility

Around 80% of the population in LAC region lives in cities. Private/individual transportation have been the focus of the urban development within the region creating urban inefficiencies: congestion, pollution (with its mortality and morbidity consequences), fossil fuels consumption, reductions in productivity and well-being. These deleterious inefficiencies should be replaced by a clean and affordable public mobility, allowing new technologies, new clean energy markets, new urban design to work for a more efficient, integrated and productive city.

The current international experience in projects and strategies to reactivate the economy in a low carbon mode, as a response to the need of post-pandemic economic growth, must be analyzed for comparative purposes and the promotion of possible synergies. Some of these proposals have the potential to generate global impacts, like the European Union's *The European Green Deal*, the Chinese's *Ecological Civilization*, and the South Korean's *New Green Deal*. These proposals, and many others in several countries, have been mentioned as the appropriate set of policies to reactivate economic growth: a roadmap towards sustainability. The main idea behind these proposals are to convert climate and environmental challenges into opportunities for growth and new jobs, with a just and inclusive transition.

The actions/policies mention incentives for the efficient use of natural resources through a more circular economy, halt the climate change reducing emissions, reverse the loss of biodiversity, reduce the contamination and the electrification of public transport/mobility. The necessary investments and instruments are also described and detailed. In a similar way Latin America and the Caribbean region have to point out towards its priorities and sectors that could foster a resilient and low carbon economy, reorienting its investments, regulations and public budgets.

Taking into account the immediate reality of the COVID-19 pandemic, such a transition would need a planning process, implementing progressive changes to overcome the initial barriers and articulate the fundamental social actors while the flow of benefits are materializing for the whole society. In this sense, some considerations are useful to help us to define the correct set of proposals:

1) as the economy starts to recover from the pandemic, unsustainable patterns of production could come back harder than before, considering that there exists a strong pressure to generate growth and jobs. At the same time, the stocks of oil are very high, and their prices are extremely low. The social demand for strong results in a short period of time could lead to a reactivation based on fossil fuels.

2) in the reactivation phase of the pandemic, the adoption of environmental conditionalities in the loans, financing and other economic instruments that are going to be used, are of fundamental importance. Without environmental conditionalities there is a real risk to create several “lock-ins” in the productive structure and infrastructure that could last for a long period of time preventing that a transition for a resilient and low carbon economy evolves.

3) The existence of mature projects that can be financed would be of crucial importance during the phase of economic recovery. These projects would materialize the possibility to redirect investments and budgets and part of the conditionalities. A barrier for the transition may appear in the absence of project and proposals readiness. Moreover, these proposals must be aligned with international agreements like the 2030 Agenda, the Paris Agreement and the New Urban Agenda.

Therefore, a transition towards a resilient and low carbon economy would depend on

- i) the ability and capacity to insert the selected strategic economic sectors into national governmental plans;
- ii) the new set of rules/regulations to reorient private investments;
- iii) the priorities defined by the national and regional development banks.

There is a need to define which environmental criteria and conditionalities would be attached to the financing packs as a fundamental tool to promote a real change in the production process. Concluding, the strategy for the post-pandemic economic recovery must avoid worsening the environmental crisis and reorient public policies and private investments towards the appointed economic sectors.

