



Use government economic stimulus packages to build back better

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1 – Background

The COVID-19 crisis is leading to widespread economic hardship around the world. Efforts to ‘flatten the curve’ to avoid bottlenecks in the healthcare system drastically reduce economic activity. In this scenario, the inevitable recession is a public health measure. The OECD revised down its [economic outlook for 2020](#) in March, forecasting global growth this year of just 1.5% (down from 2.9% projected in November). The immediate economic impacts of COVID-19 result from simultaneous demand and supply side shocks—fewer people are consuming goods and services, while supply chains and production are reduced or disrupted. Some sectors – travel and leisure industries, airlines, oil and gas, retail, etc. –are particularly hard hit. The international Labor Organization estimates [in a recent report](#) that the equivalent of 195 million full-time workers could lose their jobs due to the coronavirus in the second quarter of 2020, with vulnerable, low-income populations especially hit. Governments are designing and implementing bold anti-recessions measures to stimulate the economy and curb job loss. Government stimulus packages will play a large role in defining how we build back from COVID-19. This represents both a threat and opportunity for efforts to build more inclusive, sustainable economies. For example, the crisis has placed downward pressure (and potentially increase volatility) on already low oil prices, leading some countries to consider bail-out packages for the oil & gas industry. At the same time, new investments in infrastructure projects or the re-alignment of fiscal policies could stimulate green growth and create jobs.

2 – Analysis

The first wave of economic relief packages is mostly focusing on managing the health crisis. Once governments have the immediate health crisis under control, the second wave of relief efforts will concentrate on the economic crisis. During previous economic crises, some countries turned quickly to stimulus packages that included investments in “shovel-ready” infrastructure projects. This included building more coal or other fossil fuel power plants, upgrading roads, investing in heavy industries such as automobile manufacturing and more. Following that old playbook to respond to the COVID-19 pandemic would be a huge missed opportunity. It would amplify already-existing problems (air pollution, health crisis, etc.). For example, global CO₂ emissions from fossil fuel combustion and cement production [grew 5.9% in 2010](#), more than offsetting the 1.4% decrease in the 2009 economic crisis. Trillions of dollars will be spent in the coming year to reflate declining economies. These investments could simply restore the unequal, vulnerable and high carbon economies of today or drive more inclusive, resilient, and low carbon economies. They will have a lasting impact on climate, the environment and resiliency. We expect major actions through the following three types of measures:

- bail-out packages for specific industries
- stimulus measures focused on investing in major infrastructure projects, and
- fiscal policy reforms (e.g., subsidy and tax reforms).

3 – Messaging

Potential “Build Back Better” messages to address both today’s and tomorrow’s crisis include:

- *'Practice Integral Ecology'*: Pope Francis has in the past called on citizens' pressure groups worldwide to promote and practice integral ecology, ensuring them that "injustice is not invincible." He could use his moral leadership by announcing and implementing concrete measures that may well inspire and incentivize the creation of these much-needed peoples' mass movements. Tackling this crisis will require disruptive political, social and corporate partnerships-movements rather than mere policy shifts, that are motivated by the opportunity for a better future rather than by narrower economic or environmental goals. This crisis poses an opportunity to re-think our consumer economy, encouraging longer-lasting behavioral shifts towards more sustainable practices.
- *'Green Economic Stimulus packages'*: As countries explore options to stimulate their economies they can either lock in decades of polluting, inefficient, high-carbon and unsustainable development, or they can use this as an opportunity to accelerate the inevitable shift to low-carbon in their energy, transport, urban and food systems. The latter can address two additional crises head-on: air pollution and the growing climate emergency. To support this intent, the Catholic Church, the Vatican Bank and the global faith community should encourage "virtuous" investments in low-emissions and climate-resilient developments, which are crucial to achieve the Laudato Si' objectives.
- *'Create an Overton Window Shift in governance'*: the COVID-19 crisis poses an opportunity to strengthen governance and social protection systems. [Recent research shows](#) that countries with strong governance and social protection system can more effectively respond to the crisis. Societies can use this once in a generation moment to drive an Overton Window shift. As Abraham Lincoln stated. *"In this age, in this country, public sentiment is everything. With it, nothing can fail; against it, nothing can succeed. Whoever molds public sentiment goes deeper ..."*. The public sentiment across the world could be ready for a shift in priorities toward creating more just and inclusive societies. The Vatican and its extended family are perfectly positioned to be a catalyst for this shift. Boris Johnson, UK PM, compared the current crisis to World War 2. It is good to remember that it was in the aftermath of WW2 that Britain made an unprecedented investment in social protection systems, including the creation of the NHS. It was a time of global solidarity and a strong sense that we are all in this together and need to look out for each other. Many of those investments still deliver benefits to the most vulnerable to this day.

4 – Policy recommendations

- **Focus bail-out packages for specific industries directly on the most vulnerable workers/communities.** Already, as part of the first wave of emergency relief packages, there are considerations of bailing out some affected industries – often high-carbon, polluting industries including aviation, shipping, and oil and gas. A better option is to directly support the most vulnerable and lowest paid workers in the industry or dependent communities, both immediately through cash transfers or similar measures and over the medium-term to transition to other economic opportunities as part of a just transition. This is better than artificially propping up declining industries and hampering the transition. If the industry bail outs do go ahead, this is a moment when governments can put in place conditions that would help facilitate a shift to a low-carbon, sustainable approach in future.

- **Invest in infrastructure projects that create jobs and co-benefits for the environment.** As part of the second wave of economic stimulus measures, there will likely be a focus on tackling high unemployment through investments in large, shovel-ready infrastructure and other employment-generation programs. This was a major part of the 2008-09 financial crisis packages. How these are done will have a major climate impact potentially, in particular in terms of choices around investment in infrastructure in energy systems (fossil fuels vs. renewables, batteries, upgrading networks), transport systems (roads and airports vs. high speed rail, public transport, walking and biking paths), investments in connectivity (5G, internet), and natural infrastructure investments (often overlooked in 2008-09 crisis response). For example, investing in upgrading the energy efficiency of hospitals, schools and other public buildings while powering them with renewable energy mini grids will lower costs, clean up pollution, and ensure that this critical infrastructure is prepared for the next major hurricane or wildfire. If we prepare now to take advantage of historically low interest rates to invest in climate-smart infrastructure, we can not only ensure that the economy does not stall out, we can accelerate progress towards a resilient and competitive clean energy economy that leaves no one behind.
- **Re-align fiscal policies to stimulate green growth and jobs.** This is an important opportunity to reform environmentally-harmful and inequitable subsidies – such as for fossil fuel production and use, for agricultural production, etc. – replacing them with more direct payments that can support the incomes of vulnerable small farmers, can help build resilience and productivity in rural landscapes, and also reduce government outlays. The low oil prices being seen now mean that fossil fuel subsidy reforms and carbon or energy taxes can be implemented, or taxes raised where they exist, with little impact on household expenditures. The expenses saved or tax revenues raised can be used for other social and economic priorities.