

BLOG POST June 16th 2021

How to align national Covid-19 recoveries with the Sustainable Development Goals

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 Reading time: 7 min



The Covid-19 crisis encompasses multifaceted and interconnected risks and vulnerabilities, which extend to wide-ranging humanitarian, social, economic and environmental dimensions. The pandemic and its consequences also challenge the efforts to realize the 2030 Agenda and its Sustainable Development Goals (SDGs) in a holistic manner. [As stated by the UNSG, Antonio Guterres, at the recent SDG Summit](#), “the 2030 Agenda is designed to address the very fragilities and shortcomings that the pandemic has exposed”.

Almost one year later, what can be said about national recoveries and the extent to which these have used the transformative ambition and design of the 2030 Agenda? How can we ensure that recovery plans and

investments do move us closer towards SDG achievements and not the other way round? These and many other questions were raised and discussed in a series of high-level dialogues jointly organized by IDDRI and the [DIE \(German Development Institute / Deutsches Institut für Entwicklungspolitik\)](#) that brought together a group of government officials, specialized agencies and international organisations, as well as think tank representatives from all regions of the world. Some initial insights and takeaways are presented in this blog post.

Not all countries are equally up to the challenge

There is a window of opportunity to build back differently, thinking about the broader objectives of well-being. In reality, though, it is not easy for most countries to think long term in an emergency situation. Some countries have no mention of sustainable development in their recovery plans, while other countries' plans even show some backsliding, especially when it comes to environmental measures. Most current recovery efforts can be regarded as stimuli packages, which seek to protect economies from the impacts of the pandemic. These measures tend to have a cushioning, reactive effect rather than a structural and transformative one. Covid funds could in principle provide windows of opportunity for transformative investment in building up the markets of the future, yet they have still so far included a strong focus on fossil fuels. Taking a closer look at Covid recovery investments, we realize that only 17% of the total sums so far allocated to Covid-19 economic recovery support green measures, and still a lot of recovery funds go to fossil fuels.^{[1](#)}

From a global perspective, the distribution of Covid-19 recovery funding is also highly skewed. Hence, countries' differing fiscal space and means of investment into national recovery has contributed to exacerbating inequality, both within and between countries. In poor and vulnerable countries that lack these capacities, we see worrying trends of increasing inequality figures, especially in Sub-Saharan African states. Beyond the budgetary and GDP gap, this global inequality also affects countries' investments in markets and technologies of the future, which may in turn also widen the policy gap between high-income and low-income countries and their ability to attract future investment.

Key ingredients for sustainable development-aligned recovery

Covid-19-SDG alignment is all about avoiding that recovery funds consolidate a lock-in into high-carbon, high-inequality development pathways for decades to come. Our series of dialogue revealed tensions between the need to prioritise some SDGs that have experienced severe setbacks such as poverty and education in the recovery and the need for a holistic agenda of recovery that invests in pro-poor green development pathways and thus that adopts science, innovation and education policies towards low-carbon markets and technologies.

Discussions of concrete country examples have shown some successful ingredients of SDG-aligned recoveries following a holistic approach:

First of all, where medium- or long-term national 2030 Agenda strategies already exist, parliamentarians or other accountability actors can remind governments about these long-term sustainable development objectives to be considered in the design of recovery policies. Moreover, the existence of baseline indicators helps getting an overview of which SDGs and targets have been particularly affected by the pandemic. Aligning the SDGs also means advancing the energy transition and the equality agenda together.

Of course, emergency funds for the health crisis and vaccine needs remain essential. But it is important that such investments do not retract from the long-term development of health and social protection systems, as well as from

other SDG priorities. This is challenging in contexts characterized by low budgetary space and high public debt. Domestic resource mobilization needs to be strengthened in order to generate sufficient public means to introduce such schemes. International Financing Frameworks (INFFs) were presented as a tool to mobilize different external and internal financing sources for national development priorities that can be aligned with a broad 2030 Agenda perspective.

Beyond that, in the context of the crisis, many states are now playing a more active role in steering their economies. This new reality can be used to include horizontal priorities such as the green transition as well as diversification of the economy, gender equality, social cohesion and the digital transition in the recovery plan. Energy transition investments (e.g. renewable access to energy, energy efficiency) were identified as priority sectors for public investment. Although upfront investments can be high, investing in the energy transition is expected to pay off in terms of jobs and value creation.

Creating the policy space for transformation

Another key success factor that was suggested during the dialogues was the necessity of promoting ownership in policy design. This is particular relevant in relation to managing deep transformations towards low-carbon and inclusive development pathways that requires considerable political capital and courage to engage in. Opening up a democratic, participatory dialogue on long-term sustainable development pathways might provide political cover for leaders willing to invest in long-term green and inclusive transformations. The ways in which political consensus is built and sustained will differ based on context, tradition and approaches to governance. In this context, regional approaches are useful. The series of dialogues looked at the case of the 'Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean' (Escazú agreement),² the first international agreement of its kind that provides mandatory protection for environmental activists. Such guaranteed protection is important as opening up political space for transformation also means strengthening actors working in that direction and protecting them from actors fiercely interested in consolidating the status quo.

A momentum for a virtuous cycle of multilateral action

The conclusion that emerged from one of our dialogues is that in the long run, we cannot think about SDGs-aligned national recovery plans without challenging the current state of globalization. As long as decisions about multilateral and bilateral trade agreements and investments are taken separately from the discussions about sustainable development pathways, it will be impossible for countries to implement the SDGs. Others noted that there is a historic window of opportunity for big multilateral solutions that should not be missed or invested in the wrong pathways.

There is a dire need for multilateral solutions to make additional financing available. According to IMF estimates, up to USD 285 billion would be needed during the next five years to support African countries step up their spending response to the pandemic.³ The economic impact of the pandemic has been disproportionate on low-income countries, who lack the fiscal space to respond. The G20's Debt Service Suspension Initiative was a first step and allowed for freeing up over 5 billion USD in resources, though it is widely acknowledged that this will not be enough. The G20 and Paris Club Common Framework for Debt Treatments represent another opportunity, yet face challenges in terms of incentivising the private sector and reaching agreements efficiently.

The agreement for the IMF to allocate 650 billion USD in Special Drawing Rights (SDRs) will provide additional support. However, for these new liquidities to benefit the most vulnerable, voluntary post-allocations between

countries are needed. So far, only USD 33.6 billion of the new liquidities in the form of SDRs are foreseen to go to Africa, whereas around USD 230 billion are expected to be allocated to G7 countries and China.⁴ Technical questions remain as how to channel this re-allocation of SDRs. One channel could be the IMF Poverty Reduction and Growth Trust (PRGT) that currently provides interest-free concessional support to low-income countries. Potentially, the PRGT could provide specific support for green and digital transformations and strengthening of health and social protection systems.

It will be important that multilateral discussions in the next years do not focus only on financing but also on policies. What is the plan? How can we recover differently and reshuffle economic development pathways towards sustainability? What are the investments with multiplier effects on both climate and social objectives? These should be the central questions for multilateral decision-making. It will be key to continue a broad-based and inclusive dialogue that includes representatives from all regions of the world. To be continued!

¹ <https://www.oecd.org/coronavirus/policy-responses/the-oecd-green-recovery-database-47ae0f0d/> .

² <https://www.cepal.org/en/escazuagreement>

³ Declaration Summit for African economies.

⁴ <https://oecd-development-matters.org/2021/05/17/time-to-accelerate-debt-relief-to-finance-africas-recovery/> .