

Achieving Sustainable Recovery:

Criteria for Evaluating the Sustainability
and Effectiveness of Covid-19 Recovery
Investments in Latin America
and the Caribbean

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Summary

The Covid-19 pandemic has precipitated unprecedented health, social and economic crises across the countries of Latin America and the Caribbean. All countries in the region moved quickly to implement 'rescue' policies to safeguard lives and livelihoods. The rescue phase continues along with the challenge of orchestrating the post-COVID-19 economic recovery: designing packages of investments and initiatives to stimulate employment, liquidity, reignite sustainable and inclusive economic growth and transition towards

net-zero emission and climate-resilience economies to confront the worsening climate and ecological crisis. These policies must be sustainable in the short and long term and bring institutional, social, economic/financial, and environmental co-benefits. This working paper proposes criteria for evaluating the sustainability of recovery investments and initiatives, to serve as a checklist for stakeholders to use to ensure a recovery that builds an inclusive, sustainable and resilient future for all.



Background

Latin American and Caribbean countries are in a deep and tragic crisis. Beyond the enormity of the health emergency, governments will need to manage the unfolding social and economic crisis (Blackman et al. 2020). The region's economy contracted by an estimated 7.4% in 2020, a potential increase in the percentage of the region's inhabitants living in extreme poverty to 34.5% (IMF 2021; CEPAL 2020b; Nuguer and Powell 2020; World Bank Group 2020), and job losses of between 4.4% and 14.8% (CEPAL 2020a; Altamirano Montoya, Azuara Herrera, and González 2020). Contributing factors include steep declines in tourism and remittances, especially in Central America and the Caribbean (Anglade et al. 2020; Bollers et al. 2020). In addition, fossil fuel exporting countries have faced steep reductions in demand and prices (Bollers et al. 2020), which have increased future risk of stranded assets (Binsted et al. 2019; González-Mahecha et al. 2019). Food security is also a growing concern (Anglade et al. 2020).

These challenges by themselves would be daunting enough. But, even before the pandemic struck, countries in the region were beset with a range of economic, social and environmental challenges, including stagnant growth, high levels of debt and limited fiscal space, persistent informality, high levels of inequality reflected in increasingly frequent

social unrest, rapid inter-regional migration, mounting biodiversity loss, and continued vulnerability to climate change and natural disasters (Bastos et al. 2020; Anglade et al. 2020; Allan et al. 2020; IDB Group 2019). Election cycles will add another layer of complexity with multiple presidential elections scheduled through 2024 (Bollers et al. 2020).

All countries in the region have quickly implemented Covid-19 'rescue' policies to safeguard lives and livelihoods (Izquierdo et al. 2020). These responses focus on tackling the health emergency, providing liquidity for small to medium-sized enterprises to maintain jobs, delivering cash transfers to the most disadvantaged, and establishing fiscal policies to support and achieve these ends (OECD 2020a; Agrawala, Dussaux, and Monti 2020; IMF 2020; Anglade et al. 2020; Abuelafia et al. 2020; Bastos et al. 2020; OECD 2020b).

The next challenge is the post-COVID-19 economic recovery, which will require designing packages of investments and initiatives to hasten economic and social equilibrium. A confluence of fiscal constraints, capital flight, investment confidence, liquidity, worsening climate impacts and extreme weather, and political interests will determine how countries navigate recovery. But it is critically important to

bear in mind that policy makers choices will have both short and long-lasting impacts (Izquierdo et al. 2020, Vogt-Schilb 2021).

Simply getting back to “normal” means a return to a dangerously fragile world (Hepburn et al. 2020). In the region, that “normal” entails inequality, informality, biodiversity loss and vulnerabilities acutely exposed by the COVID-19 crisis regarding health systems, social protection schemes, market failures and lack of institutional adaptive capacity to react to shocks. It also entails long-term vulnerability to climate change. The ILO estimates that 2.5 million jobs, especially those of outdoor workers including street vendors and construction workers, could be lost to heat stress by 2030 (Kjellstrom et al. 2019) and climate change damages in the region could cost the region US\$100 billion annually by 2050 (Vergara et al. 2013).

Rising global temperatures is also making droughts and wildfires increasingly costly. The 2020 wildfire season was the fifth most damaging on record. In Brazil last year, the agriculture sector suffered \$3 billion in losses due to drought. In addition, wildfires destroyed around one third of the Pantanal, the world’s largest tropical wetland, killing and burning countless species and jeopardizing the health and economy of local communities (Libonati et al., 2020). In Central America, two hurricanes, Iota and Eta, hit the subregion in November 2020 in quick succession, leaving hundreds dead and more than US\$9 billion in damages (Aon 2020).

Governments around the world are responding to the economic crisis caused by COVID-19 with unprecedented recovery packages amounting to close to US\$15 trillion, which have focused primarily on providing liquidity to businesses and cash

transfers to households, the unemployed and workers. Estimates suggest that leading economies will inject around US\$4.6 trillion or 31% of the total announced stimulus directly into sectors including agriculture, industry, waste, energy and transport, which negatively impact the climate, pollution levels and biodiversity (Vivid Economics 2021). As of late 2020, G20 governments had committed US\$233 billion to support fossil fuel production and consumption compared with US\$146 billion to support decarbonized energy and transport alternatives (SEI et al. 2020). Under US\$2 trillion has been allocated for green measures such as reducing dependence on fossil fuels and investing in preserving and restoring natural capital (Vivid Economics 2021).

The deployment of these massive investment packages risks irreversibly locking-in development options that could jeopardize growing global support to achieve net-zero emissions by around midcentury while pushing the goal of the Paris Agreement to limit global warming to 1.5 degrees Celsius beyond reach. Yet if just a tenth of these stimulus packages were invested each year over the next five years in renewable energy and energy efficiency measures, combined with near-term focus on avoiding the bailing out of pollution industries including fossil fuels, achieving the Paris Agreement goal of limiting global warming to 1.5 degrees Celsius would be possible (Andrijevic et al. 2020).

Beyond the implications for the climate, implementing transition strategies toward a net-zero emissions economy could create 15 million net new jobs in Latin America and the Caribbean by 2030 in sectors including agriculture and plant-based food production, renewable electricity, forestry, construction, and manufacturing (Saget, Vogt-Schilb, and Luu 2020).

Beyond the implications for the climate, implementing transition strategies toward a net-zero emissions economy could create 15 million net new jobs in Latin America and the Caribbean by 2030 in sectors including agriculture and plant-based food production, renewable electricity, forestry, construction, and manufacturing (Saget, Vogt-Schilb, and Luu 2020).

The decarbonization of the region's energy and transport sectors by 2050 could also save US\$ 621 billion per year. These savings include US\$ 30 billion in health costs from improved air quality following the shift to electric mobility (Vergara et al. 2021). In the case of Costa Rica, the successful implementation of its National Decarbonization Plan, which aims to create a net-zero emissions economy by 2050, would bring US\$41 billion in net benefits within three decades through energy savings, reduced cost of accidents and time wasted in congestion, and improvements in ecosystem services and agriculture yields (Groves et al., 2020). Similarly, in Peru, which is far more reliant on fossil fuels to produce electricity than Costa Rica, achieving net-zero emissions by 2050 would bring more than US\$150 billion in net benefits (Quiros-Tortos et al. 2021).

Recovery investments packages and initiatives will hence have to simultaneously:

- Respond effectively and rapidly to the needs following the crisis in terms of job creation and stimulus of economic activity, aiming at multiplier effects,
- Address the vulnerabilities exposed by the crisis, and,

- Ensure sustainability, notably the quality of jobs created, gender equality, long-term economic and financial sustainability, social sustainability, environmental sustainability, climate resilience, and advancing transition towards net-zero emissions by midcentury (Inter-American Development Bank and Deep Decarbonization Pathways for Latin America and the Caribbean 2019).

These packages will also need to overcome barriers that have been encountered in the context of previous recovery programs, such as the inertia of public policies and market or government failures preventing the re-direction of investments (e.g., renewable energy, green construction programs hindered by fossil fuel subsidies). In sum, a sustainable recovery would entail investments and policies that quickly stimulate short-term economic activity without endangering—and ideally furthering—economic, environmental, social, and institutional goals in the near and long term (Strand and Toman 2010; Agrawala, Dussaux, and Monti 2020). Addressing this overall challenge will require coordinated action supported by advanced economies, development banks, the private sector, academia, and civil society (Partners for Inclusive Green Economies 2020).



Criteria to evaluate Covid-19 recovery investments

There is no set formula for virtuous stimulus packages. Their evaluations will need to be context specific. However, an important lesson from the 2008-2009 financial crisis is the need to establish, and apply, rapid, ex-ante evaluations criteria for decision making about policy interventions (Agrawala, Dussaux, and Monti 2020). Such frameworks better enable decision makers to choose the most effective interventions in the short-, medium- and long-term. Evaluation criteria should include the immediate and longer-term goals as well as sustainability of recovery programs.

The following tables draw from multiple sources to that end, including:

- Ongoing work on sustainability indicators for infrastructure (Inter-American Development Bank Group et al. 2020; Bhattacharya et al. 2019;

IDB Group 2018),

- A proposal from the World Bank for recovery policy evaluation (Hallegatte and Hammer 2020), and,
- The identification of the sustainability characteristics of projects that support delivery of the SDGs and Paris Agreement (Watkins and Contreras, 2020, in preparation).

The aim is to list in a synthetic manner priority attributes that stakeholders can use to evaluate programs and that they should try to maximize to ensure a recovery that builds a more inclusive, resilient, and sustainable future. The tables broadly include criteria related to economic, financial, environmental, social, and institutional aspects. These criteria are complemented by a series of second-level considerations.

Table 1. Economic and financial evaluation

 CRITERIA	 DESCRIPTION	 REFERENCES
1. Increase access to quality jobs with a focus on gender equality and opportunities for all	Create directly and indirectly quality jobs including local employment opportunities suited to existing skills and the potential for reskilling for vulnerable and underemployed people including women	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020; Agrawala, Dussaux, and Monti 2020; UNEP et al. 2020; MDB Infrastructure Coordination Platform 2020)
2. Enhance sustainable economic activity and multipliers	Promote inclusive sustainable economic growth and boost productivity or competitive advantage including maximizing diversification, co-benefits, and economic multiplier effects	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020; Agrawala, Dussaux, and Monti 2020; UNEP et al. 2020; MDB Infrastructure Coordination Platform 2020)
3. Expand access to critical services such as electricity, mobility, water, and sanitation in a low-carbon and resilient way	Broaden universal access to high-quality, affordable, and reliable goods and services, especially for disadvantaged and vulnerable groups enhancing social inclusion	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020) (MDB Infrastructure Coordination Platform 2020; Blackman et al. 2020)
4. Ensure financial sustainability	Be clear on ultimate revenue streams, ensure fiscal and debt sustainability, and manage technical, social, environmental, and political financial risks to enable replication and scaling	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020; Agrawala, Dussaux, and Monti 2020; UNEP et al. 2020)
5. Mobilize finance from multiple partners	Generate adequate risk-adjusted rates of return and enough asset profitability to attract private investment and so create additionality for public investments	(Bhattacharya et al. 2019; Agrawala, Dussaux, and Monti 2020)
6. Avoid market failures and distortions	Address market failures including market-distorting subsidies, failures to correctly price externalities, and remove financial, tax, or regulatory obstacles to achieving sustainability	(Hallegatte and Hammer 2020; Hepburn et al. 2020; Agrawala, Dussaux, and Monti 2020)

Table 2. Environmental evaluation

	CRITERIA		DESCRIPTION		REFERENCES
1.	Consistent with decarbonization pathways		Consistency with country 2050 net zero emissions development pathways or with sector options for low emissions development, and avoidance of lock-in effects should be favorably evaluated		(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020; Partners for Inclusive Green Economies 2020; Agrawala, Dussaux, and Monti 2020; Allan et al. 2020; MDB Infrastructure Coordination Platform 2020)
2.	Resilient to disaster and climate impacts		Systematically assess and manage disaster and climate risk (slow onset and shocks) and enhance disaster and climate resilience and adaptation in a way consistent with climate-resilient development pathways		(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020; Partners for Inclusive Green Economies 2020; UNEP et al. 2020; MDB Infrastructure Coordination Platform 2020)
3.	Leverage and conserve natural capital		Enhance the values of, and avoid negative impacts on, natural capital: areas of high value land, wetland, and marine habitats including those important for biodiversity, ecosystem services, and agriculture		(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020; Partners for Inclusive Green Economies 2020; UNEP et al. 2020)
4.	Manage pollution		Check, manage, and limit all forms of pollution of air, soil, seabed, and water systems, rehabilitating affected ecosystems to avoid adverse impacts on health and the environment		(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Partners for Inclusive Green Economies 2020; MDB Infrastructure Coordination Platform 2020)
5.	Efficiently use water, energy, and materials		Check and ensure efficient and low-carbon transport, land use, distribution and use of water, energy, and materials, thereby minimizing the use of non-renewable resources, the production of unused waste, and ensuring maximal recycling of waste residues		(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Partners for Inclusive Green Economies 2020; UNEP et al. 2020; MDB Infrastructure Coordination Platform 2020)

Table 3. Social evaluation




 CRITERIA	 DESCRIPTION	 REFERENCES
1. Equitable benefit sharing	Maximize the benefit flows particularly to vulnerable and disadvantaged groups	(Bhattacharya et al. 2019; Hepburn et al. 2020)
2. Meet core labor standards	Ensure respect for core labor standards including worker protection from unfair treatment, nondiscrimination, and ensuring equal opportunities	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020)
3. Improve public health	Ensure healthy working conditions and minimize health risks for local communities including adhering to occupational health and safety standards	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Partners for Inclusive Green Economies 2020; Agrawala, Dussaux, and Monti 2020; UNEP et al. 2020)
4. Improve social protection	Ensure the social protection systems includes or expands benefits in for vulnerable communities	(Hallegatte and Hammer 2020)
5. Stakeholder engagement	Name and effectively engage with stakeholders and affected communities through co-construction of policies and grievance redress	(Bhattacharya et al. 2019; UNEP et al. 2020; MDB Infrastructure Coordination Platform 2020; Blackman et al. 2020)
6. Ensure accessibility for all	Ensure accessibility to disabled and disadvantaged people based on universal accessibility norms	(Bhattacharya et al. 2019; MDB Infrastructure Coordination Platform 2020)
7. Support cultural heritage and indigenous and traditional peoples	Assess and manage impacts on, and contribute positively to, cultural heritage and the rights of indigenous and traditional peoples	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; UNEP et al. 2020)
8. Ensure gender inclusion in design of investments	Prevent or mitigate adverse impacts related to gender. Investments should offer equal opportunities to both women and men, include initiatives to promote women's economic empowerment, and close existing gender gaps through clearly defined social development plan	(Bhattacharya et al. 2019; Partners for Inclusive Green Economies 2020; MDB Infrastructure Coordination Platform 2020)

Table 4. Institutional evaluation

 CRITERIA	 DESCRIPTION	 REFERENCES
1. Rapid effectiveness and cost-efficiency	Evaluate and manage feasibility of rapid implementation to achieve goals from institutional, engineering, financial, social, and sanitary -related perspectives	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Hepburn et al. 2020)
2. Implementation capacities	Evaluate, manage, and build institutional, organizational, and individual abilities for prompt implementation and ensuring long term sustainability	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020; Blackman et al. 2020)
3. Advanced technologies	Ensure integration of technological and business model innovations that increase durability, flexibility, efficiency, and effectiveness	(Bhattacharya et al. 2019; Hallegatte and Hammer 2020)
4. Ensure transparency and address risks of corruption	Incorporate corruption management system throughout lifecycle promoting integrity and increasing transparency	(Bhattacharya et al. 2019; Partners for Inclusive Green Economies 2020; Anglade et al. 2020; MDB Infrastructure Coordination Platform 2020; Blackman et al. 2020)
5. Integrate with sector and land use plans	Consistency with existing regional, national, and sub-national economic and territorial strategies, policies, and plans	(Bhattacharya et al. 2019)
6. Consistent with national and international commitments	Align with commitments to the Sustainable Development Goals, Paris Agreement, Sendai Framework, and the Urban Agenda	(Bhattacharya et al. 2019; Partners for Inclusive Green Economies 2020; UNEP et al. 2020)
7. Ensure regulatory, institutional, and local capacity	Establish adequate regulatory frameworks and institutional abilities to integrate long-term sustainability into investments. This includes managing environmental, social, and governance risks, effectively incorporating these practices in projects. Teams should also work to set up close collaborations across jurisdictional scales to include opportunities to improve local understanding of sustainability and governance	(Partners for Inclusive Green Economies 2020; Bhattacharya et al. 2019)



Examples of investments for sustainable recovery

Hepburn et al. (2020) describe 25 policy archetypes based on G20 proposed responses to financial-crisis and COVID-19 (Table 5). The authors asked international economic experts to identify policy actions

most likely to effectively stimulate economic growth. The consensus was that climate-friendly stimulus policies are often superior not just in slowing global warming, but also in overall economic impact.

The authors asked international economic experts to identify policy actions most likely to effectively stimulate economic growth. The consensus was that climate-friendly stimulus policies are often superior not just in slowing global warming, but also in overall economic impact.

The study nevertheless also highlights the need for a shift in thinking about sustainability. We need to move beyond the outdated idea that sustainability is always a “cost” to the idea that it is often an “opportunity” that manages risks, creates value, generates savings and increases benefit flows (Stern 2019; Bhattacharya et al. 2016; The New Climate Economy 2016; Suárez-Alemán et al. 2020).

The key challenge is to show that investments conventionally thought of as focused on environmental sustainability—including expanding




renewable energy access, promoting electromobility, and using low-carbon agriculture—also typically enhance economic growth and create jobs (Saget, Vogt-Schilb, and Luu 2020; Serebrisky et al. 2020). In addition, it is important to recognize that a variety of policy measures often seen as focused on growth and jobs, are likely to have significant overall sustainability potential. These include, for example, investments in health systems, safety nets, expanding space for private sector investment, improving risk management through PPPs, easing access to capital markets, reducing

the digital connectivity gap, strengthening supply chains, supporting education and retraining, and enhancing disaster resilience (Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020). From a fiscal perspective, reducing tax evasion and improving expenditure efficiency and effectiveness are also key to support sustainable recovery (Bollers et al. 2020; Anglade et al. 2020).

The IDB's experience working with countries has produced evidence from policy experiences in Brazil, Mexico, Chile, Colombia, Costa Rica, and others to expand renewable energy, reduce

deforestation, enhance low-carbon agriculture and promote electric mobility, that shows there is not necessarily any systematic trade-off between growth and a sustainable economy. Sector-wide sustainable policies are an opportunity in terms of economic growth, job generation, market liquidity, and private investment attraction. (Inter-American Development Bank and Deep Decarbonization Pathways for Latin America and the Caribbean 2019). Lastly, it is worth mentioning that more than forty different entities including the EU, countries, and cities have proposed or adopted policies, legislation, and plans for a sustainable recovery that echo those approaches (Climate Interactive 2020).


Table 5. Policy "archetypes" proposed as potential elements of economic recovery post-Covid - after Hepburn et al. (2020)

	POLICY ACTION		DESCRIPTION		SOURCES SHOWING PREFERENCE
1.	Social protection: targeted direct cash transfers or temporary wage increases		Temporary direct cash transfers targeted to lower income workers or in the form of a bonus to COVID-19 essential workers – associated with increasing financial inclusion. Wage increases for those with government-controlled wages (public sector, minimum wage)		(Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020; Climate Interactive 2020; CEPAL 2020b; Nuguer and Powell 2020; Blackman et al. 2020; Hepburn et al. 2020)
2.	Healthcare investments to manage the pandemic		Funding to support targeted increases in public health capital, preventative measures, training health-care professionals, and associated infrastructure (hospitals, clinics, IT systems for health care) to respond to the health crisis		(Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020; CEPAL 2020b; Nuguer and Powell 2020; Blackman et al. 2020; Hepburn et al. 2020; Izquierdo et al. 2020)
3.	Liquidity support for households, startups, SMEs, and banks		Government support for banks to rapidly supply liquidity to households as well as startups and small/medium sized businesses		(Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020; CEPAL 2020b; Nuguer and Powell 2020; Americas Business Dialogue 2020; Blackman et al. 2020; Hepburn et al. 2020)
4.	Connectivity infrastructure investment		Ensuring clean transport infrastructure and communications infrastructure investment; charging networks for electric vehicles, 5G networks. Maintaining these public services including through subsidies or liquidity are essential for managing the pandemic		(Climate Interactive 2020; Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020; Climate Action Tracker 2020; Americas Business Dialogue 2020; Blackman et al. 2020; Hepburn et al. 2020; Izquierdo et al. 2020)

 POLICY ACTION	 DESCRIPTION	 SOURCES SHOWING PREFERENCE
5. Worker retraining	Retraining members of current or soon-to-be displaced workforces with new skills and modern apprenticeships suitable for future industries (complementary to artificial intelligence, robotics, distributed manufacturing, new energy, new food systems)	(Climate Interactive 2020; Hepburn et al. 2020; Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020)
6. Disaster preparedness capacity building	Cash spending in preparation for future pandemics, fires, floods, cyclones, other extreme events. This can include preparation and systems for rapid response	(Hepburn et al. 2020; Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020)
7. Borrowing from capital markets through green, recovery, or social bonds	Accessing capital market finance for investments in the recovery plan – from capital markets using sustainable infrastructure, green, recovery, or social bonds	(Climate Interactive 2020; Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020; Hepburn et al. 2020)
8. Education investments	Injections to fund improved teacher training, in classroom and digital materials and other education capital for pre-primary, primary & secondary, increased support for tertiary students in high productivity sectors	(Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020; Hepburn et al. 2020)
9. Revenue growth and expenditure reduction through increasing efficiency and reducing tax evasion	Improving efficiency of spending and targeting can help poor and informal workers and those in need. Enhancing measures to address tax evasion can increase revenues	(Abuelafia et al. 2020; Anglade et al. 2020; Bollers et al. 2020; Bastos et al. 2020; Nuguer and Powell 2020; Hepburn et al. 2020)
10. Buildings upgrades (energy efficiency)	Increase thermal efficiency through improved insulation, improved energy efficiency of appliances, clean heating (heat pumps or heat networks)	(Climate Interactive 2020; Hepburn et al. 2020; Climate Action Tracker 2020)
11. Clean energy infrastructure investment	Increased spending in clean electricity and heat generation and storage; upgraded transmission or hydrogen infrastructure. Maintaining energy services is critical to managing the pandemic. Often with explicit cross reference to decarbonization	(Climate Interactive 2020; Hepburn et al. 2020; Climate Action Tracker 2020; Blackman et al. 2020)
12. Green spaces and natural infrastructure investment	Upgrading public parks, green spaces, national parks, tree planting and biodiversity protection, ecological conservation initiatives, ecological system services and managing urban sprawl	(Climate Interactive 2020; Hepburn et al. 2020; Climate Action Tracker 2020)

 POLICY ACTION	 DESCRIPTION	 SOURCES SHOWING PREFERENCE
13. Clean research and development spending	Cash support for R&D in green and innovative technologies, including electrolysis, heat pumps, energy storage, plant genetics, greenhouse gas removal	(Hepburn et al. 2020; Climate Interactive 2020)
14. Revenue growth and expenditure reduction through green taxes and subsidy removal	Government revenue generation through green taxes including carbon taxes or through reduced expenditures through removing fossil fuel subsidies	(Climate Interactive 2020; Climate Action Tracker 2020; Hepburn et al. 2020)
15. General research and development spending	Cash support for technology-agnostic research and development programs to drive innovation	(Hepburn et al. 2020)
16. Rural support policies	Support for rural communities such as debt forgiveness for small landholders, technical aid, and enhanced access to credit; employment guarantee schemes (period of employment in state-run entities at minimum wage)	(Hepburn et al. 2020)
17. Reduction in VAT, other goods, and services taxes	Reduction in the rate of regressive value-added taxes (VAT) or goods and service taxes (GST) on consumption	(Climate Interactive 2020; Hepburn et al. 2020)
18. Fossil fuel phase out	Phasing out dependence on fossil fuel imports and exports, including transfer of public assets	(Climate Interactive 2020; Hepburn et al. 2020)
19. Circular economy or single-use plastics bans	Implementing circular economy mechanisms and applying single-use plastic bans	(Climate Interactive 2020; Hepburn et al. 2020)
20. Conditional support for aviation industry	Support for airlines suffering financial stress with conditions for future enhanced sustainability that may include emission reduction targets	(Climate Action Tracker 2020; Hepburn et al. 2020)
21. Ensure water security	Interventions to strengthen water security should focus in four key areas: (i) adequate water availability, (ii) acceptable water quality, (iii) water resource management and (iv) affordable access to water and sanitation services	(Blackman et al. 2020; Cooper 2020; Vammen and Guillen 2020; Hepburn et al. 2020)

 POLICY ACTION	 DESCRIPTION	 SOURCES SHOWING PREFERENCE
22. Temporary waiver of interest payments	Holidays on interest payments or other relief on mortgages or commercial loans	(Hepburn et al. 2020)
23. Assisted bankruptcy (super Chapter 11)	Government combines troubled businesses and resolves all of them in a common procedure, which may involve swapping debt for shares across the board	(Hepburn et al. 2020)
24. Liquidity support for large corporations	Government support for banks to rapidly supply liquidity to large corporations on terms favorable to the government	(Hepburn et al. 2020)
25. Not for profits, education, research, and health institution bailouts	Support for non-profit institutions suffering financial stress	(Hepburn et al. 2020)
26. Income tax cuts	Reduction in marginal income tax rates, increase in tax-free thresholds or expanded deductions	(Hepburn et al. 2020)
27. Business tax deferrals	Deferral of payment of corporate taxes or strengthened carry-back provisions in tax loss offsets	(Hepburn et al. 2020)
28. Business tax relief for strategic and structural adjustments	Tax credits for specific business investments in future-oriented capabilities, swaps to electric vehicle fleets, green R&D, energy efficiency measures, investments in artificial intelligence and robotics	(Hepburn et al. 2020)
29. Direct provision of basic needs	Direct funds to the immediate local production and distribution of essential goods such as food, health, and transport, irrespective of whether these are part of the formal or informal economies	(Hepburn et al. 2020)
30. Traditional transport infrastructure investment	Spending on traditional infrastructure – last mile, road upgrades, airports, ports infrastructure	(Hepburn et al. 2020)
31. Project-based local infrastructure grants	Funding for schools, hospitals, social housing, public markets, commercial centers, and support to local councils to improve local asset bases	(Hepburn et al. 2020)

A young leopard cub with distinctive rosette patterns on its fur is resting on a large, weathered log. The cub is looking towards the right of the frame with a calm expression. The background is a soft-focus natural setting.

Latin American and the Caribbean's chance for sustainable recovery

The right kind of recovery can support countries in the short-term and lay the foundations towards long-term sustainable and inclusive development which delivers sustainable infrastructure, quality jobs, investment and public services aligned with securing a climate safe future.

The region has impressive opportunities such as retrofitting buildings to be green and efficient, making cities more attractive to walking and cycling, restoring and protecting forests, natural capital and sound water management and expanding renewable energy. The timing is ideal. There is strong global public support for a sustainable recovery and a growing number of governments, international organizations, financial institutions and the private sector support it. Moreover, the damages caused by the pandemic, worsening climate impacts, the drop

in the costs of renewable energy and electric vehicles and growing private sector interest is strengthening the region's resolve to back sustainable recovery. The region must embrace this agenda or risk finding itself left behind technologically and economically as the global race to reach net-zero emissions accelerates. As countries push ahead with the design and implementation of stimulus packages, we should move quickly to ensure a sustainable recovery, which rescues economies and builds a more inclusive and resilient future for all.

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