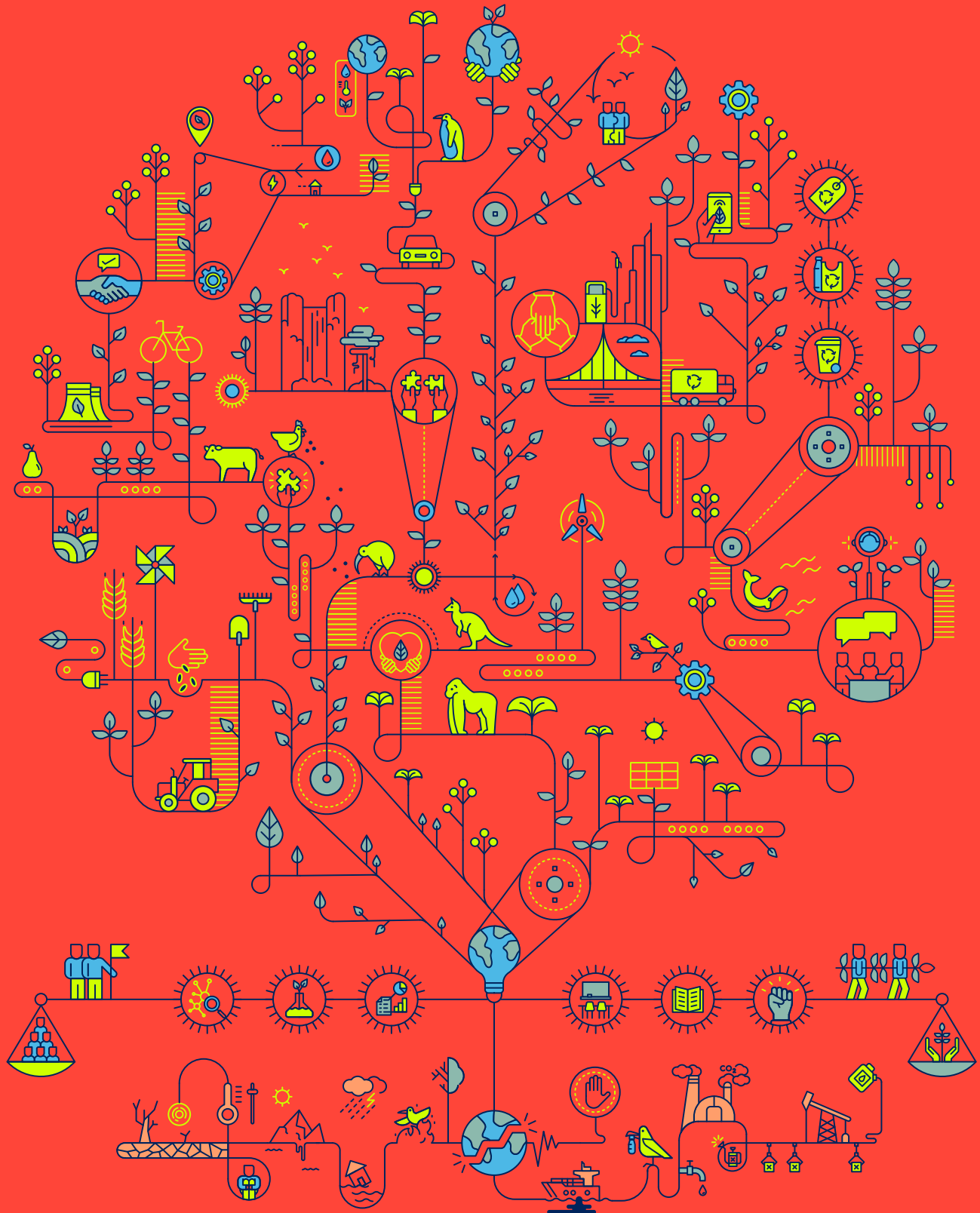


Human Development Report 2020



The next frontier

Human development and the Anthropocene



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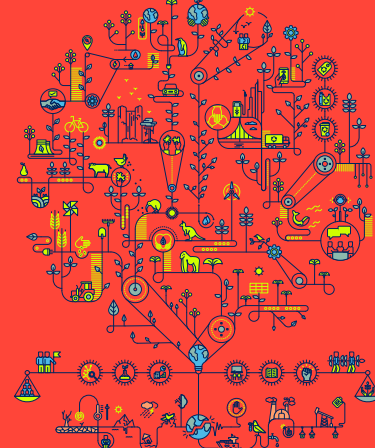
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The 2020 Human Development Report

The 30th Anniversary 2020 Human Development Report is the latest in the series of global Human Development Reports published by the United Nations Development Programme (UNDP) since 1990 as independent and analytically and empirically grounded discussions of major development issues, trends and policies.

Additional resources related to the 2020 Human Development Report can be found online at <http://hdr.undp.org>. Resources on the website include digital versions and translations of the Report and the overview in more than 10 languages, an interactive web version of the Report, a set of background papers and think pieces commissioned for the Report, interactive data visualizations and databases of human development indicators, full explanations of the sources and methodologies used in the Report's composite indices, country profiles and other background materials, and previous global, regional and national Human Development Reports. Corrections and addenda are also available online.

The cover conveys the complex connections between people and the planet, whose interdependence is a hallmark of the Anthropocene. The image evokes the many possibilities for people and planet to flourish if humanity makes different development choices, ones that aim to enhance equity, foster innovation and instill a sense of stewardship of nature.



**HUMAN DEVELOPMENT
REPORT 2020**

The next frontier

Human development and the Anthropocene

How do governments' responses to the Covid-19 pandemic address inequality and the environment?

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Around the globe the Covid-19 pandemic has exacerbated several forms of health, social, gender and racial inequality. The worse-off, with less access to health care, have been hit particularly hard.¹ The consequences of the pandemic for the environment are more ambiguous. The Great Lockdown led to a temporary drop in global greenhouse gas emissions, but it is still unclear whether environmental protection will increase thanks to the pandemic. So to what extent do Covid-19 economic policy responses integrate inequality reduction and environmental protection, two central dimensions of the Sustainable Development Goals?

Colourless stimulus packages hide polarized endeavours for green transition

The global Covid-19 pandemic has imposed unprecedented constraints on social and economic activity—particularly mobility—with severe impacts on energy use. Global energy demand is expected to contract by 6 percent in 2020, the largest drop in more than 70 years. The decline in greenhouse gas emissions in the short term is a mechanical scale effect of the economic contraction and physical lockdown—particularly limited surface transport. Globally, greenhouse gas emissions are expected to fall by 8 percent in 2020,² roughly the cut needed every year from 2020 to 2030 to be on track for the Paris Agreement on climate change objective to keep global warming below 1.5 degree Celsius.³

This expected reduction in greenhouse gas emissions is the highest relative to major historical wars and epidemics.⁴ Annual carbon dioxide emissions dropped by 3 percent during World War II (1939–1945) and by 4 percent during the 1980–1982 recession.⁵ They fell by only 1 percent during the 1991–1992

recession and the 2009 global financial crisis. Despite the dip in emissions seen in 2020, the sector with the highest emissions—electricity—had one of the smallest changes in activity,⁶ making decarbonizing the power sector a burning emergency. In addition, there was a postlockdown rebound in countries such as China, where fossil and cement emissions were higher in May 2020 than a year before.⁷

In one study of more than 300 policies in Group of 20 countries, only 8 percent were deemed green or brown (4 percent green and 4 percent brown), while 92 percent were deemed colourless.⁸ Although lockdown measures and particularly restrictions on mobility have reduced greenhouse gas emissions in 2020, the overall climate impact will be driven by investment choices and the greenness of recovery packages, when existing. Climate experts warn that pollution and emissions could bounce back after the Covid-19 pandemic due to a carbon-driven recovery⁹ and the relaxation of environmental regulation.¹⁰

A limited number of policy responses targeted the environment. Take Kenya, where \$8 million was spent to enhance the provision of water facilities, \$9 million for flood control measures and \$5 million for a Greening Kenya Campaign.¹¹ Barbados announced a massive environmental cleanup program.¹² Some measures actually harmed the environment in the short term. In Viet Nam a deduction of 30 percent of the current environmental protection tax was allowed for jet fuel between August and December 2020.¹³ In Fiji the government cut the environmental tax but at the same time eased credit for renewable energy businesses.¹⁴

The greenness of emergency rescue packages should be much higher than the documented 4 percent share. Clean physical renovations and retrofits, education and training, natural capital and ecosystem resilience, and clean research and development are pinpointed as key investment priorities.¹⁵

Screening the policy responses collated by the International Monetary Fund Policy Tracker,¹⁶ a few of these normative policy types turn up in actual recovery packages. Limited in number, the green recovery packages and financial measures encompass investment in green infrastructure, incentives for consumer purchases, support to green jobs and credit facilities for green sectors or activities, including research and development. Strikingly, they are found almost exclusively in a few high-income countries; Fiji, Kenya and Uganda are exceptions (table S5.3.1).

There is a marked difference between the haves and the have nots—governments having the financial and institutional capacity to plan and green their long-term economic pathway in the follow-up to the Covid-19 pandemic, and the others.

How social can green recovery policies be?

It is unclear whether green policies will affect socioeconomic inequalities—and in which direction.

Infrastructure investment can turn out to be pro-poor environmental policies. In Sweden investments in urban renewable heating networks in the 1970s and 1980s made it possible for households to reduce their energy bill and shift to low-carbon energy technologies.¹⁷ A carbon tax in the 1990s with support schemes for households (followed by a tax reduction for low-income households in 2004) made Sweden one of the rare industrialized countries to have reduced its carbon dioxide emissions between 1990 and the early 2010s, while sustaining growth and keeping inequalities under control. However, other forms of low-carbon investments may favour the better-off: high-speed trains connecting large urban centres may benefit urban elites more than rural communities. On a similar reasoning, credit facilities for green sectors or research and development subsidies can be critical to develop green innovation and jobs. And yet, in dual economies with formal and informal sectors, such policies may deepen the gap.

The economic transformation sparked by the Covid-19 pandemic and its diverse responses will

Table S5.3.1 A breakdown of green recovery measures

Country or economy	Investment in green infrastructure	Incentives for consumer purchases	Support to green jobs	Credit facilities for green sectors or activities, including research and development
Australia	✓			
Barbados	✓			
Canada (British Columbia)				✓
France	✓	✓		
Germany	✓	✓		
Kuwait				✓
Ireland				✓
Italy				✓
Korea, Rep.	✓			
Luxemburg	✓	✓		
Norway	✓	✓		
Spain				✓
Sweden			✓	
United Kingdom	✓		✓	
Euro Area	✓	✓		
Fiji				✓
Kenya				✓
Uganda				✓

Source: Authors' creation based on the International Monetary Fund Policy Tracker.

move some countries closer to the Sustainable Development Goals pathway, while pushing others farther away from it. As in any crisis, the drivers of positive societal change are playing out. The expansion of social registers is part of it, as in Angola and Nigeria, and the same holds for higher public health spending, including capital spending, partly because of long-lasting scrutiny of Covid-19's resurgence, as in Senegal and Tunisia. A structural transformation is under way in Uganda, where the government provided additional funding to the Uganda Development Bank, recapitalized the Uganda Development Cooperation and accelerated the development of industrial parks while boosting funding for agriculture.¹⁸ Fiji raised its Import Substitution and Export Finance Facility by FJ\$100 million to provide credit to exporters, large-scale commercial agricultural farmers, public transportation and renewable energy businesses at concessional rates.¹⁹

Making the Covid-19 recovery an opportunity for countries to harness the transformation called for by the 2030 Agenda for Sustainable Development and the Sustainable Development Goals is a crying emergency. Lack of financial resources, policy coordination and knowledge put the fragile momentum for building back better at risk. In order to maximize policies' effectiveness at reaching interdependent sustainable development goals, we must increase understanding of how social and environmental

impacts of stimulus and recovery packages are playing out and could be magnified.

To this aim, we propose a socioenvironmental policy assessment matrix, narrowing environmental policy to sustainable energy for all, and identify from the deep decarbonization literature three broad pathways to achieving sustainable energy for all: increasing energy access and efficiency, decarbonizing existing energy carriers and switching to low-carbon energy carriers (table S5.3.2).²⁰ To design the matrix, each pathway considers whether specific environmental policies might affect inequality by looking at the incidence of impacts at the bottom, middle and top of the income distribution, following the economic inequality literature.²¹

The matrix enables mapping of what transformative decarbonization measures were taken or planned in Covid-19 responses, what kind of inequality is affected and, as important, what complementary measures could be envisaged to ensure that the recovery phase genuinely supports the Sustainable Development Goals. Our takeaway from the Covid-19 response trackers is that, the Euro Area/European Union aside, most green measures fall in the energy access and efficiency pathway (in bold). Progressive funding measures are still not considered at this stage. This leaves ample room to innovate and experiment with recovery packages in meeting the sustainable development challenges of our times.

Table S5.3.2 A matrix of environmental and inequality reduction policies, with a focus on energy transition in developing countries

Pathway to low-carbon and inclusive energy systems				
What kind of inequality is impacted?	Increase energy efficiency and access		Decarbonize energy supply	Large-scale switch in end uses (building, transport, industry)
	Bottom	<ul style="list-style-type: none"> → Cash transfers → Clean cooking solutions → Rural electrification (solar) 	→ Decentralized off-grid/mini-grid	→ Green bus rapid transit
	Middle	<ul style="list-style-type: none"> → Overhaul of power distribution → Energy-efficient buildings → Electricity bill relief 	→ On-grid renewable energy deployment	<ul style="list-style-type: none"> → Railway development → Circular economy
	Top	<ul style="list-style-type: none"> → Wealth taxes (to finance the above) → Removal of fossil fuel subsidies 	<ul style="list-style-type: none"> → Carbon-based corporate taxes → Wealth taxes (to finance the above) 	<ul style="list-style-type: none"> → Energy-positive buildings → Electric vehicles subsidies → Carbon-based flight (business) ticket taxes → Wealth taxes (to finance the above)

Source: Authors' creation.

NOTES

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| <p>1 See, for instance, evidence from Opportunity Insights data (at https://tracker.opportunityinsights.org). In the United States low-wage employment (below \$27,000 a year) dropped by 35 percent in April, while high-wage employment (above \$60,000 a year) fell by close to 13 percent in the same month. Employment rebounded by the end of August to pre-Covid levels for high-wage earners, while they remained significantly lower for low-wage earners.</p> <p>2 IEA 2020b.</p> <p>3 UNEP 2019a.</p> <p>4 Boden and other 2017; Liu and others 2020; Pongratz and others 2011.</p> <p>5 Boden and others 2017.</p> <p>6 Le Quéré and others 2020.</p> <p>7 Myllyvirta 2020.</p> <p>8 Hepburn and others 2020.</p> <p>9 Liu and others 2020.</p> | <p>10 Le Quéré and others 2020.</p> <p>11 SET 2020</p> <p>12 KPMG 2020.</p> <p>13 IMF 2020b.</p> <p>14 IMF 2020b.</p> <p>15 Hepburn and others 2020.</p> <p>16 IMF 2020b.</p> <p>17 Chancel 2020.</p> <p>18 Cases of Angola, Nigeria, Senegal, Tunisia and Uganda are based on SET (2020).</p> <p>19 IMF 2020b.</p> <p>20 Energy Transitions Commission 2018; Waisman and others 2019.</p> <p>21 Particularly Blanchard and Rodrik (forthcoming) and World Inequality Lab and World Inequality Database (2018).</p> |
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