



WORLD
RESOURCES
INSTITUTE

FUNDING GREEN RECOVERIES AND A JUST TRANSITION: A VIEW FROM THE SOUTH

Rogerio Studart (rogerio.studart@wri.org)

SOME GLOBAL SOCIOECONOMIC LEGACIES OF THE CURRENT CRISES

COVID-19 EFFECT ON SDGS: AN VERY UNEVEN PICTURE

 COVID-19 CAUSES
THE FIRST INCREASE
IN GLOBAL POVERTY IN DECADES

+71 MILLION PEOPLE ARE PUSHED
INTO **EXTREME POVERTY** IN 2020



SCHOOL CLOSURES KEPT
90% OF ALL STUDENTS OUT OF SCHOOL
REVERSING YEARS OF PROGRESS ON EDUCATION

THE PANDEMIC HAS

INTERRUPTED
CHILDHOOD
IMMUNIZATION
PROGRAMMES
IN AROUND
70 COUNTRIES



LOCKDOWNS ARE INCREASING THE RISK OF
VIOLENCE AGAINST WOMEN AND GIRLS



PHYSICAL



SEXUAL



PSYCHOLOGICAL

CASES OF DOMESTIC VIOLENCE
HAVE INCREASED BY 30%
IN SOME COUNTRIES



THE WORLD FACES THE
WORST ECONOMIC RECESSION
SINCE THE GREAT DEPRESSION

GDP PER CAPITA
EXPECTED TO DECLINE
BY 4.2% IN 2020

REMITTANCES

TO LOW- AND MIDDLE-INCOME COUNTRIES -
AN ECONOMIC LIFELINE
FOR MANY POOR HOUSEHOLDS -
ARE PROJECTED TO FALL

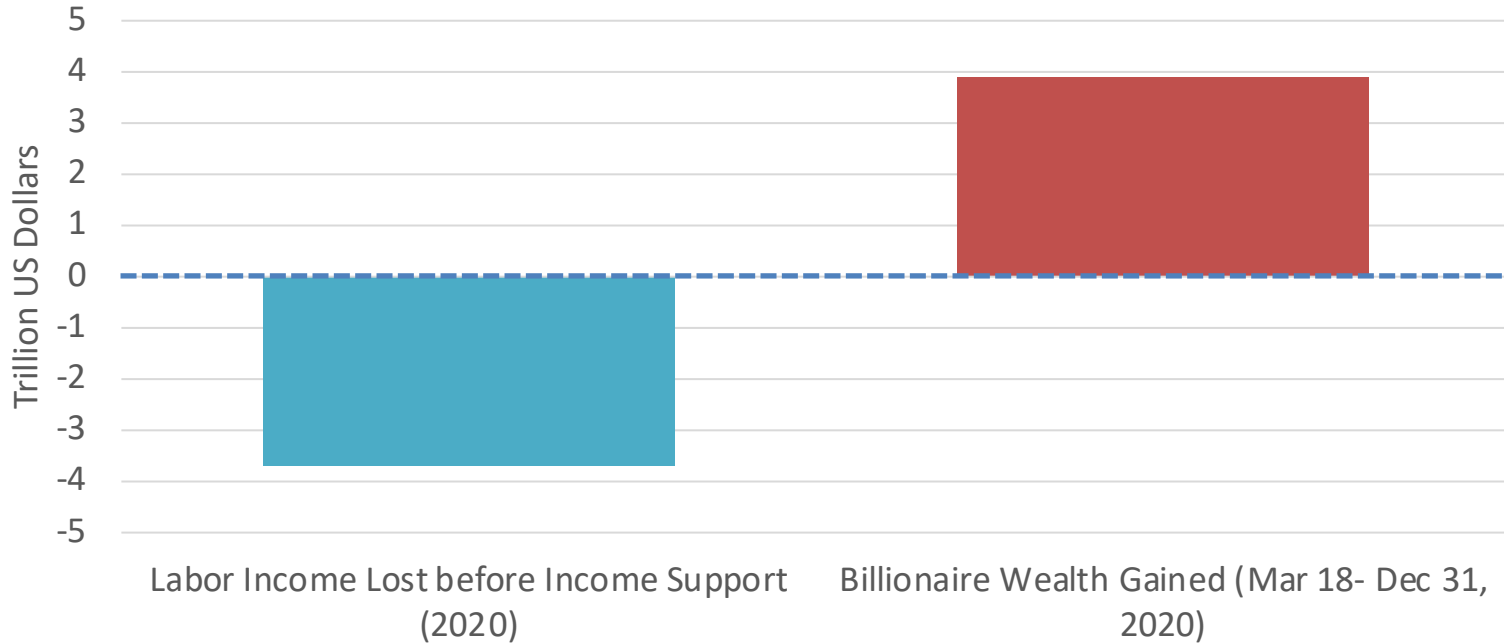


\$654 BILLION IN 2019

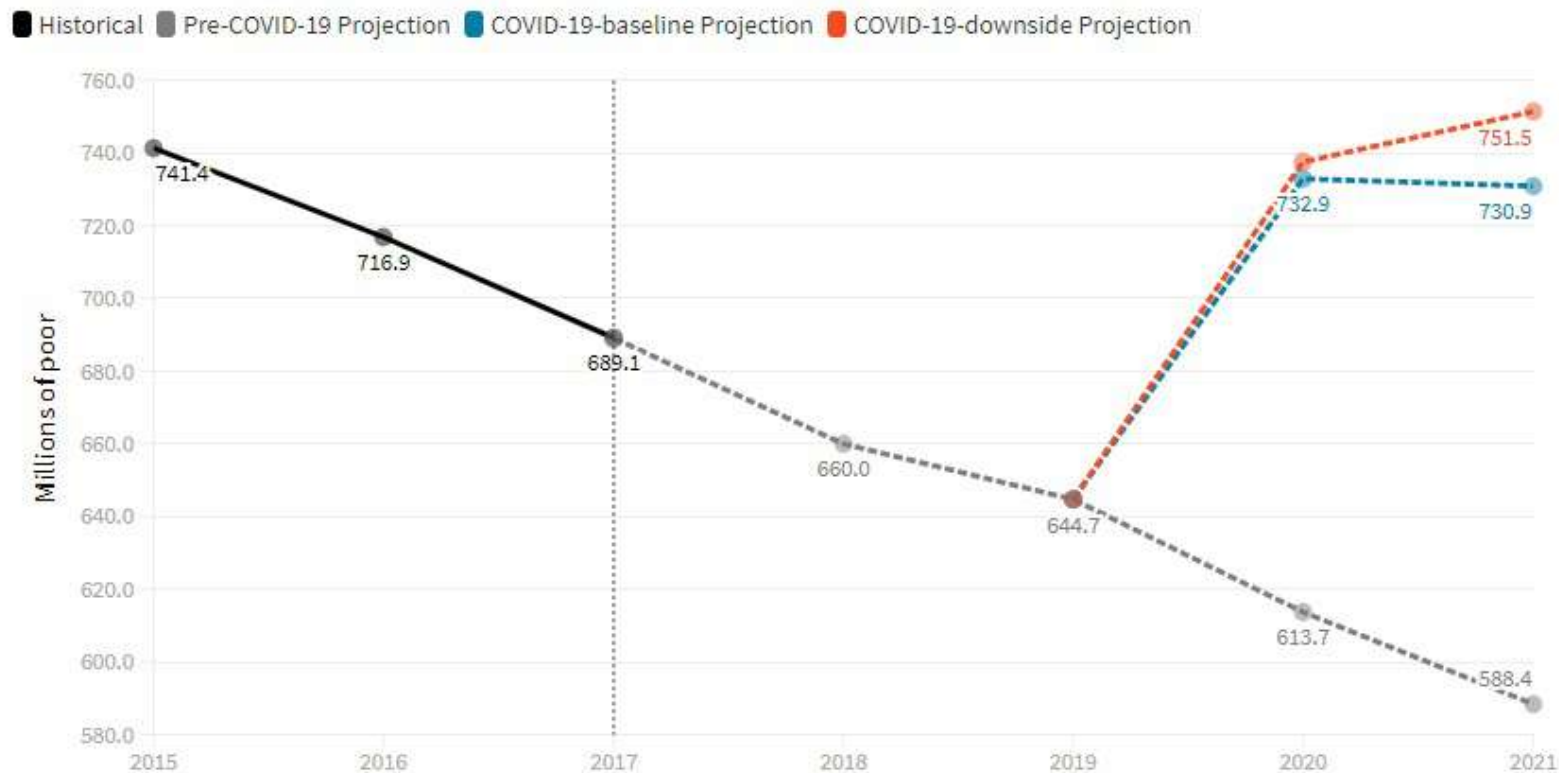
\$445 BILLION IN 2020

THE RICHER GET RICHER

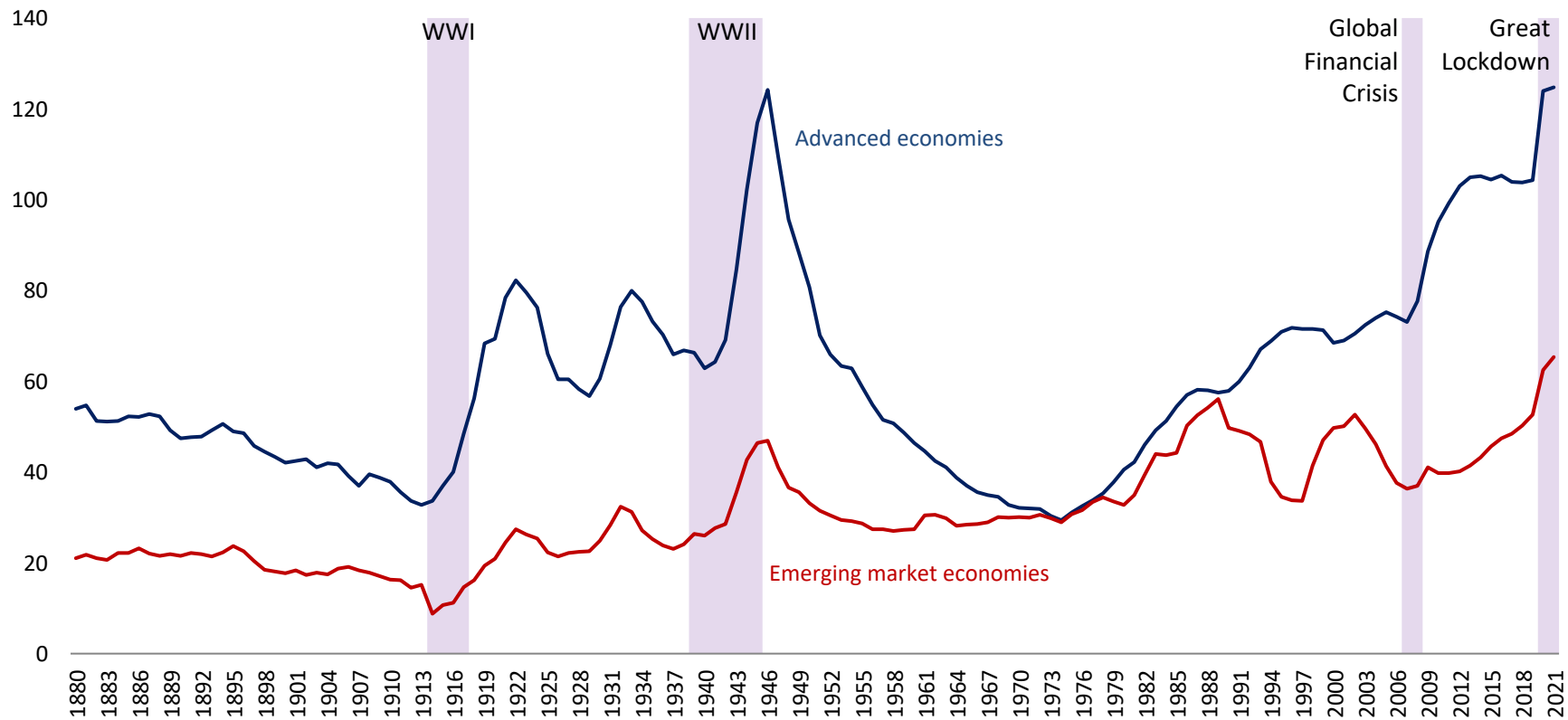
Change in worldwide worker earnings and billionaire wealth during Covid-19 pandemic



AND THE POORER GET POORER

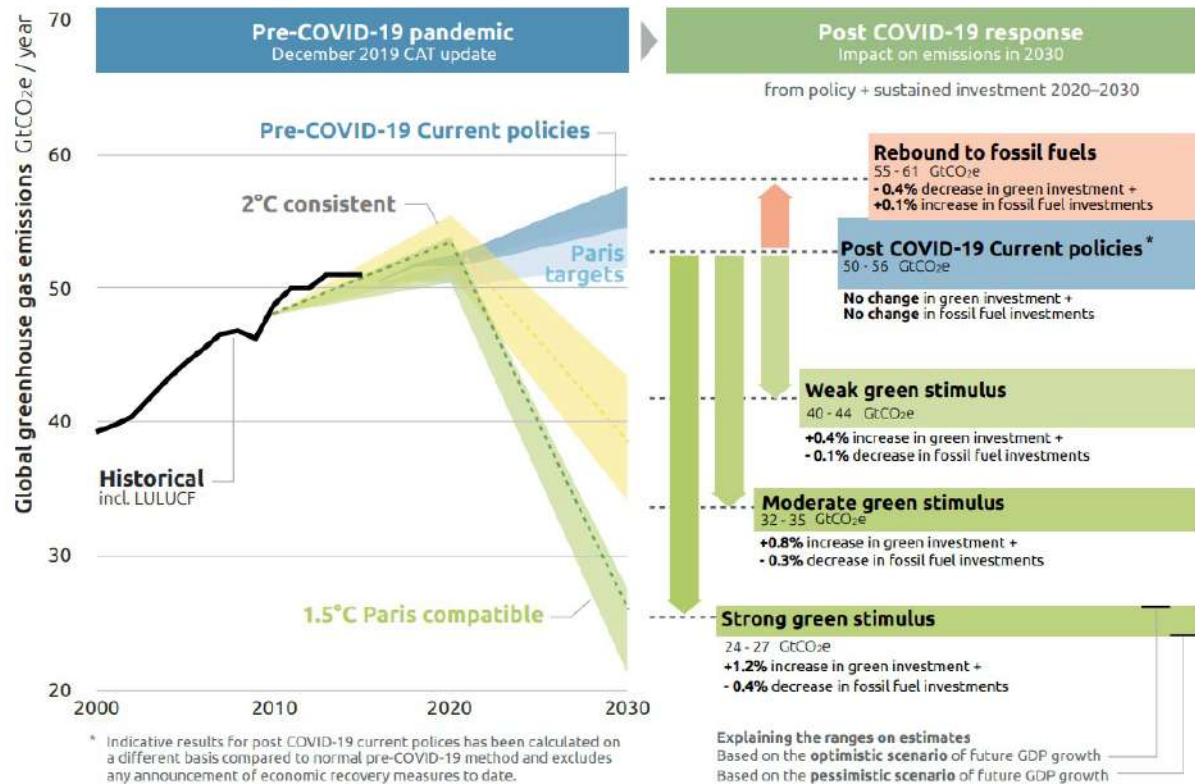


GOVERNMENT DEBT RISES TO HISTORIC LEVELS

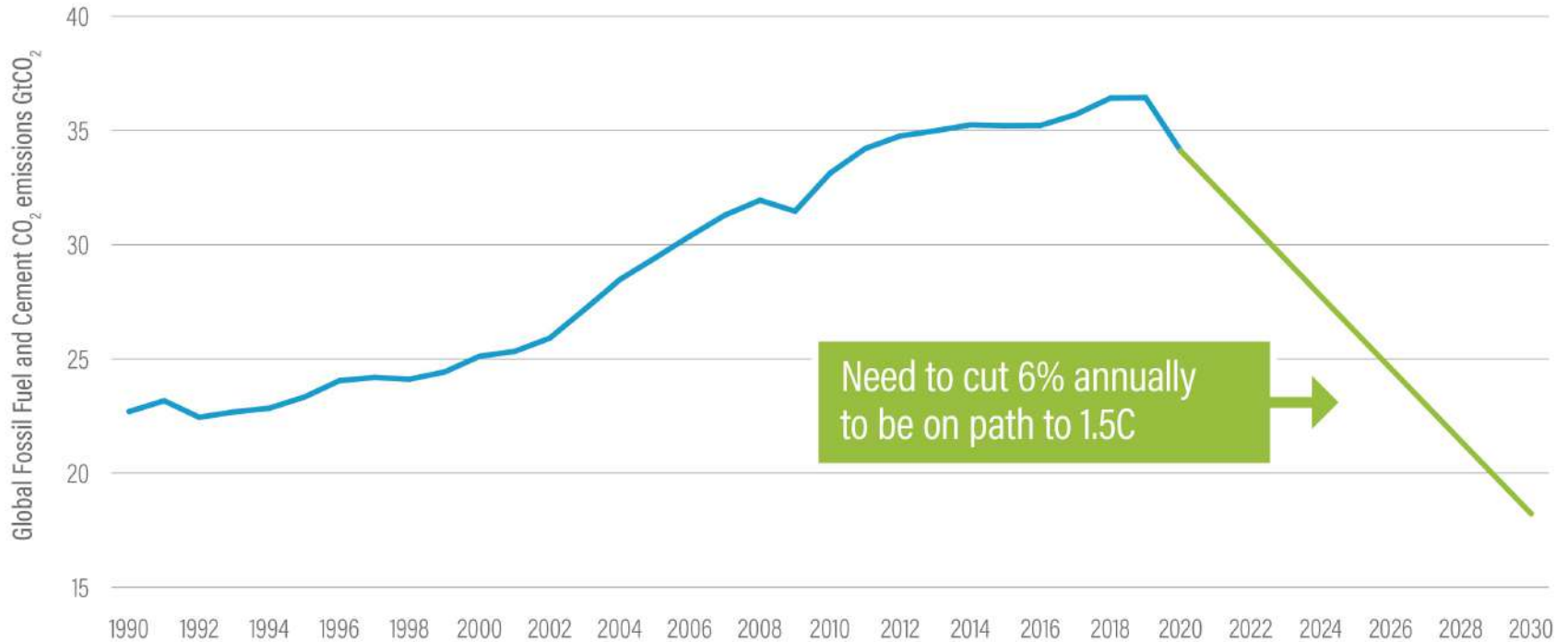


**WHY RECOVER GREENER ?
(BEYOND CLIMATE CHANGE)**

THE MOST OBVIOUS: THE GLOBAL CLIMATE TRAJECTORY WILL DEPEND ON THE COVID-19 RESPONSE

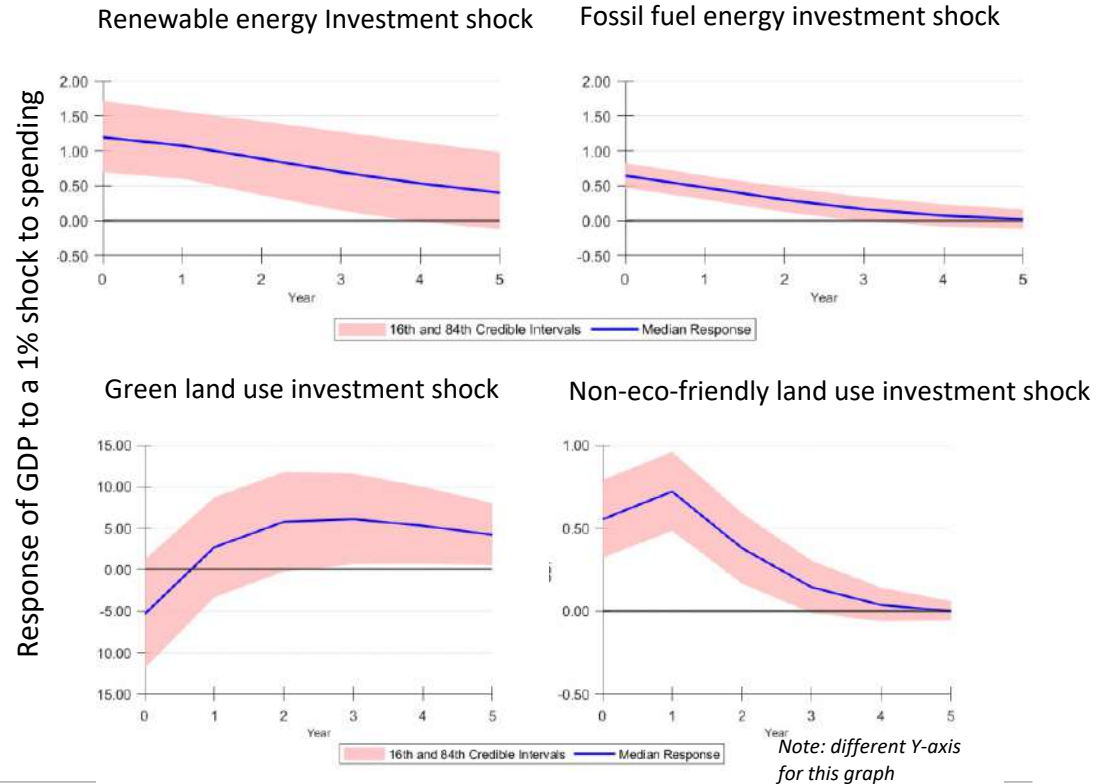


The small (6.7%) decline in emissions in 2020 is not enough: deeper reductions needed to Hit Net Zero

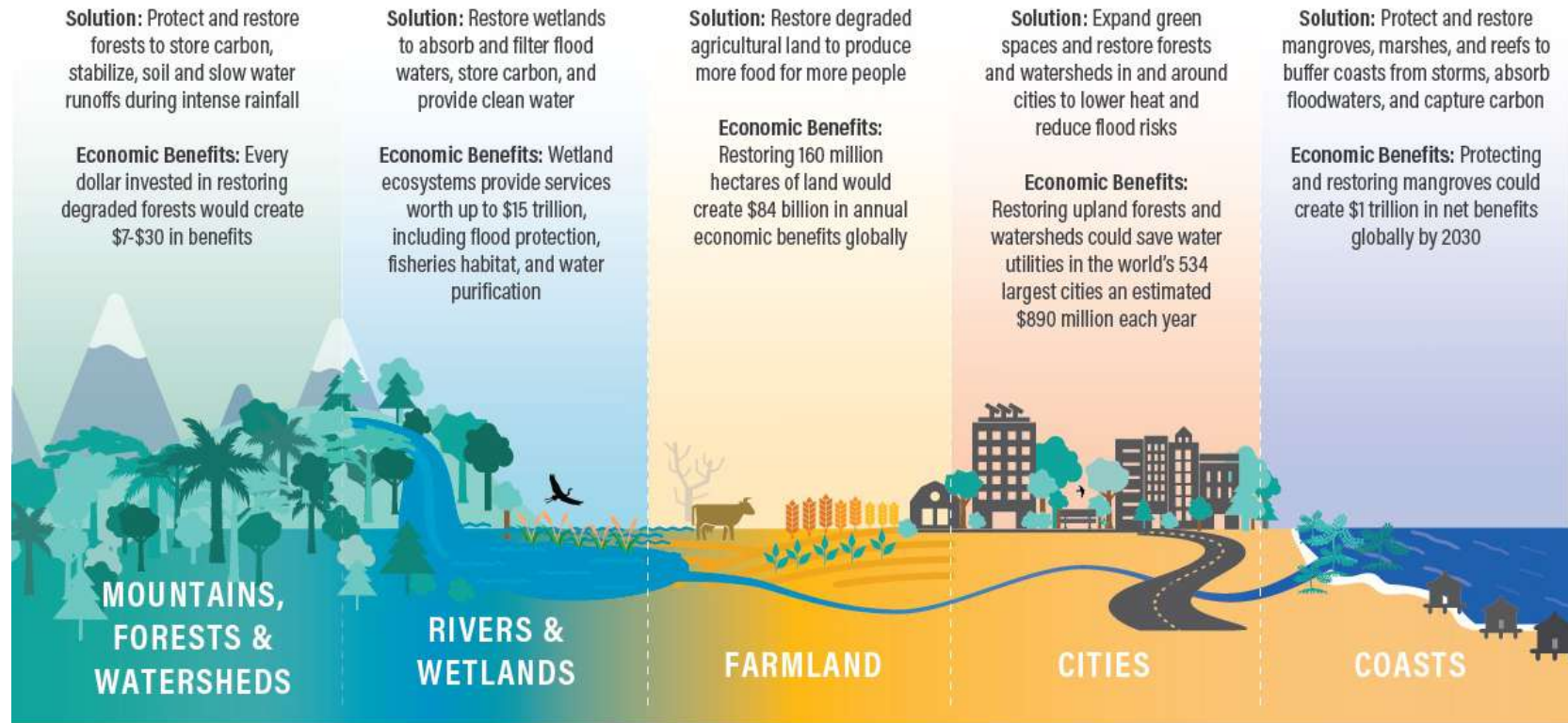


GREEN SPENDING ECONOMIC MULTIPLIERS ARE HIGHER THAN FOR NON-GREEN SPENDING

- New IMF analysis based on international dataset finds that every dollar spent on key carbon-neutral or carbon-sink activities—from zero-emission power plants to the protection of wildlife and ecosystems—can generate more than a dollar’s worth of economic activity.
- The estimated multipliers associated with green spending are about 2 to 7 times larger than those associated with non-eco-friendly expenditure, depending on sectors, technologies and horizons.






NATURE-BASED SOLUTIONS CAN DELIVER BIG ECONOMIC BENEFITS



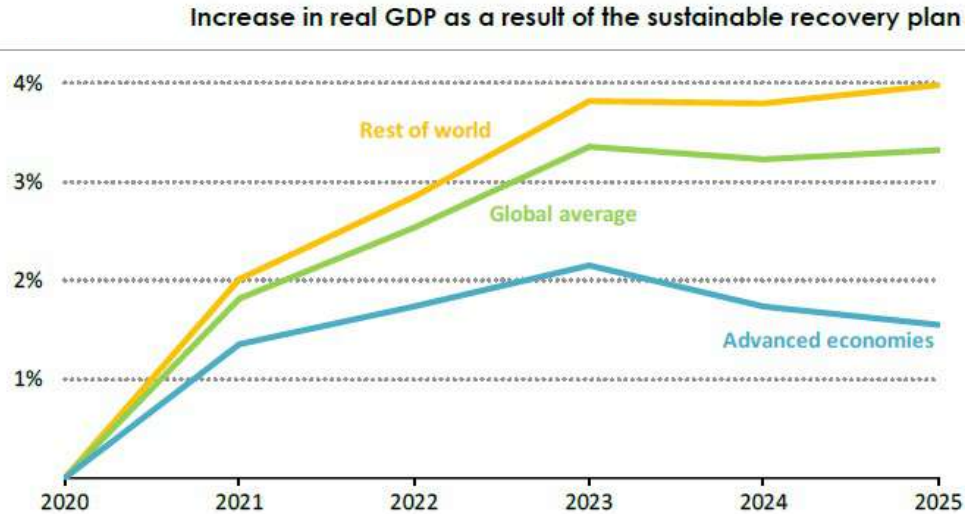
GREEN RECOVERY OPPORTUNITIES IN EMERGING MARKETS

In 21 emerging markets, low-carbon investments in 10 key sectors through COVID-19 recovery funds have the potential to generate from 2020 to 2030:

- \$10.2 trillion in investment opportunities
- 213 million cumulative jobs
- 4 billion tons CO₂e reduction

GREEN RECOVERY ACROSS KEY SECTORS	▶ EUROPE (RUSSIA, SERBIA, TURKEY, UKRAINE)	▶ EAST ASIA AND THE PACIFIC (CHINA, INDONESIA, PHILIPPINES, VIETNAM)	▶ SOUTH ASIA (BANGLADESH, INDIA)	▶ LATIN AMERICA AND THE CARIBBEAN (ARGENTINA, BRAZIL, COLOMBIA, MEXICO)	▶ MIDDLE EAST AND NORTH AFRICA (EGYPT, JORDAN, MOROCCO)	▶ SUB-SAHARAN AFRICA (CÔTE D'IVOIRE, KENYA, NIGERIA, SOUTH AFRICA)	TOTAL
 INVESTMENT OPPORTUNITY	\$0.6 TRILLION	\$5.1 TRILLION	\$2.8 TRILLION	\$1.3 TRILLION	\$0.2 TRILLION	\$0.3 TRILLION	\$10.2 TRILLION
 NEW DIRECT JOBS	16.8 MILLION	98.8 MILLION	53.2 MILLION	27.1 MILLION	4.2 MILLION	13.3 MILLION	213.4 MILLION
 GHG EMISSIONS REDUCTION (CO ₂ e)	324.7 MILLION TONS	2,010.7 MILLION TONS	861.6 MILLION TONS	351.5 MILLION TONS	111.7 MILLION TONS	153.8 MILLION TONS	4.0 BILLION TONS

IEA: GLOBAL BENEFITS OF SUSTAINABLE RECOVERY



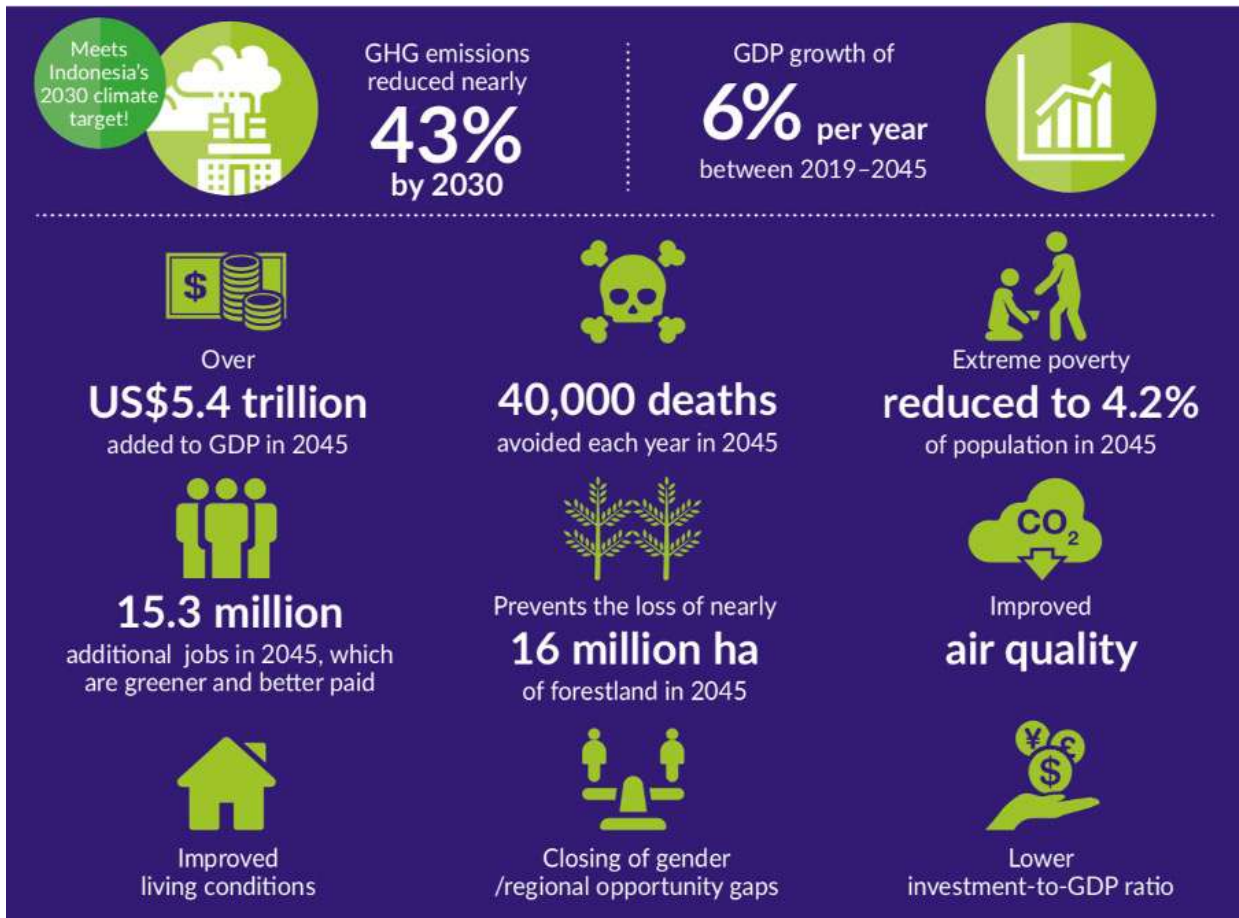
- Global spending of \$1 trillion per year on clean energy would add 1.1 percentage points to global economic growth each year
- It would save or create roughly 9 million jobs a year over the next three years, of which 3 million were lost or at risk due to the COVID-19 crisis.
- The plan would make 2019 the definitive peak in global emissions, reduce air pollution, and accelerate the achievement of sustainable development goals

**AN OPPORTUNITY FOR
DEVELOPING COUNTRIES BUT A
RISK OF WRONG LOCK IN FOR ALL**

COUNTRY EXAMPLES

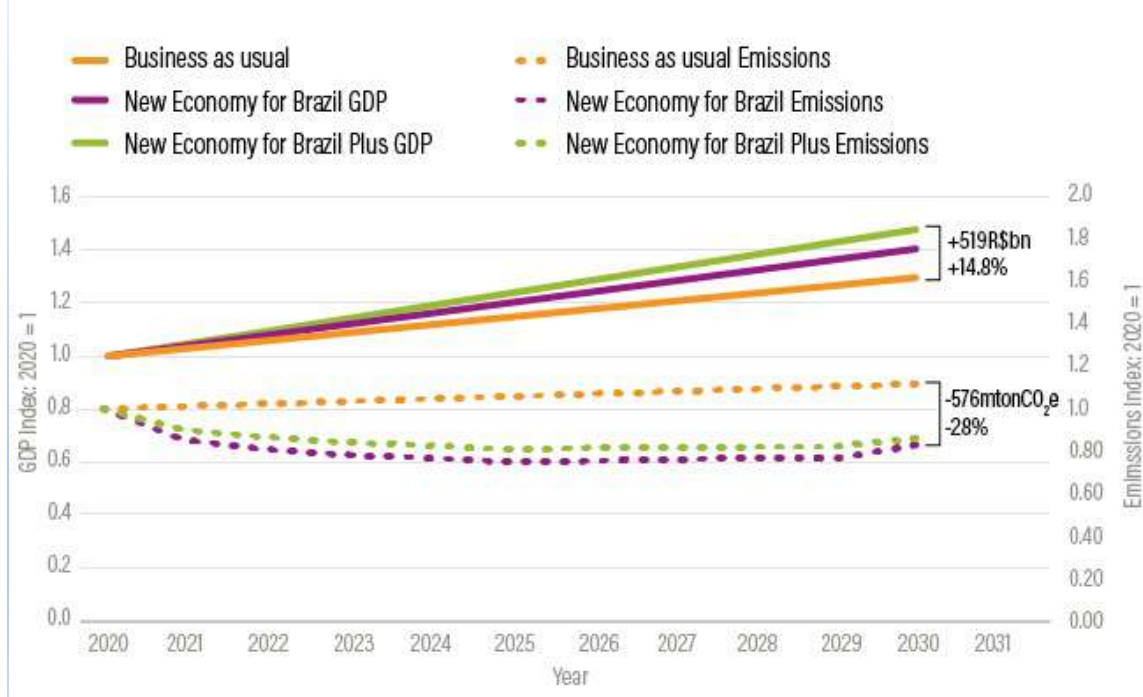
- **Indonesia** A low-carbon development path in Indonesia could deliver 15.3 million additional greener and better-paid jobs by 2045, as well as add US\$5.4 trillion to GDP in 2045 compared to business-as-usual. Such a path would also lead to decreased poverty rates, from 9.8% of the population in 2018 down to 4.2% in 2045, as well as closing regional and gender opportunity gaps. The transition toward clean energy would improve air quality and avoid 40,000 deaths each year
- **China:** by pursuing the climate action needed to meet its 2060 carbon neutrality goal, China could generate almost US\$1 trillion in net social and economic benefits by 2050. In the Yangtze River Delta region alone, a green economic strategy could create nearly 3.8 million additional jobs annually, beginning in 2025.
- In **Brazil**, By 2030, transitioning to a more efficient and resilient economy in Brazil could deliver a net increase of more than 2 million jobs and a total GDP gain of US\$535 billion. It could also reduce air pollution which causes about 20,000 premature deaths per year.

BENEFITS OF LOW-CARBON DEVELOPMENT IN INDONESIA



A NEW ECONOMY FOR BRAZIL

GDP Growth and CO₂e Reduction Under NEB Scenarios



Benefits of low-carbon, climate resilient economic recovery by 2030

- A net increase of more than **2 million** jobs
- A total GDP gain of **US\$ 535 billion** (R\$ 2.8 trillion)
- Restoration of **12 million** hectares or more of degraded pasturelands
- US\$ 3.7 billion** (R\$ 19 billion) in additional agricultural production
- US\$ 144 million** (R\$ 742 million) in additional tax revenues from the agricultural sector alone
- A **42%** reduction in greenhouse gas (GHG) emissions in 2025, compared to 2005 levels
- Increased access to international financing and private investment
- A reduction in air and water pollution, with benefits for the health of Brazilians as a result
- More resilient livelihoods and food security in the face of extreme climate events

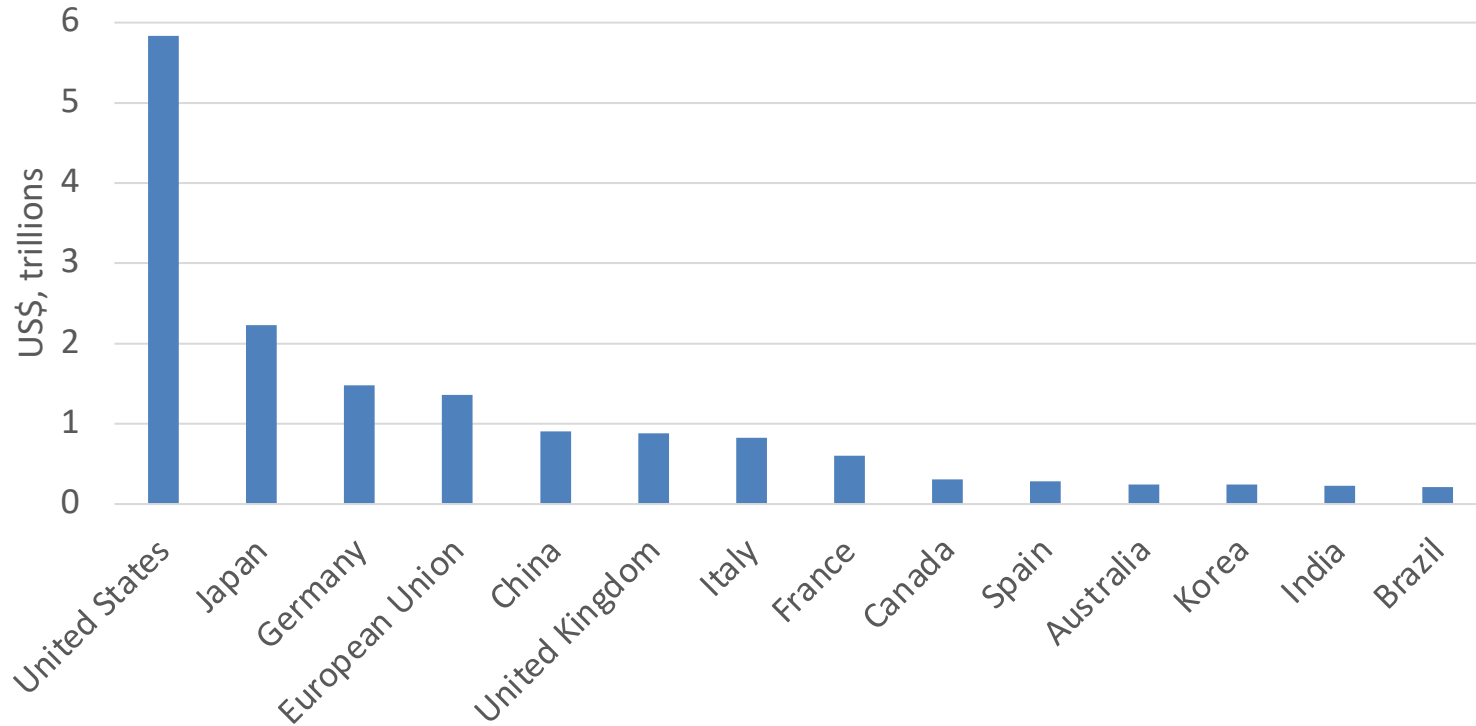
NOT OPTING FOR GREEN RECOVERY AND JUST TRANSITION

- Locking in – e.g. Colombia (coal), Mexico (oil), Brazil (unsustainable agriculture)
- Lower long-term growth and employment
- Stranded assets – financial instability
- Unjust development – climate risks affect the poorest the most

**HOWEVER THE RECOVERY IS
UNEVEN, AND NOT GREEN
ENOUGH**

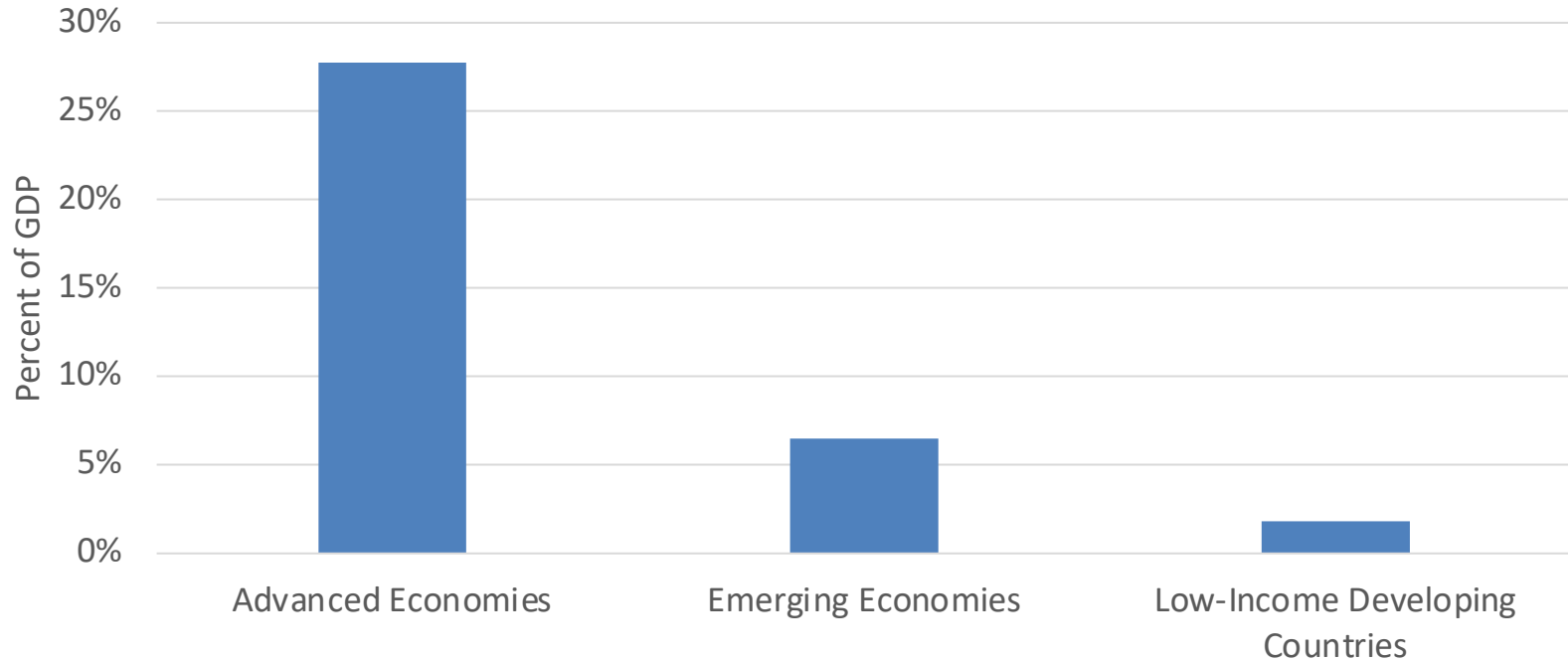
\$16 TRILLION IN RESCUE/STIMULUS SPENDING ALREADY

COVID-19 Rescue and Stimulus Spending



SPENDING IS DEEPLY IMBALANCED

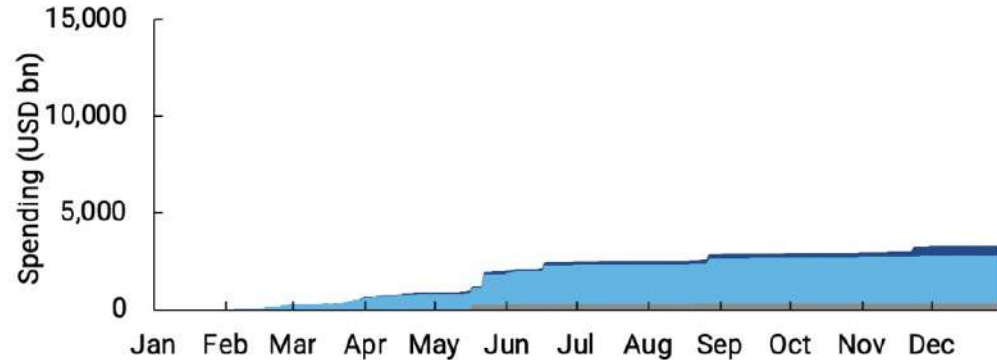
COVID-19 Rescue and Stimulus Spending



**UNEP AND OXFORD:
COUNTRIES WERE DOING
MOSTLY RESCUE
SPENDING AT FIRST, THEN
TURNED TO RECOVERY
SPENDING. ADVANCED
ECONOMIES HAVE
SUBSTANTIALLY OUTSPENT
EMERGING MARKET AND
DEVELOPING ECONOMIES**

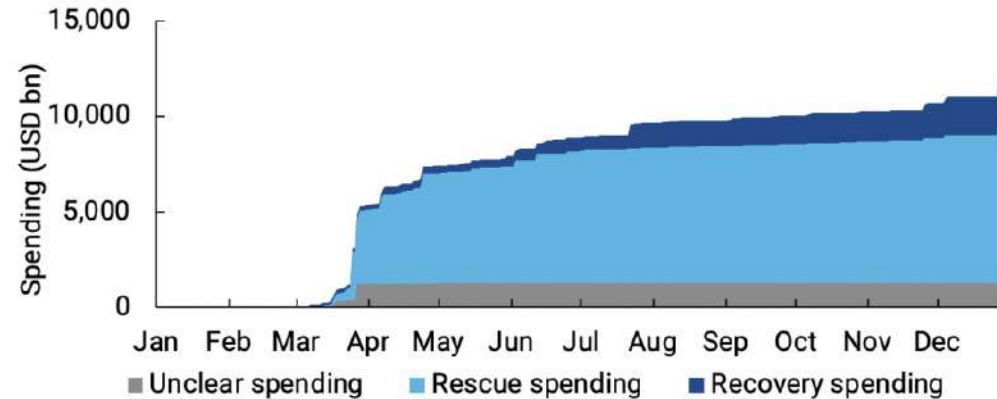
Emerging market and developing economies

(26 countries, representing 31tn in GDP)



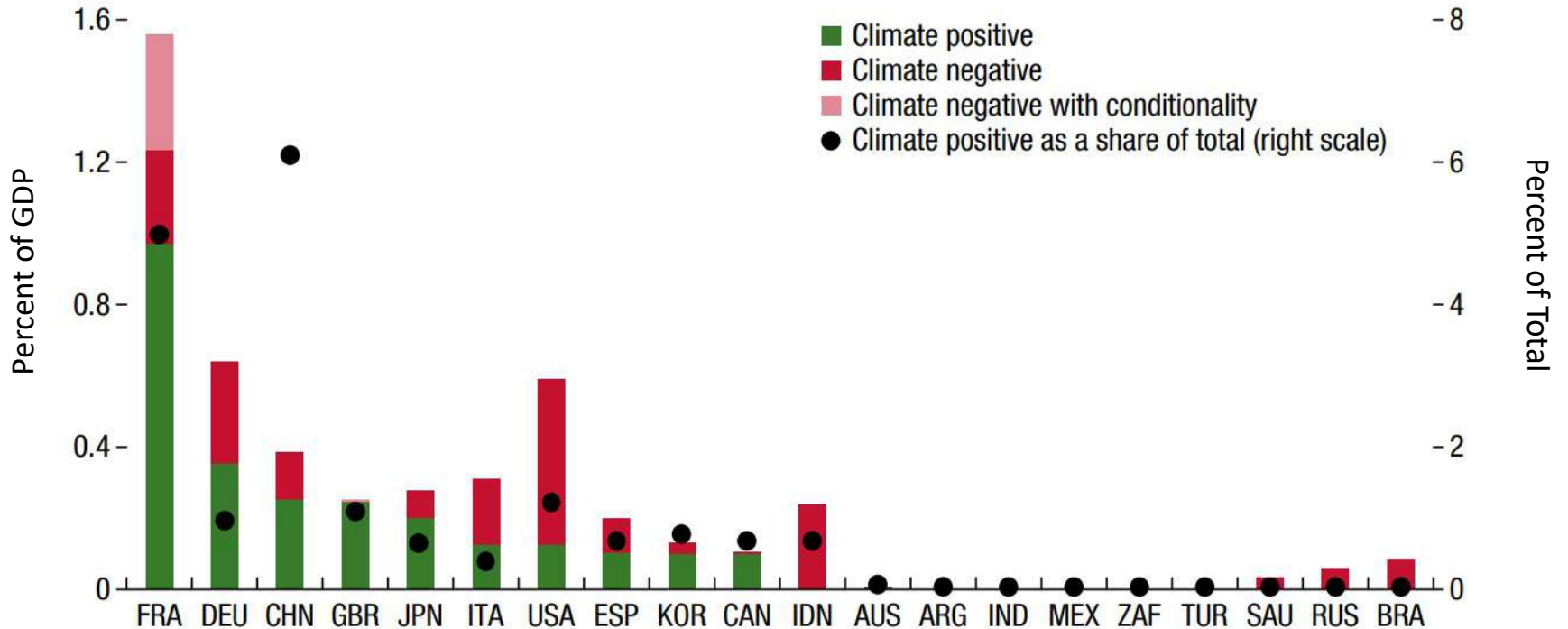
Advanced economies

(24 countries, representing 51tn in GDP)



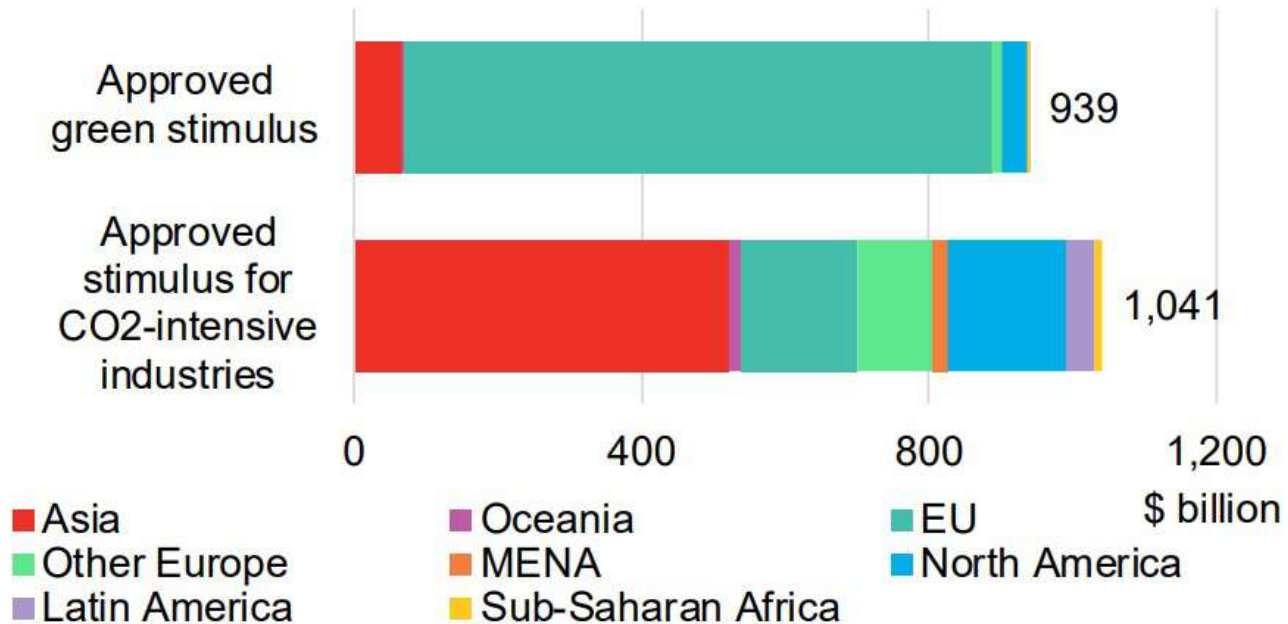
IMF: SOME CLIMATE POSITIVE SPENDING, BUT STILL A SMALL FRACTION OF THE TOTAL

Climate Relevance of Fiscal Measures in the G20 Related to the COVID-19 Crisis



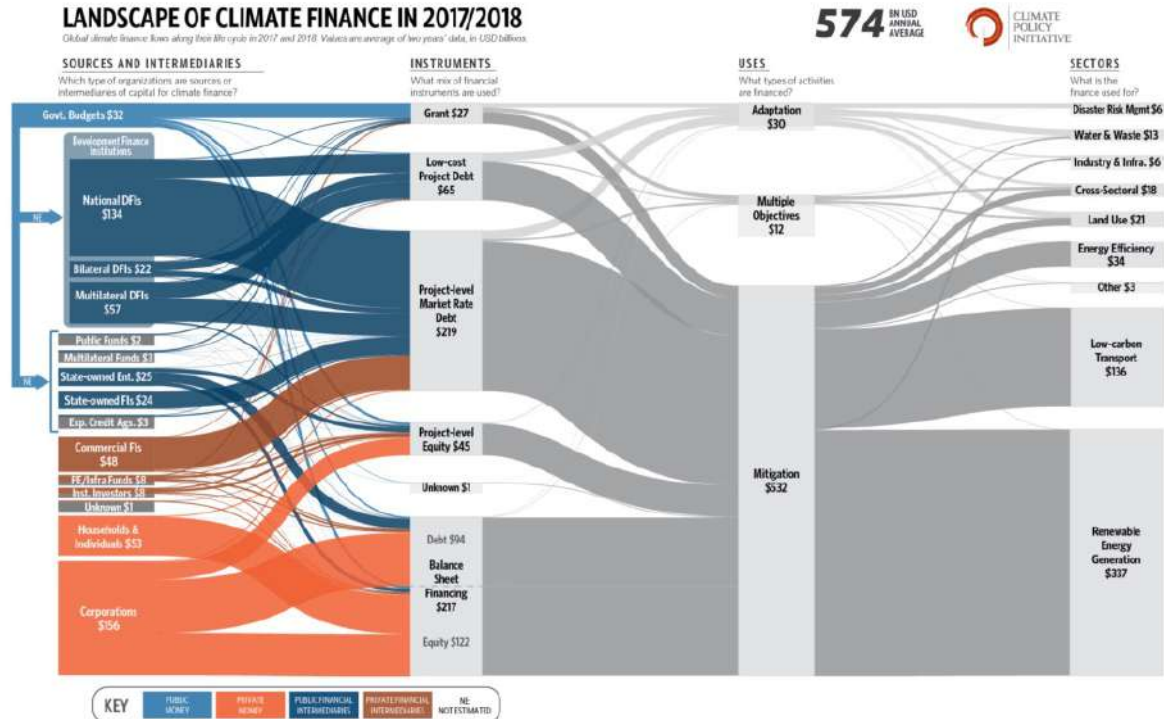
BNEF: 7% OF GLOBAL STIMULUS AIMED AT CUTTING EMISSIONS OR AIDING CLIMATE ADAPTATION COMPARED TO 8% EXPLICITLY FOR CARBON-INTENSIVE SECTORS

Covid-19 stimulus approved as of January 2021



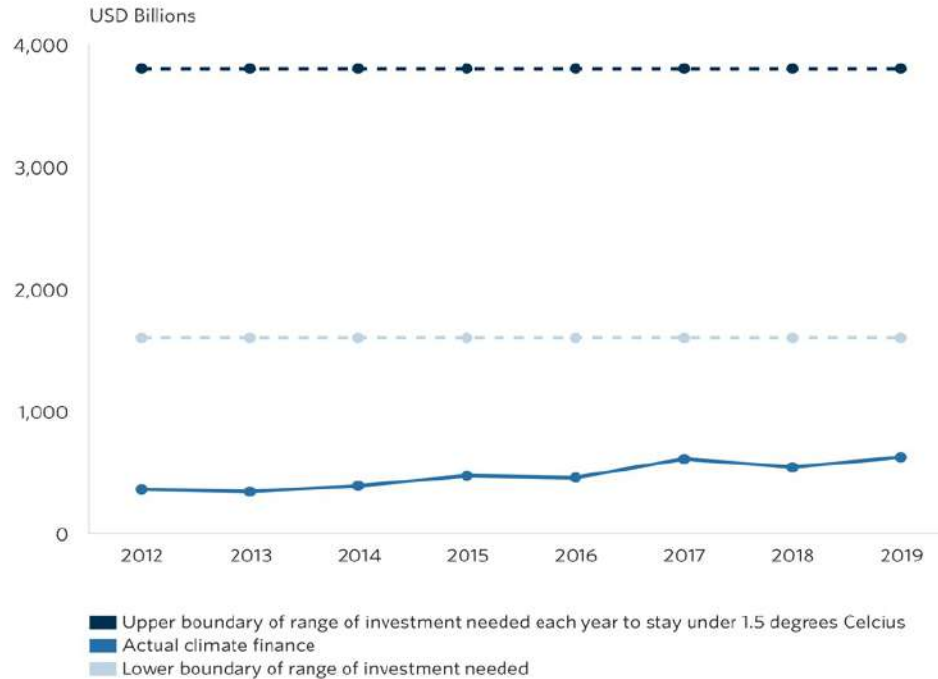
WHAT DOES IT TAKE (INCLUDING FUNDING)

CLIMATE FINANCE IS TOO LITTLE, TOO COMPLICATED AND NOT ENOUGH



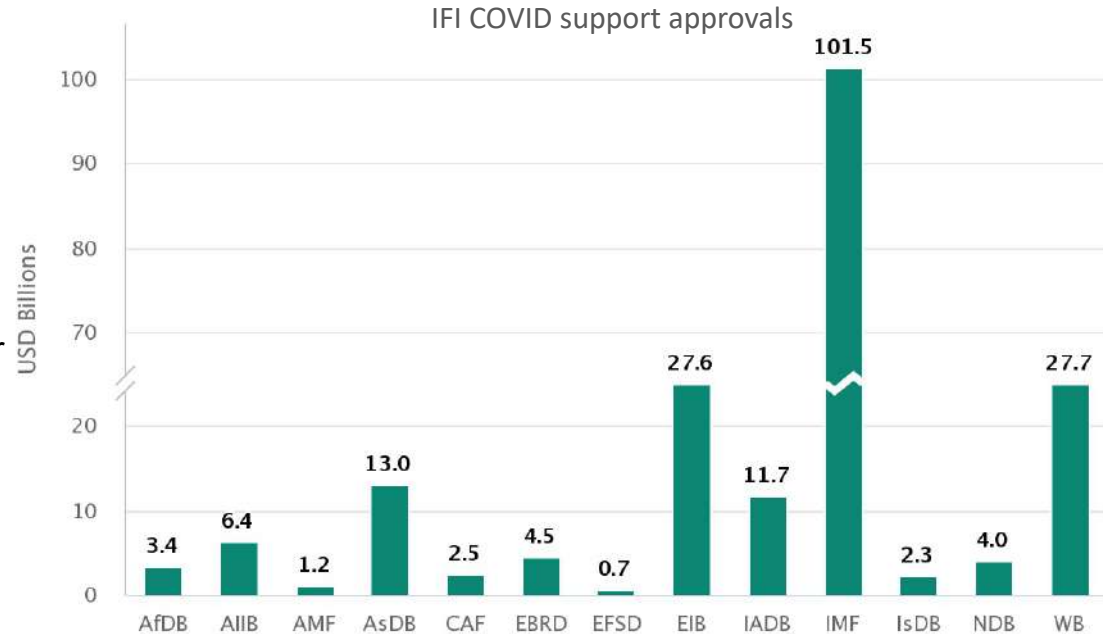
Not enough to address the climate emergency

Climate Finance vs. Investment Needed



INTERNATIONAL FINANCIAL INSTITUTIONS ARE NOT ENOUGH

- IFIs approved \$206 billion for COVID-19 support
- The IMF has committed >\$100 billion in lending since March, with 1/3 for low-income countries
- The World Bank has more than doubled its approved lending compared to last year, but disbursements have only increased by 1/3.
- Only 1.7% of total international debt payments for 2020 has been forgiven despite much talk.
- No quantitative assessment of what is green in IFI lending so far.



WE NEED TO THINK OUTSIDE THE BOX, BUT NO TIME TO REINVENT THE WHEEL

Current approach

Project-by-Project approach

Unfocused piecemeal approach to knowledge and technology transfer

North-south climate finance

What is needed

Scaling up investment

Focus on resources mobilization

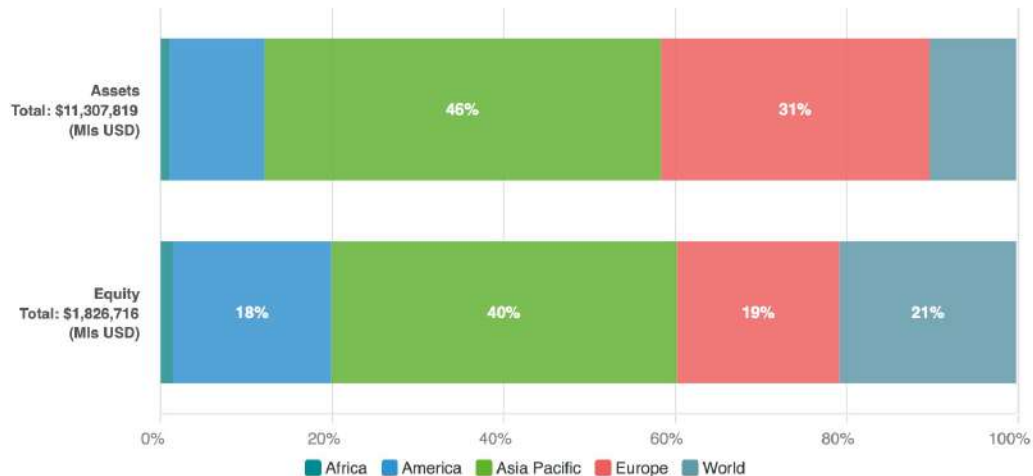
Multi-actor collaboration (PDBs?)

WHAT WOULD TAKE FOR DEVELOPING NATIONS OPT FOR GREEN RECOVERIES

- **HOPE:** Full understanding of the credible advantages of green investment both for the recovery and long-term strategy
- Create fiscal space to plan and implement a sustainable investment program
- Prepare, scale-up, and aggregate investments
 - Knowledge and capacities gaps need to be filled
 - Mainstreaming sustainability taxonomy and “quality” investment ratings
 - Define financing needs through the project life cycles and match them with specialized sources of finance
 - Select or create risk-management instruments
 - Promote blend finance and other credit enhancements
- Offer “bridges” to national and international sources of long-term, green investment and finance

PDBS WORLDWIDE

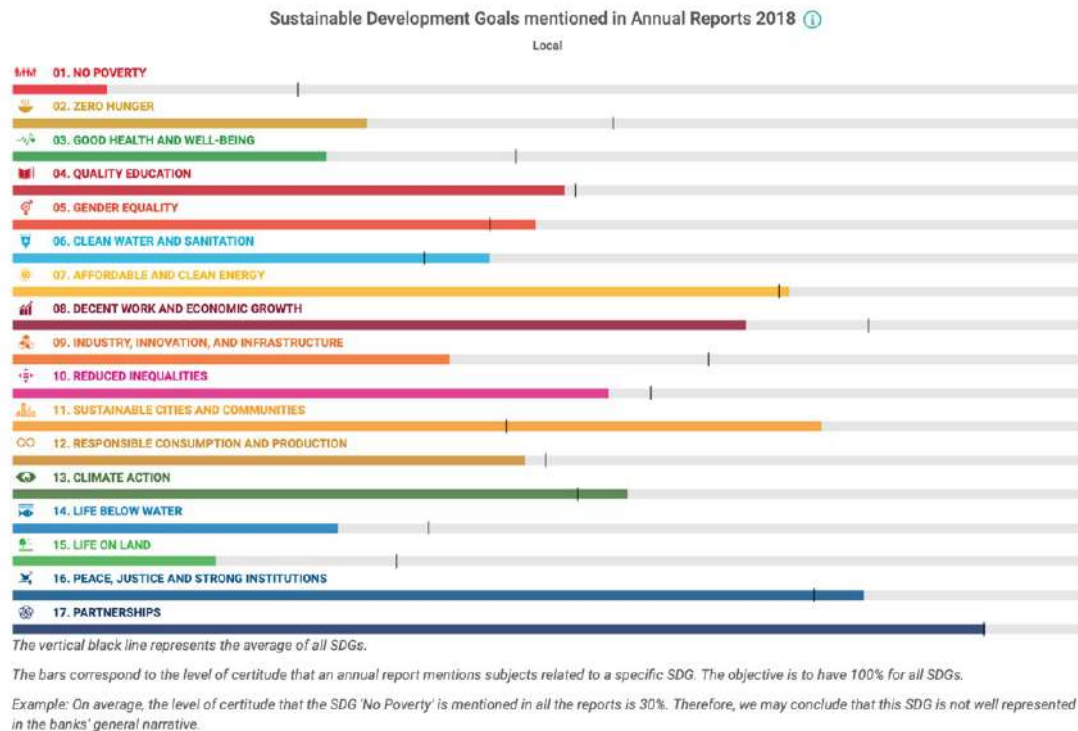
Assets & Equity shares in 2018



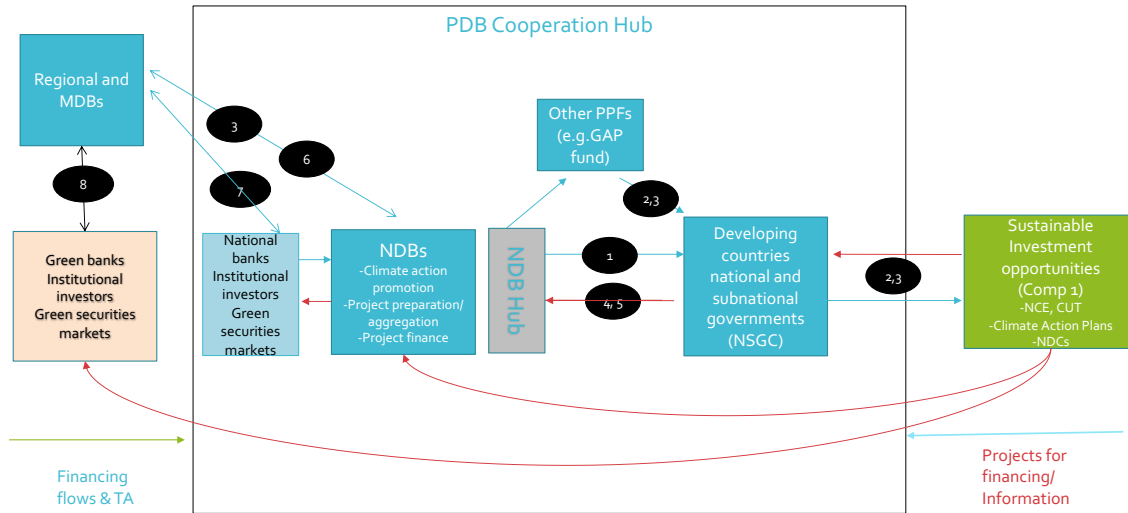
Number of banks



PDBS AND THE SDGs: ALREADY A LOT OF ALIGNMENT



A schematic presentation of a multi-actor cooperation of PDBs



- Promote climate action -
- Prepare, scale-up, and scale-up and aggregate investments
- Sustainability taxonomy and “quality” investment ratings
- Help define financing needs through the project life cycles and match them with specialized sources of finance
- Active capacity building by knowledge sharing among different national, regional, and multilateral D.B.s
- Select or create risk-management instruments
- Promote blend finance and other credit enhancements
- Offer “bridges” to national and international green finance