

Scaling and Screening: Aligning the COVID-19 Response with the 2030 Agenda

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Four Points

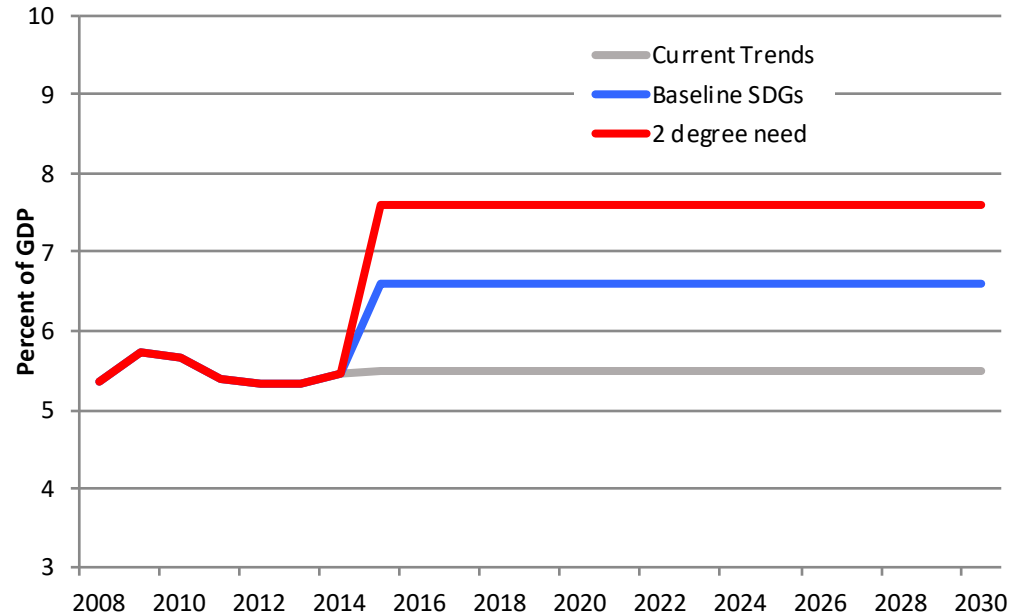
- Sustainable infrastructure finance falling short, of meeting gaps even before COVID, paying price
- Need SCALING of ambition and coordination of all major development finance institutions
- Need SCREENING of all projects and complementary reforms domestic and global
- Need 'Fierce urgency of now': reforms need to be core part of COVID relief and recovery



1. Sustainable infrastructure finance falling short

- Sustainable infrastructure investments are falling short of investment needs by USD 3.2 trillion per year.
- MDBs are currently providing around USD 50 billion per year in financing for sustainable infrastructure or just 1.5 percent of the prospective needs of EMDCs.
- National development bank, **LED BY CHINA, Germany**, and other development finance institutions play a larger role in sustainable infrastructure, at roughly USD 88 billion per year.
- Private capital flows from G20 countries into sustainable infrastructure is also very small, just 0.5 percent of the total global need.

Investing in Quality and Sustainable Infrastructure:
Global Trends vs. Climate Goal Needs



Falling short

Table 2: G20 Outflows to EMDCs for Sustainable Infrastructure 2011-2017 (USD billion)

	Total (USD billion)	Annual (USD billion)	Share of EMDC need	Share of global need
MDBs	180	25.7	1.2%	0.3%
NDBs	621	88.8	4.2%	1.2%
FDI	282	40.3	1.9%	0.5%
Total	1,083	154.8	7.4%	2.0%

	Climate Finance Commitments ^a	Climate Related Exclusion List	Emission Performance Standards	Shadow Carbon Pricing ^b
AFDB	40% climate finance by 2020 Committed climate finance of at least USD 25 billion for 2020-2025 ^c	Exploration of new oil & gas fields Purchase of logging equipment for use in unmanaged primary tropical rainforests ^d	N/A	N/A
ADB	75% number of committed operations support climate finance by 2030. USD 80 billion climate finance (own resources) 2019-2030 period.	Exploration of new oil and gas fields Extraction of oil Commercial logging in primary tropical or old-growth forests	N/A	USD 36.3/tCO ₂ in 2018 2% yearly increase in real terms ^e
EBRD	40% Green Economy Transition financing by 2020 (estimated to exceed €4 billion/year by 2020) ^f	Thermal coal mining or coal-fired electricity generation capacity ^g Upstream oil exploration Upstream oil development projects except in rare and exceptional circumstances ^{ah} Gas supported during the period "where it is" consistent with a low-carbon transition ⁹	N/A	USD 40-80 in 2020 ⁱ USD 50-100 by 2030 ⁱ USD 78-156 by 2050 ⁱ
EIB	35% climate lending in developing countries by 2020 ^j	Converting natural forests to plantations Commercial logging in primary tropical or subtropical forest Coal is excluded de facto by Emission Performance Standard ^k	550g CO _{2e} /kWh ^l	Price range. Central value ~USD 50/ton CO ₂ by 2020 ^l
IDB	30% finance for climate related projects by 2020 ^l Climate change-related operations to reach approx. USD 4 billion/yr ^m	Commercial logging operations in primary tropical forests	Industry benchmarks for high-emitting sectors, such as chemical and cement plants.	N/A
World Bank Group	28% climate portfolio by 2020 ⁿ \$200 billion for Climate Action over 2021-2025 ⁿ	Coal except in "rare and exceptional circumstances" ^o All upstream oil and gas activities after 2019	N/A	USD 40-80 in 2020 ^q USD 50-100 by 2030 ^q USD 78-156 by 2050 ^q
AIIB	N/A	Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests ^r Unsustainable fishing practices ^r	N/A	N/A
NDB	Pledged 60% lending for renewable energy ^t	Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests ^s Unsustainable fishing practices ^s	N/A	N/A

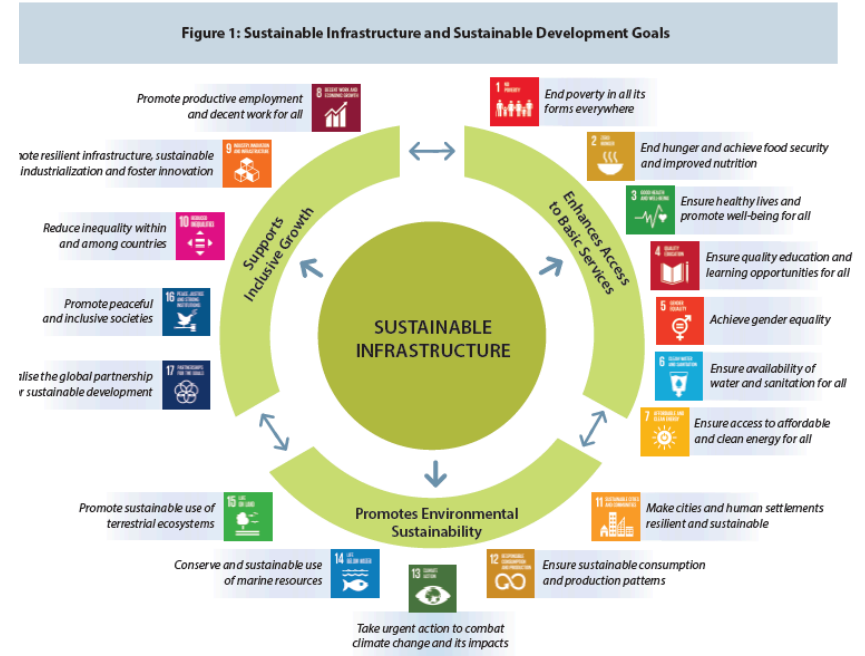
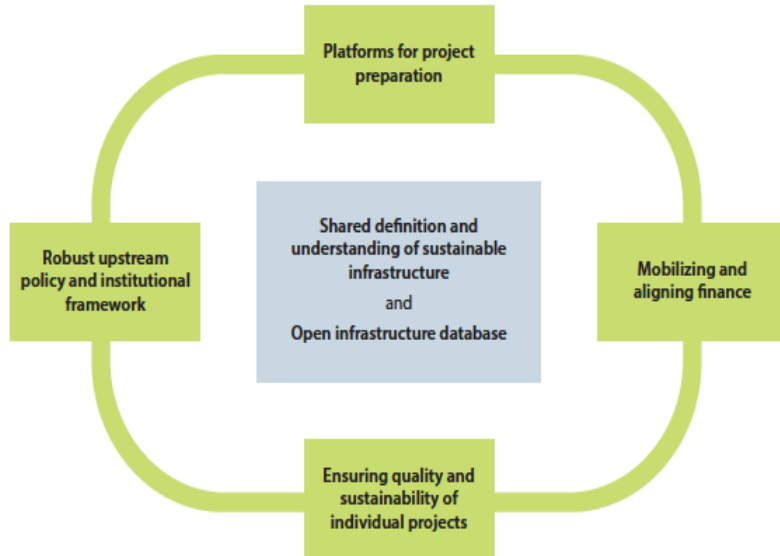
2. Need to scale the ambition and coordination

Table 8: Illustrative Scenario for Potential DFI Financing toward Sustainable Infrastructure

Total Mobilized capital (USD trillion)				
		no leverage	leverage ratio 2.7	leverage ratio 4
Ambition 35 % portfolio				
Current trend	total	2.6	7.1	10.6
	annual	0.240	0.648	0.960
Maximise headroom	total	3.2	8.7	13.0
	annual	0.294	0.795	1.2
25 % capital Increase	total	3.4	9.2	13.7
	annual	0.311	0.841	1.2
Ambition 66 % portfolio				
Current trend	total	6.1	16.3	24.2
	annual	0.550	1.5	2.2
Maximise headroom	total	6.6	17.9	26.6
	annual	0.604	1.6	2.4
25 % capital Increase	total	6.8	18.5	27.3
	annual	0.621	1.7	2.5

Source: authors calculations based on Munir & Gallagher, 2018

AFTER COVID: Preparedness, Resilience, equality



Quick, national screening 'kits'

3. SCREENING: Need complementary reforms

GLOBAL

- G20/IDFC/MDB coordination
- Off-Taker Risk, Guarantees?
- IMF 'greening recovery'
- International trade and investment policy
- Global Climate Policy
- **SOCIAL ADJUSTMENT!**

National

- Upstream frameworks/screening
- Off-Taker Risk, Guarantees?
- Central bank and financial regulations
- Fiscal policy
- **SOCIAL ADJUSTMENT!**

4. Need a 'fierce urgency of now':





Thank you!

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