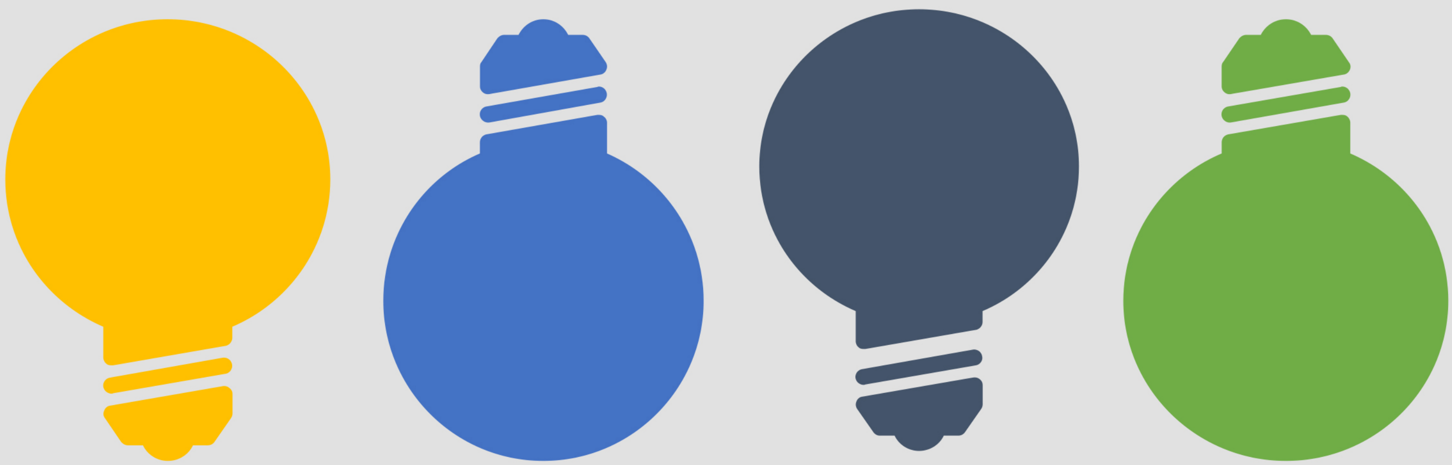
The Big Push for Transformation through Climate and Development

Recommendations of the High-Level Advisory Group on Sustainable and Inclusive Recovery and Growth

February 2023



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1818 H Street NW, Washington, DC 20433
Telephone: 202-473-1000; Internet: www.worldbank.org

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ACKNOWLEDGMENTS

This report has been prepared under the leadership of Mari Pangestu, Ceyla Pazarbasioglu, and Nicholas Stern as the cochairs of the High-Level Advisory Group (HLAG) on Sustainable and Inclusive Growth. The report summarizes the insights derived from 10 meetings of the HLAG over its one and a half years of existence, from a series of consultations, and from the reports produced to inform these meetings and consultations.

The HLAG consists of experts representing various research institutions, private sector, and governments, as well as senior World Bank Group and International Monetary Fund (IMF) staff. The original list of HLAG members included Philippe Aghion, Montek Ahluwalia, Masood Ahmed, Timothy Besley, Amar Bhattacharya, Laurence Boone, Ottmar Edenhofer, Gita Gopinath, Homi Kharas, Eliana La Ferrara, Joaquim Levy, Zhu Min, Maria Ramos, Carmen Reinhart, and Andres Velasco. The list has also included at different times the following experts: Chatib Basri, Vitor Gaspar, Indermit Gill, Merit Janow, Hans Peter Lankes, Susan Lund, Mahmoud Mohieldin, Edward Mountfield, Riccardo Puliti, Pablo Saavedra, Juergen Voegele, and Stephanie von Friedeburg. A team across the World Bank, IMF, London School of Economics (LSE), and Brookings Institution served as the Secretariat of the group and included Enrique Aldaz-Carroll, Amar Bhattacharya, Qimiao Fan, Kristina Kostial, Danae Kyriakopoulou, and Valerie Layrol.

Group members were chosen based on their personal expertise and experience relevant to the task while ensuring gender, geographic, and thematic balance. Members were asked to contribute insights serving in their individual capacity, not as part of the institutions or organizations they represent.

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The report has further benefited from a range of consultation processes on its emerging insights with experts across the global economic governance and finance community, including multilateral institutions and private sector organizations and coalitions including the Energy Transitions Commission, the Global Infrastructure Facility, the Glasgow Financial Alliance for Net Zero, the International Solar Alliance, the Network for Greening the Financial System, the Coalition of Finance Ministers for Climate Action, Systemiq, and the United Nations Economic Commission for Africa.

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ACRONYMS

CCDR	Country Climate and Development Report
COP	Conference of the Parties (United Nations Climate Change)
COVID	coronavirus disease
EMDEs	emerging markets and developing economies
G7	Group of Seven
G20	Group of Twenty
GDP	gross domestic product
GRID	green, resilient, and inclusive development
GW	gigawatt
HLAG	High-Level Advisory Group on Sustainable and Inclusive Recovery and Growth
IFC	International Finance Corporation
IFI	international financial institution
IMF	International Monetary Fund
LIC	low-income country
MDB	multilateral development bank
MIC	middle-income country
PROGREEN	Global Partnership for Sustainable and Resilient Landscapes
SCALE	Scaling Climate Action by Lowering Emissions
SDG	Sustainable Development Goal

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A CALL FOR ACTION

Mari Pangestu

Managing Director for Development Policy and Partnerships, the World Bank

Ceyla Pazarbasioglu

Director, Strategy, Policy, and Review Department, International Monetary Fund

Nicholas Stern

IG Patel Chair of Economics and Government, London School of Economics

Countries were buffeted by the twin crises in 2021: the COVID-19 pandemic and climate change. The pandemic hit emerging market and developing economies (EMDEs) hard, exacerbating structural weaknesses and worsening poverty and inequality. Many vulnerable countries were abruptly thrown off their path of economic convergence with advanced economies. Lack of fiscal space and limited access to financing, which significantly restricted the policy scope to correct course, were major concerns. Difficulties in responding to the pandemic also highlighted and exacerbated the challenges from the accelerating climate crisis, with shocks coming at higher frequency and with greater intensity.

Against this backdrop, the High-Level Advisory Group (HLAG) on Sustainable and Inclusive Recovery and Growth came together to provide policy analysis and practical proposals for actions that could help countries secure a strong recovery from the pandemic and a successful green transition.

The need for action has only increased since we first met in mid-2021. Russia's war in Ukraine slowed growth and intensified inflationary pressure, placing additional strain on vulnerable countries with limited policy space, preexisting vulnerabilities, and structural rigidities. And the world has fallen further behind the actions required to reach the Paris Agreement goals. But the challenges of postpandemic recovery also provide a unique opportunity for change. We must seize the moment.

Over the past 18 months, the HLAG has met 10 times. This report pulls together key findings from the deliberations at those meetings and provides actionable recommendations to support a pathway to green, resilient, and inclusive development (GRID).

The HLAG started by assessing the scale and nature of investment and financing challenges. It was immediately clear that investment needs require rapid and sustained scaling up: conservative estimates presented to the HLAG by Bhattacharya et al. (2022) suggest that EMDEs other than China have aggregate investment and development spending needs on the order of at least $1.3 trillion per year by 2025 and $3.5 trillion per year by 2030. These figures far exceed existing financing and call for urgent action.

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The story cannot be just about scale: investments need also to be resilient and transformational. HLAG deliberations have emphasized the centrality of prioritizing investments and policies—including carbon pricing—in support of an energy transition with a shift to renewables. At the same time, we have recognized the need to bolster vulnerable countries' resilience to climate shocks and acknowledged that developments in the past couple of years have further accentuated the importance of achieving energy security.

To achieve the required transformational changes and shifts in financing of the scale required, the entire system needs to pull together. The HLAG's discussions and recommendations are, therefore, focused on identifying actions that governments, the private sector, multilateral development banks (MDBs), the International Monetary Fund (IMF), and the broader donor community should take.

Countries themselves have the most important role. Building and maintaining institutional capacity will be critical to support innovation, identify opportunities, implement necessary policies, and provide the confidence needed for investment to flow to where it is required. While policy priorities must be tailored to country circumstances, efforts to strengthen mobilization of domestic resources and ensure efficient and effective use of scarce resources are universal and can support a virtuous cycle.

The international community must also play its part in encouraging, facilitating, financing, and supporting countries' efforts. Countries need appropriate policy space to undertake required long-term investments. Priorities here include providing needed debt treatments in a timely manner—including by improving implementation of the Group of Twenty's Common Framework for Debt Treatment—and to ensure the flow of sufficient new concessional financing.

The good news is that the MDBs and the IMF are already supporting the GRID agenda, given its consistency with their mandates. They provide much-needed technical expertise to governments; in addition, MDBs have met their collective 2025 climate financing goals early, and the International Monetary Fund has started providing financial support to address macro-critical longer-term challenges. But HLAG deliberations have highlighted the need for MDBs to build on these efforts and significantly increase their financial capacity, including further optimizing balance sheets, securing additional concessional funds, and leveraging increased donor resources, and for international financial institutions more broadly to better catalyze critical private financing. Support from the broader donor community is also imperative.

Our call for action is clear: we must work together to meet the challenge of our times!

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EXECUTIVE SUMMARY

A critical time for development and climate action

This decade presents an opportunity to make a breakthrough on both development and climate goals. The past decade's slowdown in poverty reduction has been accentuated by the recent coronavirus disease (COVID-19) pandemic and the war in Ukraine. This slowdown is further compounded by the deepening climate crisis. A continued slowdown in poverty reduction and shared prosperity would erode global prosperity, as the current historic demographic transition will place virtually all the global population increases over 2020–50 in emerging markets and developing economies (EMDEs) where most of the poverty is concentrated. Collective action must therefore be taken to avert catastrophic climate change and address the slowdown in development gains. Greater awareness worldwide of the climate change challenge offers a unique opportunity for a reset, setting countries on a high-growth green, resilient, and inclusive development (GRID) path that goes hand in hand with environmental goals and social inclusion and addresses the risks to people, the planet, and the economy in an integrated manner tailored to country needs and objectives.

This report makes the case for a big investment push for EMDEs' sustainable recovery and development, assesses the magnitude and composition of such investment, presents actions needed for an energy transition, looks at the role that innovations and state capacity can play in facilitating GRID, and proposes actions that governments, the private sector, MDBs, the IMF, and donors can undertake to mobilize financing at the large scale needed. The report summarizes the insights derived from the meetings of the High-Level Advisory Group (HLAG) on Sustainable and Inclusive Recovery and Growth, jointly led by Mari Pangestu, Ceyla Pazarbasioglu, and Nicholas Stern, and composed of experts from research institutions, the private sector, and governments, as well as senior World Bank Group and IMF staff members. The work of the HLAG, and thus this report, focuses on EMDEs and delves in greater depth into climate investment and financing, particularly for energy transition, as it is a less researched area. While doing so, it recognizes that policy and investment decisions in high-income countries, which accounted for only 16 percent of the global population in 2019 and yet for 32 percent of total greenhouse gas emissions (World Bank 2023a, 2023b), will be critical to whether the Paris Agreement goals can be reached. It also recognizes that these countries must play a key role in contributing financially to EMDEs' transition to low-carbon economies.

A big and urgent investment push is needed, but the investments need to be resilient and transformational, not incremental. Investments in human, physical, natural, and social capital must be delivered at unprecedented scale and pace and cut across priority areas that are critical for development and climate. They must be designed to deliver on economic growth, as well as social and environmental needs, and create more sustainable, inclusive, and resilient systems.

Among key systems transformations, energy is critical, with energy access, affordability, and security as key considerations for delivering a just energy transition that meets development and sustainability goals. Energy efficiency and renewable energy must be scaled up massively to meet growing demand in EMDEs so that coal can be phased out as an energy source. The urgent phase out of the existing fleet of coal-fired power stations in high-emitting middle-income countries (MICs) and advanced economies is critical to achieving the Paris Agreement goals in regard to greenhouse gas reduction. A shift to renewables can empower EMDEs to catch up on development: solar and wind power can be expanded across EMDEs more rapidly and more easily than can fossil fuels when network infrastructure is strengthened, energy storage is made available, affordable financing is available, and policies and

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institutions (including off-takers) are strengthened. For instance, the scaling up of affordable clean energy will lower energy operating costs for EMDEs and facilitate the removal of fuel subsidies, preserving fiscal space for development spending.

Adaptation and resilience measures must complement investments in mitigation to respond to the growing vulnerability to climate change. Boosting adaptation and resilience is an urgent and integral part of development and poverty reduction, especially in low-income countries (LICs) and vulnerable MICs, which have contributed little to past carbon emissions and still account for a very small share of global emissions but will be hardest hit by the impacts of climate change.

Policies, institutions, and platforms for delivering investment

The starting point for the sizable investment push required must be strong country leadership and coordinated action. All countries need well-articulated investment programs, anchored in sound and convincing long-term strategies, to stimulate economic recovery and transformation and deliver on development and climate goals. GRID, climate action, and technology innovation and diffusion will require enhanced coordination across government branches and among government, firms, and citizens, as well as at the international level. There is no global optimal arrangement for institutional frameworks of the type needed; they must be designed in an individually tailored way to fit their contexts. Country ownership is key, as well as greater monitoring and evaluation work on governance to better assess progress.

The realization of needed human, physical, natural, and social capital investments requires an enabling environment with a strong emphasis on development and sustainability. A policy package to address structural weaknesses that constrain action must comprise improvements in regulations and institutions, including measures to correct market failures as well as to reform state-owned enterprises, particularly in the energy sector, to become positive agents of change and help drive the shift to low-carbon alternatives and higher growth. It also entails promoting rapid technological advances and new business models. Public policy has a strong role in providing firms with incentives to redirect innovation toward green technologies. Failure to act promptly will widen the gap between dirty and clean technologies and will make change more expensive. International collaboration and coordination to foster new technologies and set clear direction for the private sector will bring strong gains.

Given the urgency of action, coordination mechanisms to support investment and transition strategies in priority sectors offer a promising way to impart momentum. Countries can benefit from creating mechanisms that help set out clear strategies and investment programs, tackle binding policy impediments, put in place structures for scaling up project preparation, and create replicable and scalable models of financing. It enables countries to ensure that a commensurate scale and mix of financing accompanies their ambitious development and climate commitments. Mixed results of past country platforms have demonstrated that coordination mechanisms must be country-owned and country-led, to ensure trust and legitimacy, and focused on a particular sector or theme, to avoid diluting efforts.

Financing the big investment push

For the investments and structural transformation described in the foregoing to take place, EMDEs will require additional financing in the trillions, not the billions. Though estimates of the magnitude of additional investments necessary to deliver on the Sustainable Development Goals (SDGs) and climate goals vary widely, all are in the trillions. Conservative estimates presented to the HLAG by Bhattacharya et al. (2022) suggest that aggregate additional investment and development spending needs of EMDEs

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other than China[1] are at least on the order of $1.3 trillion per year by 2025 and $3.5 trillion per year by 2030. These figures far exceed existing financing, and they will be magnified further if the interventions are delayed or performed in an inefficient way or if policies are inadequate.

Different sources of financing will be needed given the different types of investment required. The private sector, including institutional investors, will finance bankable investments. Some projects entail elevated risks, high preparation costs or both, requiring de-risking, technical assistance, or grants from concessional resources. Public-goods investments will need to be supported with more highly concessional resources. And social investments and compensations must be financed through public resources, including concessional or grant support, particularly in LICs. Public resources will also be needed to maintain some of the new assets created.

Concessional financing for public goods in MICs needs to be additional and not come at the expense of the huge needs of LICs. Concessional resources for LICs are already under strain and need increasing as these countries deal with the setbacks to poverty reduction and growth prospects resulting from the pandemic and the food and energy price crisis associated with Russia's invasion of Ukraine.

An integrated debt and financing strategy is needed to overcome constraints to financial access, particularly for climate financing, and mobilize the necessary scale and mix of financing for GRID. The difficult macroeconomic context EMDEs are currently facing constrains access to financing through two channels. First, the deteriorated macroeconomic context and perceived higher risks for mitigation and adaptation investments in those countries relative to advanced economies reduce the attractiveness of climate projects in EMDEs to potential financiers. Second, depleted fiscal space reduces the level of domestic public resources available for climate action, especially as governments face pressure to respond to other pressing development challenges. The HLAG's work has provided a first attempt at setting such a debt and financing strategy to draw the needed financing from domestic and international sources, both public and private, and on both concessional and nonconcessional terms. The strategy, which focuses particularly on raising climate financing for mitigation and adaptation, is based on three pillars:

1. Public financing

A large share of the needed financing for GRID can be expected to come from domestic sources. For this to happen, however, domestic resource mobilization for public investment and services will need to be improved, and sustainable local capital markets in EMDEs will need to be scaled up and deepened to fund investments in support of GRID. Repurposing of inefficient subsidies in both the food and energy sectors could free up resources; globally, governments spend about $1.2 trillion on subsidies in the agricultural sector and those for fuel.[2] However, some of these funds would need to be used to ensure that reforms to the food and energy sectors do not affect vulnerable groups disproportionately. Carbon taxation would raise government revenue while boosting clean industry output and employment. A more supportive international environment that reduces tax evasion and tax optimization would also be helpful.

An immediate challenge is to address debt vulnerabilities and bring down the cost of capital for new investments in EMDEs. Country-specific responses will be required, including new financing to address rollover risk in countries facing short-term liquidity pressures and deep debt reduction for countries facing solvency issues, as well as expanded grant and concessional financing, especially for LICs and climate-vulnerable MICs. Overall, international partners will need to strengthen the implementation of the Group

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[1] While China is extremely important to global climate goals, accounting for 27 percent of total greenhouse gas emissions in 2019 (World Bank 2023a, 2023b), its high level of savings enables it to more than cover its investment requirements, and it does not require external financing in the same way as other EMDEs. Hence the reason for the grouping "EMDEs other than China."

[2] These subsidies include those in high-income countries as well, though as of 2021, MICs accounted for the highest share of aggregate global energy subsidies (World Bank Group 2022d).

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of Twenty Common Framework for Debt Treatment and collaborate on developing stronger mechanisms for resolving debt difficulties.

2. Private sector financing

There is great potential, opportunity, and need for a sizable stepping up in private investment and financing. The private sector can now undertake a growing proportion of sustainable investments in EMDEs, such as those related to the transition to clean energy through commercial-scale solar and wind power. The International Energy Agency (2021a) estimates that about 60 percent of energy transition financing will need to come from private sector.[3] To date, however, investments in this area have been small relative to the scale of the need. To open up the pipeline of private capital for the transition, governments need to tackle binding constraints to the investment climate, including the many national barriers to foreign investment and policies that distort competition. Private-sector-led initiatives launched over the past two years to scale up financing for sustainable investments in EMDEs will need to work together proactively and in partnership with countries, multilateral development banks (MDBs), and the International Monetary Fund (IMF) to tackle policy impediments.

Concessional finance to de-risk private investment will also be needed at scale. This is the case for investments in new technologies whose costs are still high but will fall with large-scale adoption and for public-goods investments, which despite clear public benefits (at the national or global level or both) can translate to relatively lower private returns compared to nongreen investments. Greening industrial operations such as cement and steel, for instance, generates a clear public benefit not reflected in private investors' financial returns. In low-income and fragile nations, macroeconomic risks may outweigh commercial returns available, also requiring concessional financing.

Beyond mobilizing private financing, emphasis must be placed on aligning the financial system with climate and development objectives. Efforts by supervisors and financial regulators are particularly important for ensuring that physical and transition risks do not become realities, helping avert a disorderly transition. Such efforts can strengthen incentives for private financial institutions to align their portfolios with net-zero emissions (while avoiding greenwashing), to shift flows to EMDEs where needs for investment in support of GRID are highest, and to disclose the volume and scope of their contributions in a timely and transparent way.

3. Financing from MDBs, the IMF, and donors

Although MDBs met their collective 2025 financing goals for climate change mitigation and adaptation four years early (Joint Report on Multilateral Development Banks' Climate Finance) and have significantly stepped up their commitments for financing climate change mitigation and adaptation, the gap between financing and investment needs remains large and growing. Given their comparative advantages, MDBs have significant scope to do more and to evolve so that they can better address global public-goods challenges, building on synergies with the agenda on poverty reduction and other SDGs. First, MDBs will have a key role in helping countries to integrate climate and development and in scaling up investment, but they will need to adjust their tool kits in a variety of ways in order to do so, and they must build on their country focus to support global coordination. The required new approach would imply an expanded use of concessional financing, including grants, and blended financing not only in LICs, but also in MICs, to provide incentives for public-goods investments or investments that entail elevated risks, high preparation costs or both. Second, MDBs should enhance private capital mobilization through an enabling environment and scaling up the use of instruments like guarantees and insurance products.

[3] This estimate does not account for the costs of phasing down the use of coal for energy generation, which further increase private sector's share of financing.

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Third, they can explore with shareholders financial innovations to make further use of their balance sheets without affecting their credit ratings so as not to raise the cost of financing for clients. Fourth, they will need greater shareholder financial support to significantly expand their financing—particularly concessional financing—given the gap between the scale of financing needed and current balance sheets. MDBs will need to do "more with more." The World Bank Group's (2022c) Evolution Roadmap can help chart its course for responding to the challenges of poverty reduction, shared prosperity, and global challenges.

The IMF will also need to do more to support these efforts. This includes stepped up efforts with the Group of Twenty to improve the Common Framework for Debt Treatment, together with the World Bank. Swift rollout of support through its newly established Resilience and Sustainability Trust will help increase access to financing in many of its members. This trust is supported by the channeling of special drawing rights from countries with strong external positions to help LICs and MICs create an enabling environment for complementary MDB and private sector financing and help address longer-term macro-critical structural challenges, including climate change and pandemic preparedness. Scaled-up focus on carbon taxation and elimination of fossil fuel subsidies as part of Article IV work and increased analytical work in several key areas—policy design to arrest emissions of greenhouse gases and ways to mobilize domestic and foreign private sector financing for climate change mitigation and adaptation as a complement to climate-related policies—will also contribute to needed support.

Donors will also need to significantly step up their efforts to help EMDEs finance their investment requirements. Advanced economies will need to address the shortfall in their commitment to provide and mobilize $100 billion per year to developing countries in financing for climate change mitigation and adaptation and go far beyond it, doubling—at least—mitigation and adaptation financing, including concessional financing, by 2025, compared with their 2019 levels, and steadily increasing them further by 2030, to make the available financing commensurate with what EMDEs need to do. Overall development financing will also need to increase significantly. Greater alignment with countries' climate and development goals and lower fragmentation in the provision of concessional financing can enhance the effectiveness of donors' assistance, as can increased use of bilateral guarantees from highly rated countries to de-risk loan exposures and help release capital, as well as greater use by donors of MDBs' capacity to leverage each dollar of funding to mobilize additional resources—as compared to direct donations and trust funds—to address common public goods like climate change mitigation and action, pandemic preparedness, and response to fragility and conflict.

The urgency, complexity, and transnationality of existing challenges requires all relevant stakeholders to do much more and in a more coordinated manner, working in tandem toward joint agreed-upon goals. This means that governments, donors, MDBs, IMF, and the private sector need to assume agreed-upon roles and responsibilities and take more ambitious actions, to jointly reap associated rewards. This in turn implies going beyond comfort zones and working closely together to design innovative solutions befitting a variety of crisis-induced scenarios. EMDEs will need to undertake far-reaching policy reforms; advanced economies must provide quality financing at scale; the private sector will need to step in with investments and technologies; and MDBs, the IMF, and donors will need to update their vision for development financing and delivery. A coordinated effort will help maximize synergies and enhance impact. Despite the challenging conditions, there are tremendous opportunities for growth-enhancing investments, for benefiting from rapid technological advances, and from acting together at a time of fractured geopolitics. Bold actions can unlock the growth story of the twenty-first century: strong, sustainable, resilient, and inclusive.

Box ES.1 summarizes the report's key recommendations. More detailed actionable recommendations can be found at the end of each subsection.

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Box ES.1. Summary of Recommendations

Strategies and policies

- **Policymakers and development partners adopt an effective approach to growth and development,** one that eschews the damaging ways of the past, considers interlinkages among people, the planet, and the global economy in policy making, and seizes the opportunities new technological possibilities offer to promote strong, resilient, inclusive, and sustainable growth.
- **Countries urgently initiate a major investment push to transform their energy systems, adapt and build resilience to climate change, protect and restore natural capital,** promote development, avert the rising cost of climate inaction, and seize the opportunities for growth in the new global green economy.
- **Governments create demand for energy transition projects through ambitious long-term strategies underpinned by sound planning.** Governments enhance the financial viability of their power utilities, strengthen network infrastructure, set the framework for a just transition away from coal, provide an enabling environment for clean investments, accelerate coal plant retirement, attract the private sector, and compensate losers as needed, particularly the most vulnerable.
- **Stakeholders at the global and country levels adjust the policy environment to correct systemic failures.** Governments develop long-term investment strategies and undertake reforms to improve the investment climate, deepen financial markets, and tackle political economy, governance and market failures. Carbon pricing, appropriate standards and regulations, or both are key elements of a policy package embodying the needed corrections. Regulators and supervisors develop a supportive international sustainable financial architecture that creates the incentives, tools, and information framework to enable financial institutions to internalize climate-related physical and transition risks.
- **Governments promote green technological innovation and diffusion, with support from the development partner community,** and provide a clear sense of direction and policy certainty to encourage firms to redirect innovation toward green technologies. While policy approaches to support climate policies and the energy transition may differ across countries, it is important to avoid beggar-thy-neighbor policies, which result in lower trade in green goods and services, lower technological transfers, and an inefficient allocation of resources. Development partners could also explore multicountry mechanisms to support technological breakthroughs in clean technologies for their diffusion to emerging markets and developing economies.

Institutions

- **Governments adopt a whole-of-government institutional approach** to help address fragmentation of governance systems, develop the required new skills within government, and facilitate the needed coordinated action across government branches and among government, firms, and citizens, as well as at the international level.
- **Governments set up or strengthen country-led and country-owned coordination mechanisms to accelerate investments in green, resilient, and inclusive development and the transformation of key systems,** bringing together key stakeholders to tackle binding policy constraints and enhancing coordination and the mobilization of the necessary financing.
- **Governments adopt second-generation fiscal rules to improve fiscal policy and rebuild fiscal space to support critical investments in a fiscally sustainable way.** These new fiscal rules are comprehensive, use a debt anchor, include a small number of operational rules and simple escape clauses, provide enhanced transparency, and place more emphasis on expenditure composition. MDBs, the IMF, and other development partners provide technical assistance as needed.

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Integrated finance

- **An integrated financing strategy is adopted at the country and global level,** employing the complementary strengths of different pools of finance and supported by five actions:
    - **Donors double—at least—mitigation and adaptation financing, including concessional financing**, by 2025, compared with their 2019 levels, and steadily increase them further by 2030; improve access and transparency; align support behind country priorities; and bolster support for multilateral funds. Overall development financing will also need to increase significantly.
    - **MDBs and the IMF are supported in evolving in the face of multiple crises,** increasing their provision of technical expertise and financial assistance, particularly concessional financing, through innovative solutions (including MDB balance sheet optimization) that do not affect their credit ratings, as well as additional financial resources from their shareholders.
    - **The private sector, MDBs, and the IMF help scale up private sector financing for climate and development** through an enhanced partnership between the private sector, MDBs, and the IMF and an active role for the private sector.
    - **Stakeholders support debt restructuring,** including deepening of common understanding of debt-restructuring challenges and enhancing creditor coordination.
    - **Governments bolster domestic resource mobilization** by removing wasteful fuel and agricultural subsidies and redirecting resources and increase fiscal space by deepening tax reforms, modernizing revenue systems, strengthening tax administration, and enhancing the quality of spending.

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