

KEY OVERVIEW MESSAGES

By Amar Bhattacharya, Homi Kharas, and John W. McArthur

A new policy narrative is required to reframe the interwoven nature of the world's climate and economic development challenges, anchored in the evolving and diverse perspectives of developing countries themselves. Across developing countries, billions of people with limited economic means are already confronting the most severe daily consequences of climate change. Moreover, emerging markets and developing economies, even when excluding the special case of China (henceforth "EMDEs" in this chapter), could account for most of the world's annual greenhouse gas (GHG) emissions within a few decades. The physical forces of climate change are having profound influence on the economic forces of growth and development, and vice versa.

Channeling these dynamics toward successful climate and economic outcomes frames a linchpin of global sustainable development. Nonetheless, the scale and pace of action is still being held back. Many developing countries remain concerned that a focus on climate action could detract from development goals. They are concerned about the diversion of financial resources away from development priorities and a shift in focus within institutions like the World Bank. Many countries are concerned about the costs of transition to new energy systems. A lack of domestic fiscal resources and of adequate external financing further limits the inclination and ability of many developing countries to embark on ambitious climate action.

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AMID THESE COMPLEXITIES, THESE GUIDING PRINCIPLES CAN HELP INFORM PRIORITIES BOTH FOR COUNTRY-LEVEL ACTION AND FOR SCALING UP INTERNATIONAL SUPPORT:

- EMDEs are pivotal to the global climate agenda: they are the most impacted by climate change and their growth and development trajectories will be key drivers toward reaching a global net-zero target by mid-century.
- Climate action is not separate from development action; it must be fully integrated with and anchored in development efforts—both to avoid development setbacks and to promote new opportunities for growth and well-being.
- The climate and development challenge that EMDEs are facing is multi-decadal, but the coming decade is critical given the urgency of shrinking carbon budgets, heightened risks to nature, and the need to avoid lock-in of dangerous development pathways.
- EMDEs have to confront the here-and-now impacts of climate change that require much better national and international mechanisms for insurance and loss and damage. Adequate international support is essential, based on the principle of historic responsibility.
- The world lags far behind in confronting the realities of climate adaptation and resilience, which are major priorities for EMDEs. Institutional capacity and financing for these areas need urgent strengthening.
- The loss of natural capital in EMDEs poses risks of irreversible damage to them and to the world; EMDEs can provide cost-effective eco-services for the entire planet if better burden-sharing mechanisms can be created.
- The transformation of energy systems provides a historic opportunity to deliver on both climate mitigation and development goals by leapfrogging to new technologies for low-cost renewable power and shifting energy demand.
- Making progress at the pace necessary to deliver on global climate and development goals will require a major investment push across all EMDEs—in clean energy transformation, adaptation and resilience, and natural capital.
- Strong country leadership with robust policy and institutional foundations will be crucial for transforming climate investment needs into viable investment programs and projects, and to manage structural dislocations from rapid change.
- The availability of the right kinds of finance at an affordable cost will be essential. In addition to buttressing domestic resource mobilization, EMDEs other than China will need additional external finance of around \$1 trillion per year by 2030, comprising a mix of private finance, official development finance, and concessional finance.

FOUR KEY INGREDIENTS

TO HELP DRIVE SUCCESSFUL ACTION AND OUTCOMES IN EMDES

1

Setting the international agenda

Developing countries need to engage effectively in setting the global climate action agenda. Even while a large developing country coalition has been extremely strong on issues of adaptation, loss and damage, and finance, it has been more ambivalent on climate mitigation because of differences in interests. As a collective, EMDEs must push for more ambitious and accelerated decarbonization by advanced economies and China to slow down the process of climate change.

2

Domestic planning and consensus building

Developing countries have to build the necessary foundations for effective climate action within their own countries. This huge and multi-pronged challenge requires a clear vision, strategy, and ability to implement well-specified policies and investment programs. One way to build consensus and bind commitments is through the development of long-term strategies and their articulation in NDCs presented to the international community.

3

Finance

Progress on climate action requires better international collaboration and support for developing countries, especially on finance. Rich countries must therefore be pressed to double their direct climate finance commitments by 2025 and improve its effectiveness. The expansion and reform of the MDB system is also critical, as are measures to reduce the cost of capital in expanding private finance for renewable energy in EMDEs.

4

Building trust

Developing countries should ask developed countries for measures to help rebuild trust and confidence in international cooperation. Advanced economies will benefit from paying heightened attention to EMDE needs, and have moral, financial, and strategic reasons to put in place a more supportive international structure.