

mobilizing private capital?
investment barriers meet reality

advait arun
march 2024

bio

- **climate and infrastructure finance analyst**
- **IRA implementation:** elective pay, loan programs, green banks
- **int'l cli-fi:** JETPs, World Bank reform, debt swaps, microfinance
- **topics:** investment process, derisking turn, development finance
- **writing/research:**
 - barriers to “mobilizing private capital”
 - climate risk “doom loop”
 - financial system arcana

outline

- the finance gap
- mobilizing private capital
 - high-level initiatives: JETPs, MDB Reform, Global Shield
 - high-level trends: in terms of money, we have no money
- barriers to mobilizing private investment
- case study: Energy Transition Mechanism
- doom loop & insurance markets
- takeaways

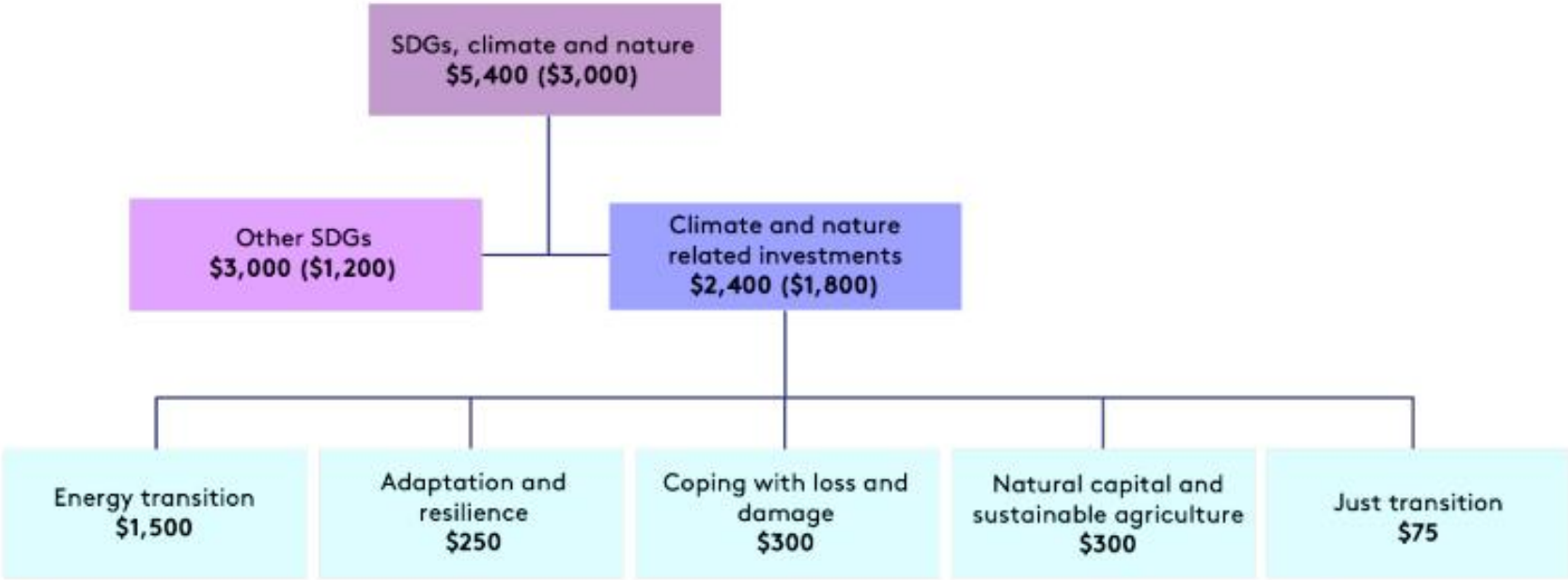
the wall street consensus

- the “assetization” of development ([Gabor](#))
 - all about “mobilizing private capital” toward social goals
 - focus on rentier assets: housing, energy, transport, healthcare
 - cities: Nusantara, NEOM, Cairo
 - Ukraine’s postwar [reconstruction](#)

This is the Wall Street Consensus mantra: the state and development aid, including multilateral development banks, should escort the trillions managed by private finance into climate or the Sustainable Development Goals asset classes. The state derisks or “blends” by using public resources (official aid or local fiscal revenues) to align the risk-return profile of those assets (“bankable projects”) with investor preferences or mandates. Transforming climate or nature into asset classes necessitates the commodification and financialization of public goods and social infrastructure, beyond water, electricity and transportation, and including housing, education, healthcare; these have to generate cash flows that pay institutional investors. The consensus understands the state as a derisking agent: its fiscal arm enters public-private partnerships to render them bankable by transferring some of the risks to the balance sheet of the sovereign, while its monetary arm protects investors from liquidity and exchange rate risk.

the “finance gap”*

Figure 1. Investment/spending requirements for climate and sustainable development (\$ billion per year by 2030)



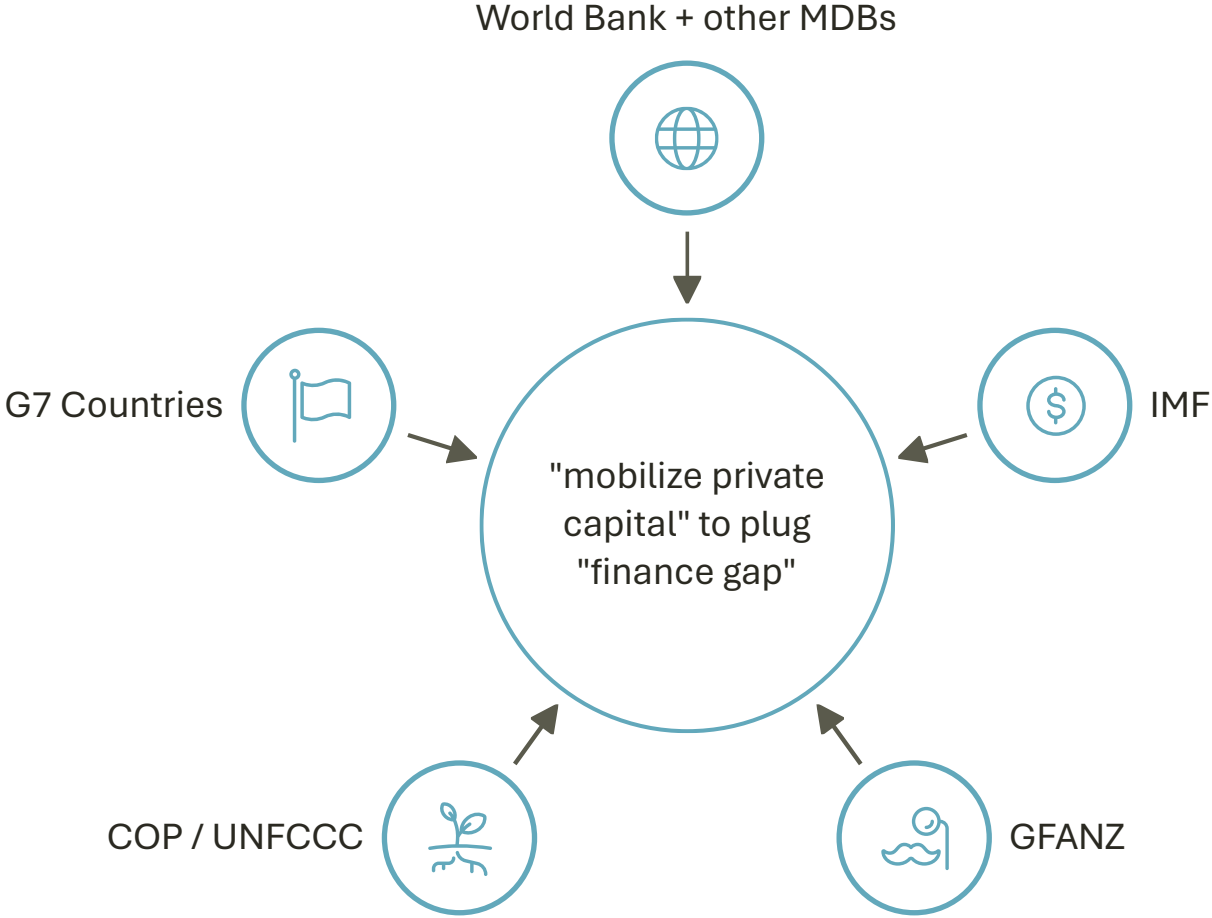
Note: Incremental investment from current levels is indicated in parentheses. \$ = US\$ throughout.

*for a critical take on this way of thinking, read [Nick Bernards](#) and [Patrick Bigger](#)

mediating institutions—just in case!

- national governments
 - G20, G7, G24, V20, APEC, OECD, SIDS, etc.
- united nations: UNFCCC, COP
- multilateral development banks: World Bank, ADB, AfDB, IADB, AIIB
- International Monetary Fund
- GFANZ / Glasgow Financial Alliance for Net Zero
 - and other corporate groups
- civil society organizations
 - expert groups, think tanks, advocacy, nonprofits, etc.

total agreement ...



Remarks by Treasury Assistant Secretary for International Trade and Development Alexia Latortue at the OECD Community of Practice on Private Finance for Sustainable Development Conference

January 31, 2023

The financing gap for the emerging market infrastructure needed to keep the 1.5 degrees Celsius goal within reach is measured in the trillions of dollars per year.

Public budgets alone won't be able to fill that gap. Success will absolutely require the private sector as an essential player to achieve climate and broader development outcomes.

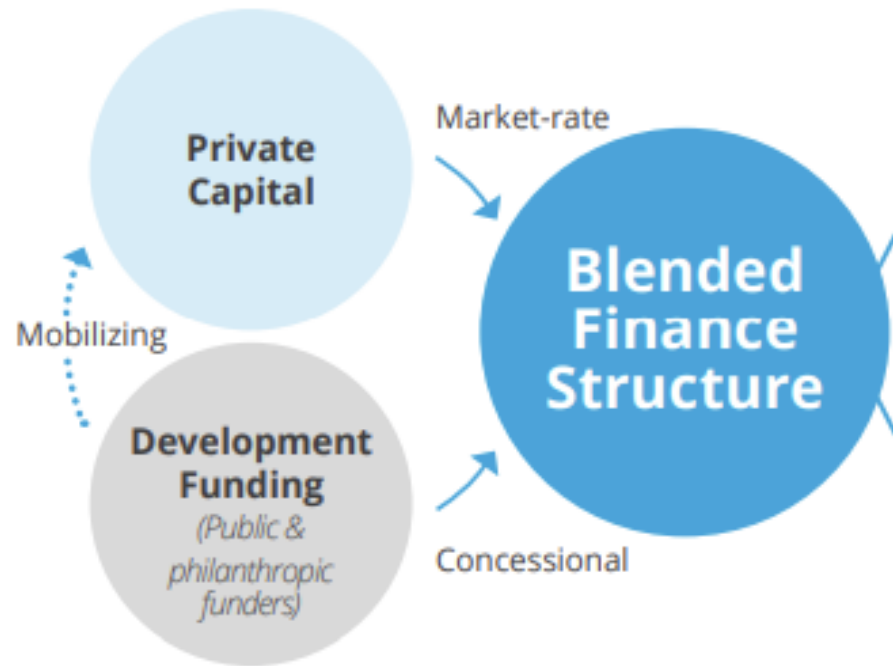
But the amount of private capital investors have mobilized for emerging market infrastructure has been stagnant for over 8 years, never rising above \$175 billion annually. The macroeconomic challenges and interest rates of 2022 have not helped EMs either.

We must therefore redouble our efforts to channel finance toward sustainable infrastructure. Business as usual is not delivering. More is required to produce a necessary sea change in investment.

What can we do? Well, Governments, including mine the United States, should consider a more strategic use of public resources, including concessional resources, to fund investments that support achievement of the Sustainable Development Goals. To make the most of our limited funds, we must lean into innovative financing mechanisms such as blended finance structures that can increase the deployment of proven mechanisms, such as loan guarantees, credit enhancements, and political risk insurance.

real quick: blended finance → derisking!

Figure 1: Typical Blended Finance Mechanics and Structures

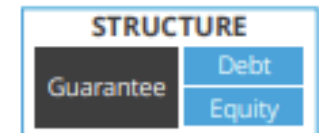


EXAMPLE STRUCTURES

Private equity or debt funds with concessional public or philanthropic funding attracting institutional investment



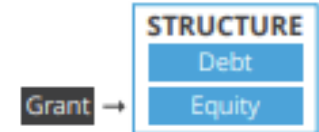
Bond or note issuances with concessionally priced guarantees or insurance from public or philanthropic funders



Grant funding from public or philanthropic funders to build capacity of investments to achieve expected financial and social return



Grant funding from public or philanthropic funders to design or structure projects to attract institutional investment



total agreement ...

WALL STREET CONSENSUS + WASHINGTON CONSENSUS

- **G20** as an institution does not contest this agenda
 - (even if India + Brazil have pushed for greater tech transfer, Global South voice, etc!)
- **China** did not contest Ajay Banga @ World Bank
 - despite their state-led energy development push
 - AIIB emphasizes private capital mobilization just as other MDBs do
- external **boosters** do not challenge “finance gap” view
 - [Bridgetown](#), [Songwe-Stern](#), [Summers report](#)

high-level initiatives

- just energy transition partnerships (JETPs)
 - South Africa, Indonesia, Vietnam
 - other “country platform” arrangements: Egypt’s NFWF
- World Bank / MDB Reform
 - IF-CAP
- Global Shield (mobilizing private capital for insurance)

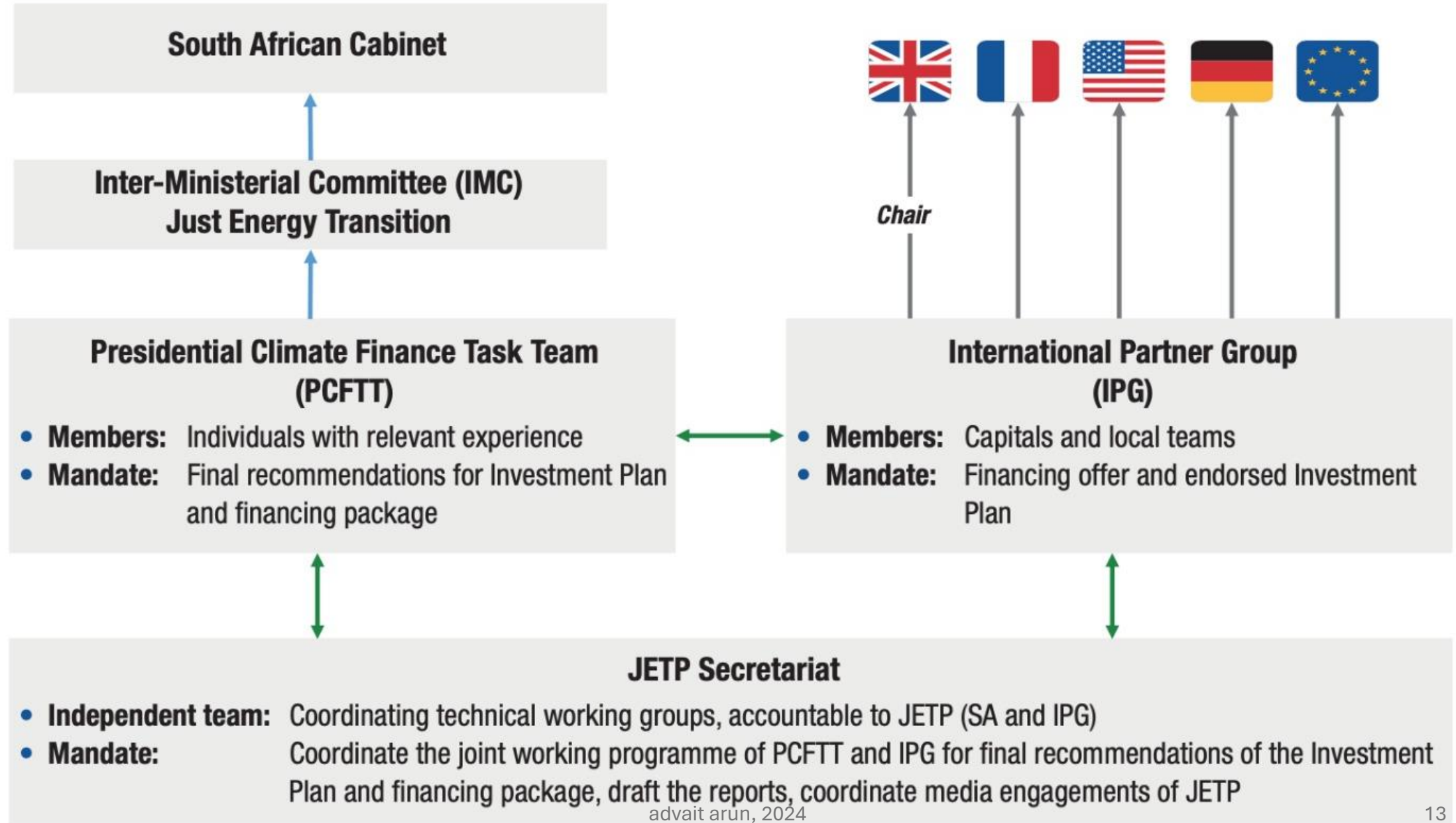
also:

- carbon markets

whither the JETPs?

- **PRAISE** where praise is due
 - unprecedented diplomatic effort on part of G7+ to “syndicate” finance
 - host country can direct sectoral allocation of private finance (allegedly)
 - involvement of global civil society actors
- **CRITICISM** otherwise:
 - no sign that high-level diplomatic engagement translates to technical progress
 - three years of nothing much
 - little to no additionality
 - does not necessarily empower democratic/civil society coalitions
 - negotiations are foundering on: loans v grants, domestic pecc, emissions accounting
- **JETPs encapsulate agreement on goals *and* fractures in commitment**

Figure 1. JET IP governance



Green | Climate Politics

How 60 Million South Africans Are Being Failed by Global Climate Politics

An \$8.5 billion deal to finance South Africa's transition away from coal is mired in politics and power cuts.

By [Antony Sguazzin](#) and [Paul Burkhardt](#)

April 25, 2023 at 12:00 AM EDT

Updated on April 27, 2023 at 2:35 AM EDT

Money and Politics Put World's Biggest Climate Deal at Risk

A draft blueprint for Indonesia's \$21.5 billion green aid package highlights significant obstacles, including a big loophole for new coal.



The initial promise of peaking Indonesia's power sector emissions by 2030 at no more than 290 million tons of carbon dioxide, about 20% below a baseline for that year, looks out of the question. *Photographer: Bay Ismoyo/AFP/Getty Images*

By [Harry Suhartono](#), [Faris Mokhtar](#), and [Jennifer A Dlouhy](#)
September 3, 2023 at 7:00 PM EDT

Climate change

+ Add to myFT

Flagship climate finance scheme struggles to raise capital

Plan to mobilise vast sums for green transition in developing world 'long on promise but short on progress', says foundation



Barges transport coal on the Mahakam River in East Kalimantan, Indonesia. Joko Widodo, Indonesia's outgoing president, told the FT last year that there was 'tremendous' concern over green transition funds not materialising. © Dimas Ardian/Bloomberg

Kenza Bryan in London FEBRUARY 15 2024

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Chartbook 267 JET-P: The "Paper Tigers" of Western climate geopolitics (also Carbon Notes #12)



ADAM TOOZE
FEB 22, 2024



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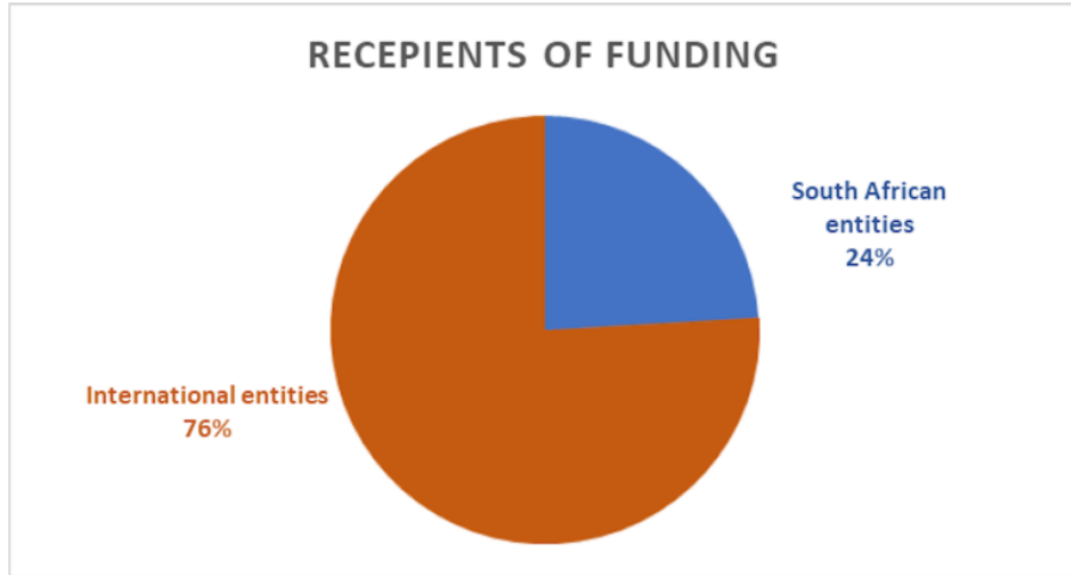
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CLIMATE FINANCE OP-ED

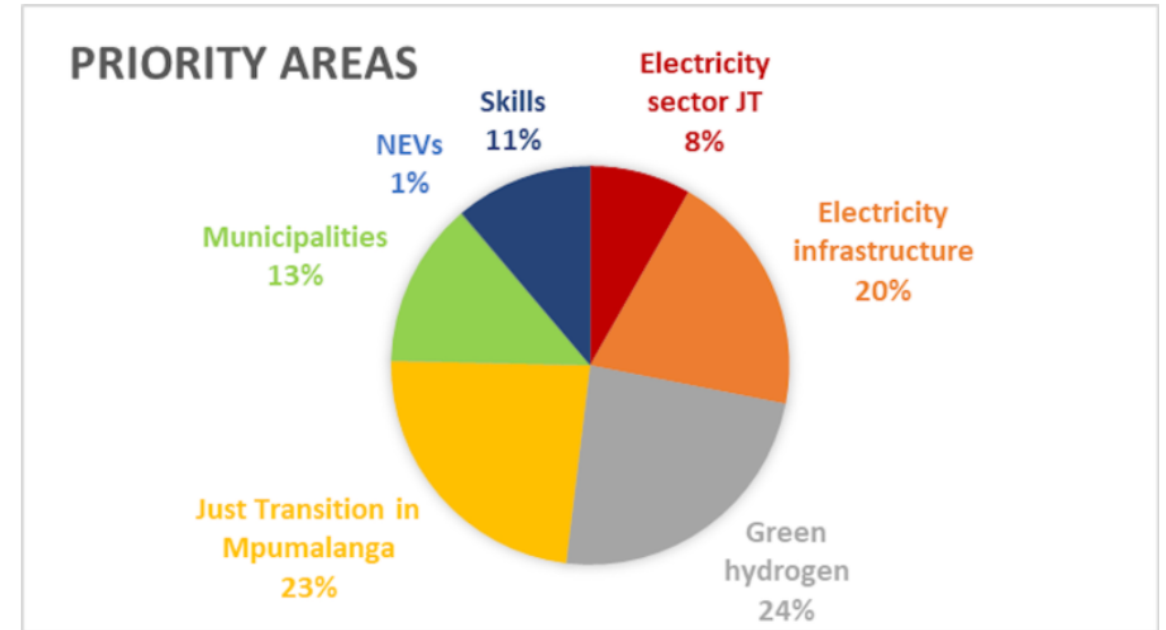
What happened to the Just Energy Transition grant funding?

Where has the money gone?



Recipients of Just Energy Transition grant funding. (Source: Authors' calculations)

The register distinguishes between implementing agencies and “parties and other key beneficiaries”. Only 24% of the money goes to South African implementing entities (a mix of private companies, non-governmental organisations, universities and government bodies). The rest goes to foreign companies and organisations, in most cases to entities from the donor countries. For example, about R1.7-billion goes to GIZ, the German development agency, and R2-billion to KfW, the German development bank. Therefore, more than R3.7-billion, which is more than a third of the total grant financing and covers all the grant financing given by Germany, goes straight back into its own development agencies and bank (and a handful of German research institutions). When asked about






Just Energy Transition grant spending on different priority areas. (Source: Authors' calculations)

For example, of the money allocated for electricity infrastructure, almost none is allocated to actually building electricity infrastructure, whether that be new renewable generation capacity or expanded grid infrastructure, both of which are urgently needed in South Africa. Rather, it is spent on a mix of technical assistance, project feasibility studies, scenario projections and capacity building. In total, about R1.2-billion of the grant financing is spent on technical assistance which has [long been criticised as a form of aid](#) for being ineffective, extremely expensive since much of these funds go to foreign “experts”, and an outdated form of development.

dubious tactics

- order of operations
 - private sector (GFANZ) will not invest without prepared projects
 - secretariat needs to coordinate preparation/derisking of projects at national level
 - host country needs to identify projects
 - IPG needs to provide derisking money
- industrial policy as sectoral allocation of finance
 - host country identifies key growth industries: hydrogen, EVs, solar PV modules, etc.
 - high returns require public derisking
- **consequences**
 - political centralization to facilitate investment climate?
 - dependency, lack of domestic macrofinancial resilience

Goodbye *Washington Confusion*, hello *Wall Street Consensus*: contemporary state capitalism and the spatialisation of industrial strategy

Seth Schindler ^a, Ilias Alami ^b and Nicholas Jepson ^c

^aGlobal Development Institute & Manchester Urban Institute, University of Manchester, Manchester, United Kingdom; ^bDepartment of Social and Economic Geography, Uppsala University, Uppsala, Sweden; ^cGlobal Development Institute, University of Manchester, Manchester, United Kingdom

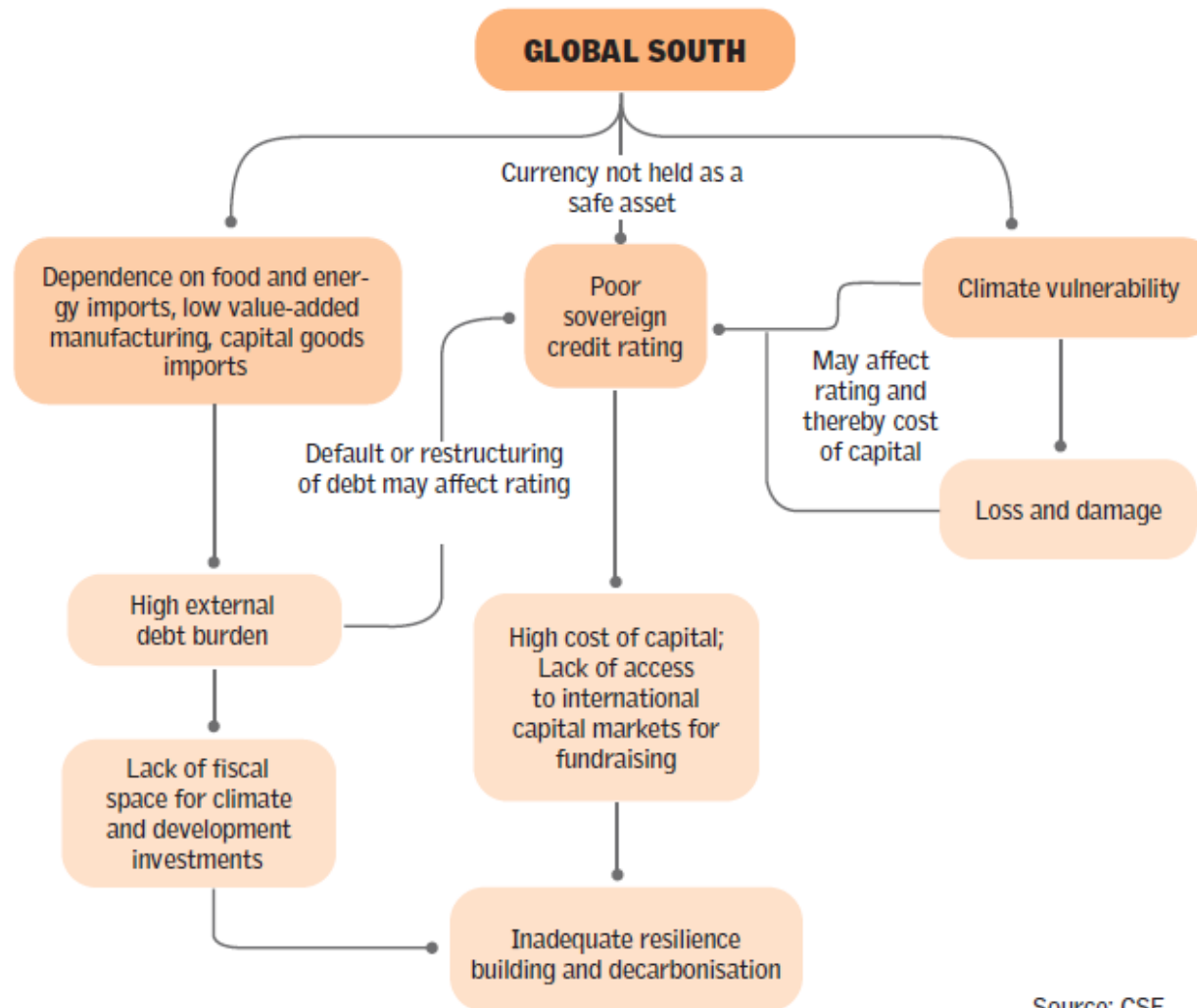
ABSTRACT

Recent scholarship has narrated the financialization of development, which Gabor (2021) refers to as the *Wall Street Consensus* (WSC), whose purpose is to facilitate the investment of global capital in Southern infrastructure by institutionalising the distribution of risk, reward and responsibility between investors and states. Gabor's conceptualization of the 'de-risking state' subordinated to global finance capital stands in stark contrast with scholarship on *state capitalism*, which charts the unprecedented entrepreneurial role played by states as investors and market participants. Our objective in this article is to reconcile the apparent paradox presented by the simultaneous emergence of the WSC and evolution of state capitalism. We argue that the WSC affords de-risking states scope to pursue autonomous strategic visions, and many have responded by embracing infrastructure-led development designed to integrate places within global value chains in ways that foster economic diversification, industrial upgrading and balanced regional growth. We present three examples in which de-risking states have implemented spatialised industrial strategies – Saudi Arabia's *Vision 2030*, Kenya's *Vision 2030* and *Thailand 4.0*. In each of these cases spatialised industrial strategies undertaken by de-risking states have fuelled the proliferation of large-scale infrastructure projects and served to justify political centralization.

KEYWORDS

Industrial strategy; spatial planning; finance; infrastructure; global development

Schindler, Alami, & Jepson argue (1) that this "derisking state" stuff amounts to industrial planning in its own right, and (2) that the result may well be political / authoritarian / executive centralization



Source: CSE

Goswami & Rao judge that Global South dependence on foreign finance prevents adequate resilience-building absent global financial system reform

so if i agree, and if you agree... *then who's driving the car???*

- JETPs exemplify state of climate finance writ large
 - high-level political agreement on strategy
 - domestic peccos become key roadblock to meaningful commitments on all sides
 - institutional investors are key partners of govts, but don't move independently (*more on this later*)
- economic consequences of the grease
 - dependence on global north value chains
 - pol. centralization → unjust transition?
- toy model for global climate finance
 - read **Tooze chartbook** on this stuff, says all of it better than i could

the world bank reform agenda

- JETPs on bigger scale
 - **project preparation, blended finance, guarantees, secondary market creation—all to mobilize private finance**
 - complex fund structures:
 - MCPP Infra / One Planet
 - Room2Run
 - IF-CAP
 - Alterra
 - key role for private finance: private sector investment lab
- **hurdles:** project preparation, credit rating and lending headroom, preference for guarantees over loans

ADB's New Climate Program to Offer Up to \$15 Billion in Loans

- The IF-CAP multiplies ADB's lending capacity through leverage
- That will enable climate change action anywhere, Asakawa says

By [Hooyeon Kim](#)

May 2, 2023 at 12:35 AM EDT

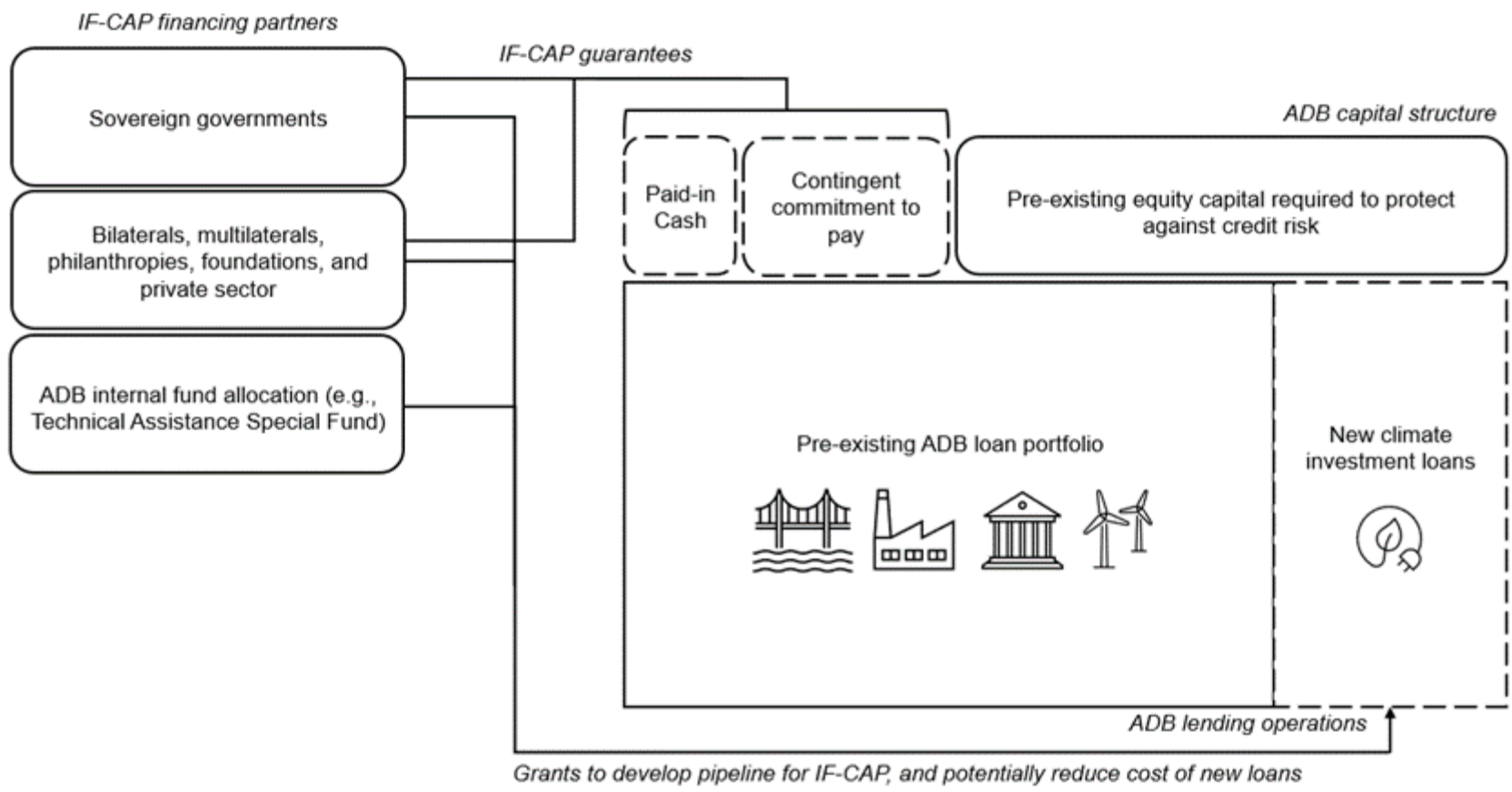


The Asian Development Bank announced a new program for financing efforts to counter climate change, stepping up its attempt to back one of its main focuses in the region.

The Innovative Finance Facility for Climate Change in Asia and the Pacific (IF-CAP) could create up to \$15 billion in new loans, through a goal of \$3 billion in guarantees, according to Asian Development Bank President Masatsugu Asakawa.

IF-CAP

- “The Innovative Finance Facility for Climate Change in Asia and the Pacific”
 - (shouldn't it be spelled IFFCCAP?)
 - ADB balance sheet:
 - ADB has a portfolio of loans to sovereign governments
 - each loan in the portfolio has a certain risk of default (sov gov't not repaying)
 - preserving AAA credit rating requires that ADB keep the default risk on this loan portfolio below a threshold
 - IF-CAP Guarantee:
 - donor governments offer loan guarantee on ADB's portfolio—shifting default risk from ADB to donors
 - less default risk → ADB can make more loans (with new default risks) *while* preserving AAA rating
 - ADB does not need to pay for these guarantees
 - guarantees do not need to be fully paid for by donors (contingent liability, vs a loan)



concentration risk

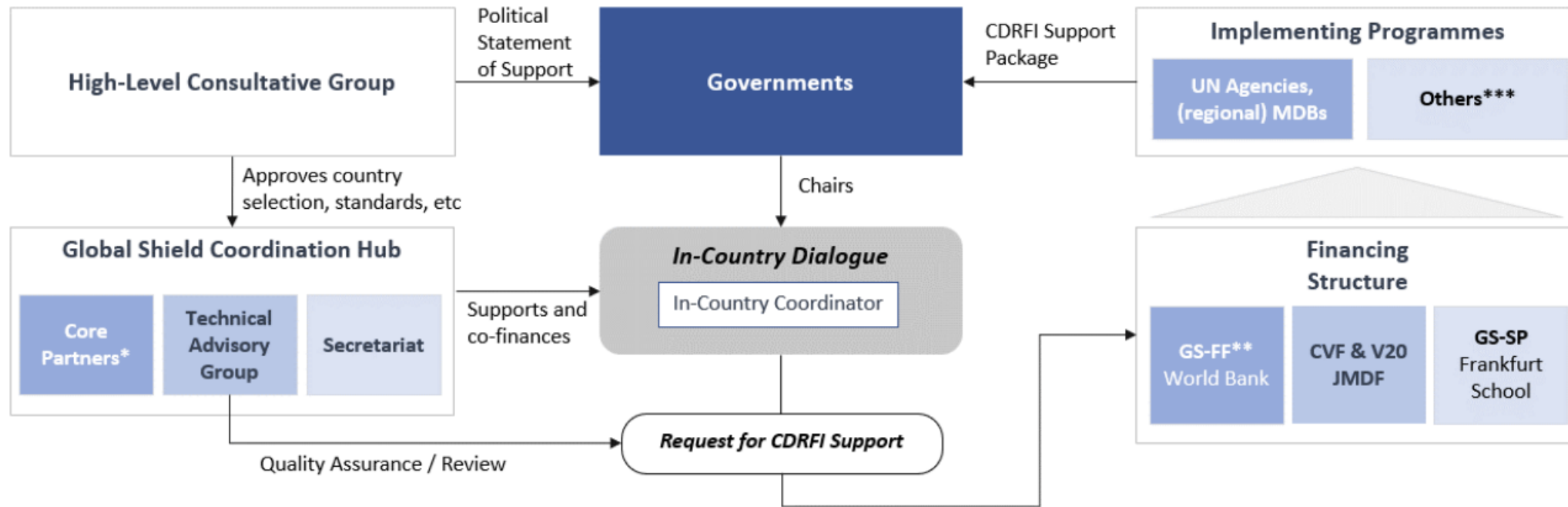
- obvious fact with less obvious implications: ADB portfolio is concentrated in Asian economies
 - default risk of loan portfolio exhibits “geographic concentration”
 - more loans to fixed set of countries → greater exposure to smaller set of possible sovereign defaults
 - correlated contagion risks? (Asian Financial Crisis)
 - donor govts’ loan portfolios *do not have same degree of concentration*
 - e.g., USA sovereign loan portfolio is not only for Asian countries
 - loan guarantee shifts default risk in mutually beneficial manner:
 - ADB attenuates its concentrated default risks
 - USA + other donors take default risks of certain loans, but it is less concentrated
 - TLDR: it is less risky for the USA to hold these loans’ default risks than for the ADB

whose default risk?

IF-CAP is a guarantee program for the ADB's sovereign loan portfolio... so take a guess

global shield

- led by Germany & V20, supported by US and other G7 countries
- designed to plug countries' "protection gaps"
 - reinsurance pool for host country insurance programs
 - financing pool for parametric insurance/reimbursements/disasters
 - technical assistance for "risk market development"
 - "all risk analytics supported by public funds will need to be publicly accessible"
- mobilize private finance for insurance pools
- Global Risk Modeling Alliance
 - "The Global Risk Modelling Alliance is unique in offering private sector risk analytics capability for the benefit of public sector programmes, for public good. Ministries will gain and use the financial metrics to develop risk strategy – and access risk capital – with confidence."



* V20 Sec, BMZ, FCDO, ADB, Centre for Disaster Protection, KfW, UNDP, World Bank, IDF Sec

** GS-FF can fund both World Bank-executed projects and external projects via transfer-outs

*** Private Sector, Risk Pools, IIF, NDF, GIZ, V20 SIF/UNEP FI PSI, V20 Loss and Damage Funding Program, Climate Prosperity Plans, bilateral G7 programs

Figure 1: Global Shield against Climate Risks – Proposed Structure.

	Global Shield Solutions Platform (GS-SP)	Global Shield Financing Facility (GS-FF)	CVF & V20 Joint Multi Donor Fund (JMDF)
Main purpose / comparative advantage within GS	<p>Primary GS financing vehicle to leverage the private sector and cooperate with a wide range of complementary private and public CDRFI implementing partners in the following categories:</p> <ul style="list-style-type: none"> • Country needs of priority countries identified by the GS-HLCG and benefiting from the in-country dialogue • Regional and global programmes related to CDRFI (e.g. financing risk pools or a programme for insuring the development impact for infrastructure projects) 	<p>Primary GS financing vehicle for projects which can be integrated in World Bank and selected MDB and UN Agency programmes which support Governments in the area of CDRFI, including adaptive social protection, and benefit from the in-country dialogue</p> <p>GS-FF can integrate new components into ongoing projects through additional financing</p>	<p>Primary GS financing vehicle for projects designed by the V20 which are implemented through pre-selected entities by the CVF/V20 and the board of the Fund, benefitting from the in-country-dialogue</p>

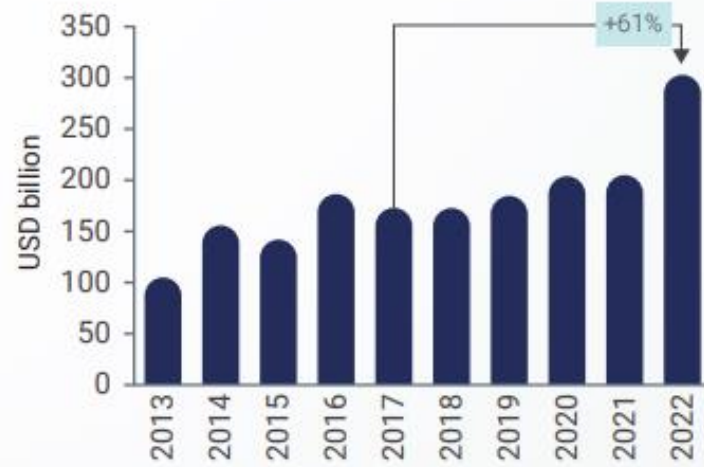
total agreement ...

... yet a total lack of financing!

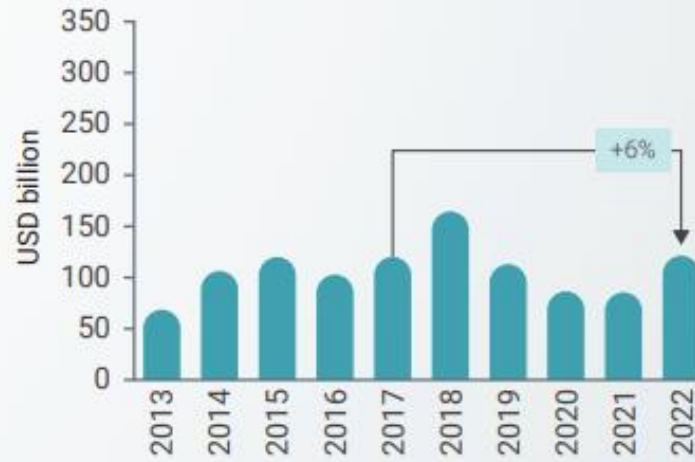
Private investment in infrastructure projects by income group

(USD billion and % growth compared to five-year average)

High-income countries



Middle- and low-income countries



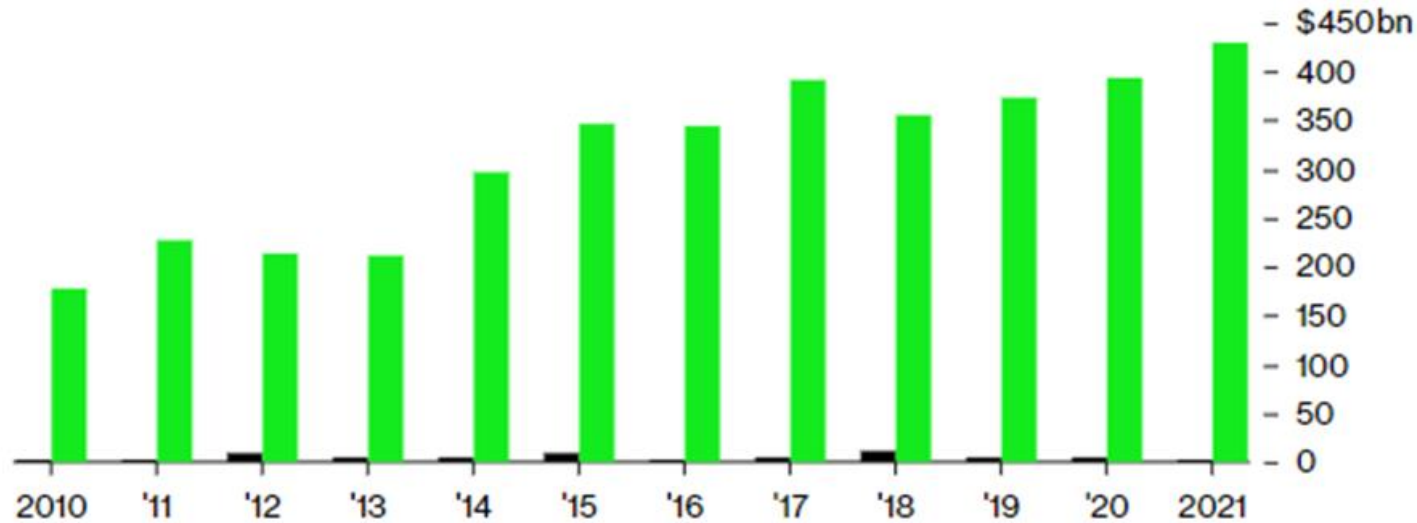
Source: Global Infrastructure Hub based on Realfin data.

GIH, 2023

Renewable Investment in Africa

Poorest continent has the lowest share of clean power investment

■ Africa ■ Rest of world

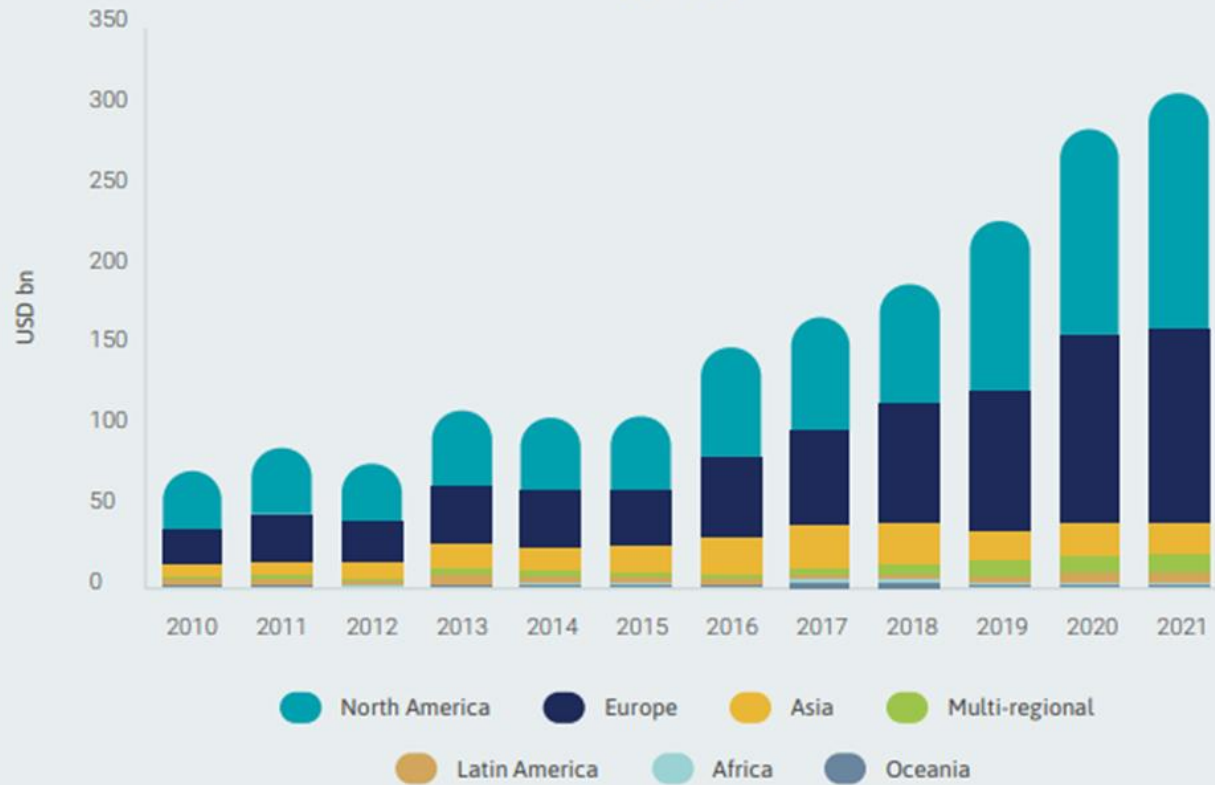


Source: BloombergNEF

Note: Global renewable energy asset investment by region

Bloomberg, 2023

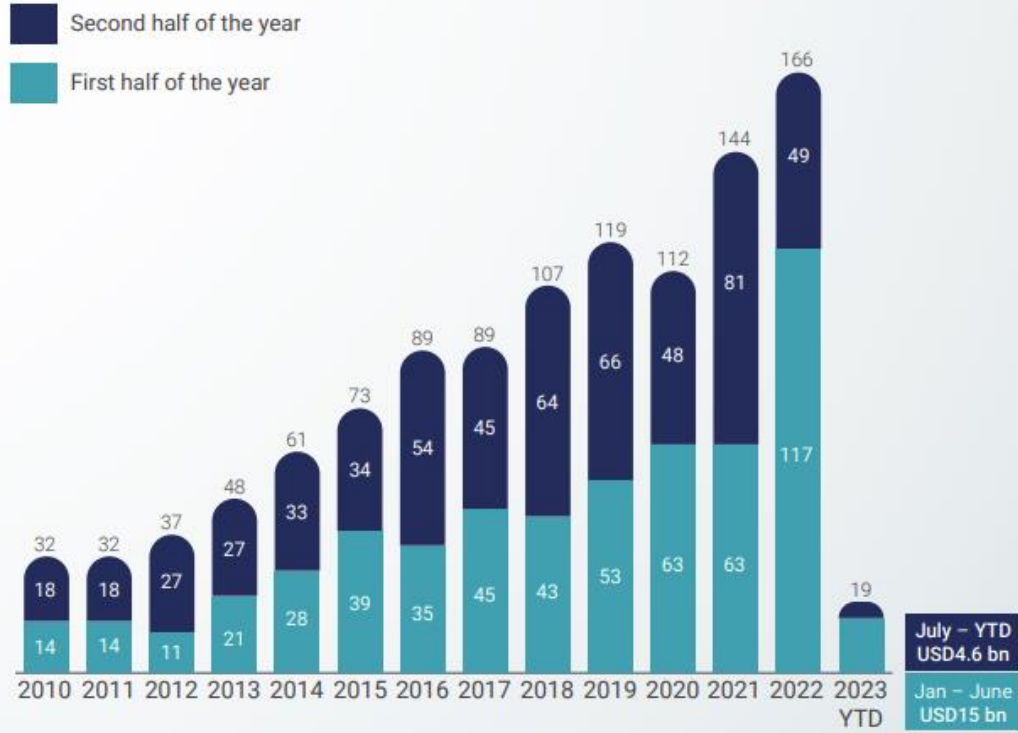
Cumulative infrastructure dry powder by region, 2010–2021
(USD bn)



Source: Preqin (2022f), data as of 7 July 2022.

GIH, 2022

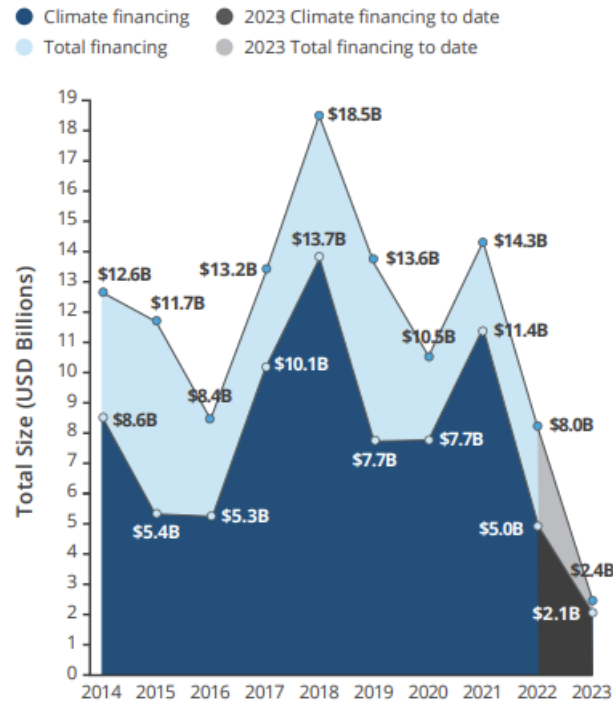
Private infrastructure capital raised by funds
(USD billion, 2010–2023)



Source: Preqin data as of 13 October 2023.

GIH, 2023

Figure 4: Aggregate annual deal volume, total blended finance market vs climate blended finance market, 2014 – October 2023



- Despite capturing a similar deal count in 2022 compared to 2021 in the overall blended finance market, Convergence found that total deal volume decreased by approximately 45% in 2022 and about 55% in climate blended finance, reaching a ten-year low in total financing. These trends are symptomatic of larger macroeconomic challenges impacting financing flows to EMDEs, characterized by inflationary pressures, mounting debt burdens, and geopolitical instabilities.
- Climate blended finance transactions accounted for under 40% of all blended finance deals in 2022, down 10% when compared to each of the previous five years where climate-focused transactions accounted for 50% or more of the annual deal count.

Convergence, 2023

IBRD has made limited progress in mobilizing public and private capital as defined under the CIP. Its average annual PCM from FY19 to FY22 was 7.4 percent, well below its target of 25 percent. Following the capital increase in FY18, IBRD's PCM ratio of mobilization to own-account financing decreased from 16 percent to 3 percent in FY21 but then rebounded to 9 percent in FY22, resulting in an average annual PCM of 7.4 percent between FY19 and FY22. Only in 2017 did IBRD meet its 25 percent mobilization target.

IFC's core mobilization ratio has been 94 percent averaged over the CIP period, exceeding the illustrative target of 80 percent of own-account commitments. Its mobilization totals increased from \$10.2 billion in FY19 to \$10.6 billion in FY22, and its mobilization ratio dropped over the CIP period (falling to 84 percent in FY22), which was still above the CIP's 2030 target of an 80 percent average.

The CIP's market creation objectives were not fully articulated, and implementation was not systematic. Bank Group management took steps toward implementing Maximizing Finance for Development through the Cascade approach, including issuing guidance notes to incorporate the approach in country engagement products, establishing working groups, creating IFC upstream units, strengthening analytical capacity, and providing communication and training materials; however, there is little evidence that this led to operational work to create markets. IFC's upstream operating model was launched in 2020 and envisaged a strong role for global units in supporting the creating markets strategy. In 2022, it moved most staff from these global upstream units to regional upstream units and further merged upstream and advisory teams. Furthermore, the Bank Group's Cascade approach for creating markets was partially at odds with volume and process efficiency targets and related staff incentives. However, in the absence of a monitoring framework, there was no evidence that these efforts were systematic or successful; the reporting relied on individual examples.

World Bank, 2023

"IBRD has made limited progress in mobilizing public and private capital as defined under the CIP. Its average annual PCM from FY19 to FY22 was 7.4 percent, well below its target of 25 percent."

Table A: MBD and DFI development finance assets: Ability to Mobilize Private Finance

Asset	Ability to Mobilize Private Capital	Estimated percent of MDB and DFI balance sheet (Private sector finance operations only)	Comment
Public sector - (sovereign) Loans	Low		Interest rate on loans is large discount to market rates and loan tenor is very long. NPV of loans is low relative to FMV.
Private sector - Hard currency loans	High	80%	MDBs and DFIs report high net interest margins, reasonable default rates and low losses.
Private sector - Local Currency Loans	Medium	7%	Few investors are interested to take open currency risk. MDB/DFI origination is low.
Private Sector - Direct Equity Investments	Low	6%	In general, internal rates of return below investor expectations and requirements. Some (e.g., IFC and CDC) could mobilize.
Private Sector - Portfolio (fund) Equity Investments)	Medium - High	6%	MDBs and DFIs participate on same terms and other market investors (e.g., limited partners). In principle, could attract private finance – but no/limited precedent.

GISD, 2021

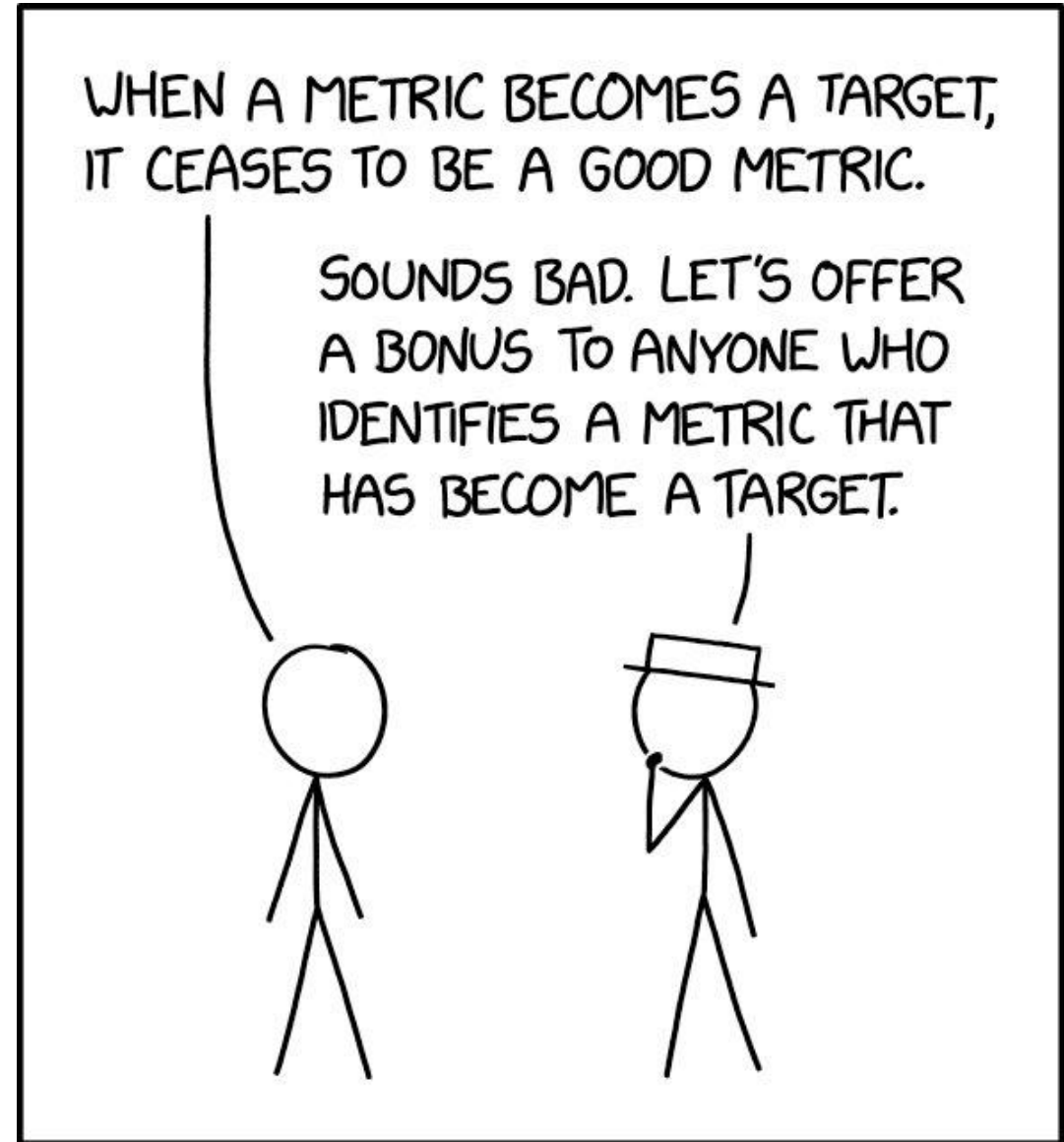
There would be milestones for progress in the decade during which the Compact is active, for example after two, five, and eight years. KPIs would be limited in number and as easy as possible to measure and might include, for example:

- Staff numbers engaged in EMDE investing, including in-country staff.
- AUM invested/loans made/bonds issued.
- Development of partnerships with local investors and banks (e.g., coinvestment vehicles with local investors, “club deal” loans, regional funds, etc).
- Use of blended finance.
- Sectors and technology types invested in.
- New financing techniques/products generated.

Atlantic Council, 2023

(Emerging Markets Climate Investment Compact – Concept Note)

(goodhart's law)



... yet a total lack of financing!

Addis Ababa Action Agenda → Billions to Trillions → Global Public Goods

- **institutional investors** are seen as partners, but...
 - high hurdle rates keep their funds full of “dry powder”
 - mobilizing their investment in EMs is not happening
- perverse incentives from targeting PCM
- and all the other “investment climate” problems...

“investment climate” problems

- **project-level risks**
 - demand, currency, political, regulatory
- **portfolio-level barriers**
 - fiduciary duty, HURDLE RATES
 - credit rating agencies
 - liability management, speculation, short-termism (pay structures)
 - risk disclosure
- **infrastructure as an asset class**
 - illiquid, bespoke, hard to aggregate (trading fees)
 - interest rates, global cost of capital
- **good immediate returns does not mean good project!**
 - energy in particular: requires sequencing and coordination
- **is the public sector *actually* less capable than the private sector??**

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case study: the Energy Transition Mechanism

The Asian Development Bank's Energy Transition Mechanism

After pledging to stop funding coal-powered power plants last year, the ADB is developing a framework to speed up the region's green transition.



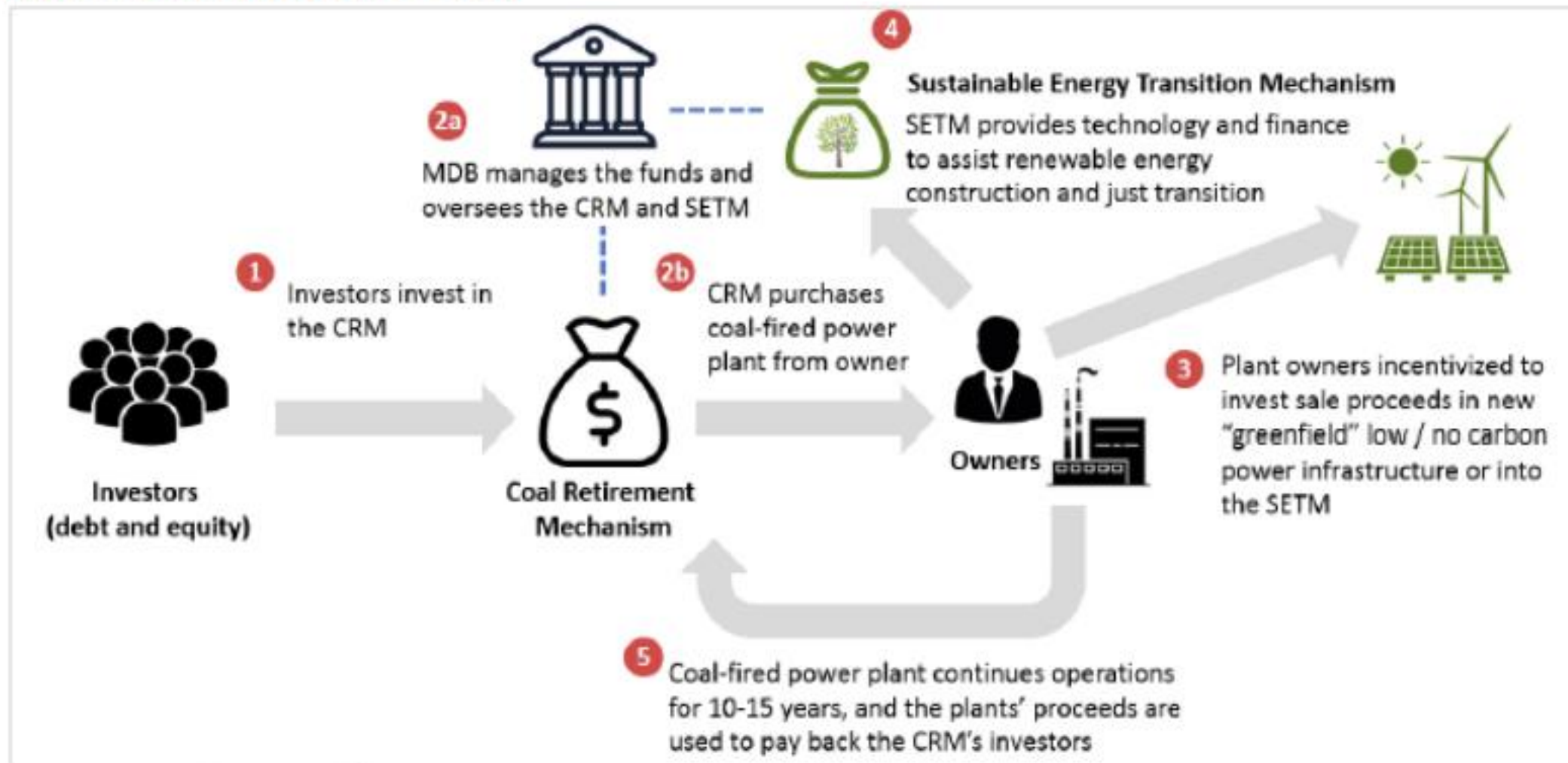
By [James Guild](#)
August 31, 2022



Energy Transition Mechanism

- coal assets:
 - $(\text{power sales} - \text{opex} - \text{fuel cost}) = (\text{debt service} + \text{free cash flow})$
 - debt from lenders plus owner equity (if IPP)
 - long lifetime—how to shorten?
- ADB's goal
 - set up HoldCo (“CRM,” Coal Retirement Mechanism), seek co-investors
 - buy ownership equity stake and pay off owners' debt liabilities upfront (?)
 - run asset to generate revenue to repay lenders at a faster rate, wind down asset ahead of schedule
 - mortgage refinancing for quicker amortization, kinda
 - induce original owners to use buyout cash to finance renewable energy, etc.

Figure 2: Illustration of ETM



Source: Donald P. Kanak.²²

0 Based on agreements with national governments and energy authorities, consistent with Nationally Determined Contributions, an ETM is established for a given country, with a target of transitioning a large amount of carbon-intensive power, e.g. ~50% of current coal-fired capacity by 2035



2 Multilateral bank oversees the ETM and ensures the ETM's adherence to agreed energy transition plan

Investors

Long-term investors with low cost of funds, e.g. developed country central governments, national development finance institutions, and/or multilateral banks

1 Investors invest in the ETM



4 CRF owns carbon-intensive asset and continues operations until agreed decommissioning date. CRF uses proceeds from operations to repay investors



5 CEF provides finance, technology assistance and know-how to host country to accelerate renewables, storage, grid upgrades, etc.

Carbon-intensive power asset owner



Asset
Cash and equity

Carbon Reduction Facility (CRF)

Clean Energy Facility (CEF)

3 Carbon-intensive power asset owner contributes asset in return for cash and equity from ETM. Cash can be used for just transition and CEF investments in renewables, etc.

Cash

6

6 ETM investors receive returns from both CRF and CEF. CEF and CRF cashflows can be enhanced to achieve faster and more just transition:

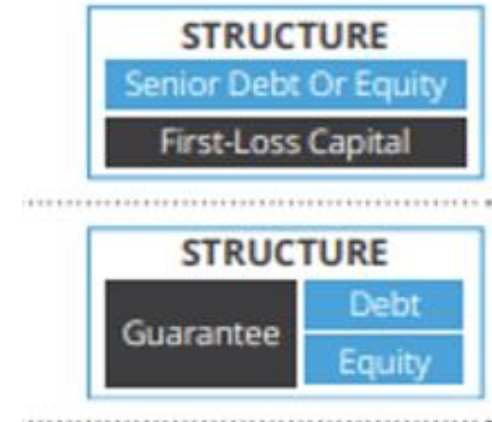
- Carbon credits
- Diversion of fossil fuel subsidies
- Energy surcharge
- Performance payments for achieving specific environmental and/or social outcomes



5

stumbling blocks

- like a mortgage refinancing
 - new loan on new terms to buy out old loan on old terms
 - assumes that original coal loans are not “portable” or “assumable”
- high interest rate *and* shorter duration
 - lending to “CRM” fund happens at higher overall interest rate
 - higher rates + shorter duration = safer for co-investors
 - but less safe for borrowers—credit risk, refinancing risk
- kind of like a leveraged buyout?
 - there’s *leverage* (the CRM buyout fund) and a *buyout*, so...
 - THIS IS NOT NECESSARILY A BAD THING



stumbling blocks

- blended finance as the solution?
 - bad macro conditions raise quantity and concessionality of blended finance required
 - CRM buyout fund is expensive *and* cost of capital is probably very high
 - sovereign govts and MDBs and philanthropy can invest, lowering cost of capital
- but where is the money?
- **perverse incentive**
 - if new loan terms have higher cost of capital/return requirements, does CRM face perverse incentive to burn more coal to earn more revenues upfront?

stumbling blocks

- PLN vs IPP
 - IPPs: PPA transparency, take-or-pay contracts
 - PLN: valuation transparency
- very young assets

Table 2: Existing Coal Fired Capacity in Southeast Asia According to Age and Mode of Governance

Indonesia					
<i>Age (Yrs)</i>	PLN	IPP	Total (MW)	% of Total	%IPPs
<i>0-10</i>	11,162	9,437	20,599	65.6%	30.0%
<i>10-20</i>	2,680	705	3,385	10.8%	2.2%
<i>20-30</i>	2,930	2,450	5,380	17.1%	7.8%
<i>Greater than 30</i>	2,057	-	2,057	6.5%	0.0%
		Total	31,421		40.1%

stumbling blocks

- RE development environment
 - best time to buy is when assets are underperforming... when is that?
 - electricity mkt structure/take-or-pay contracts mean they are always performing well
- under what conditions does RE dvlpmt lower buyout costs of coal assets / displace coal?

The financial logic of ETMs rests on the program's ability to motivate project owners to sell underperforming assets approaching the end of their economic life or at risk of stranding. It is further enhanced if the asset is well located relative to the grid and offtakers, making the site suitable for redevelopment with lower-cost renewables, storage, and sustainable grid management investments. These conditions create a scenario where sellers have a reasonable prospect of realizing better financial returns from a more cost-effective renewable asset than from an old fossil fuel project.

no money, no execution

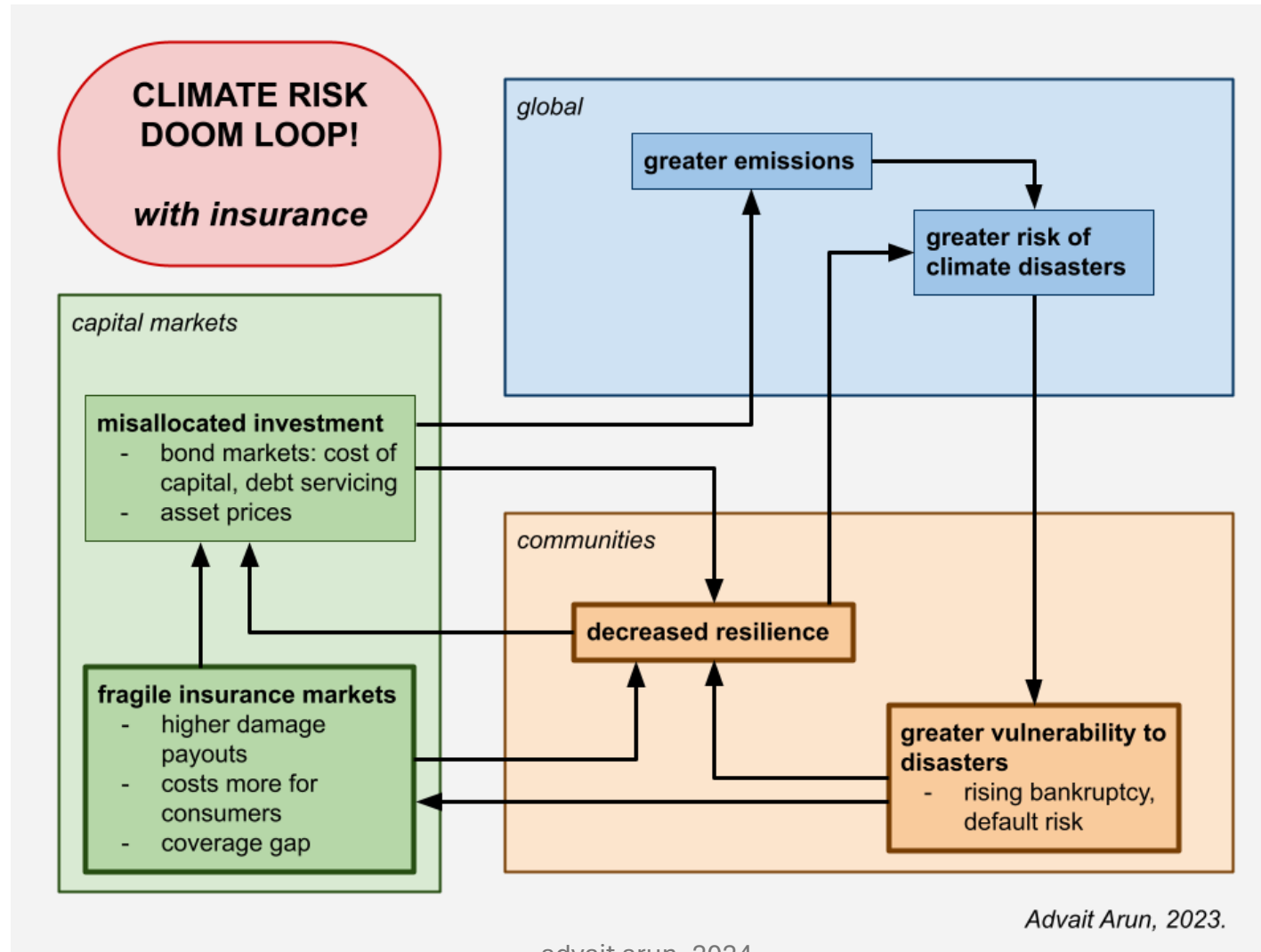
Fall 2021 → Dec 2023

Asia / Southeast Asia

Cop28: Indonesia, ADB, owners agree to shut coal-fired power station early under climate change plan

- The aim is to close the Cirebon-1 coal-fired power plant almost seven years earlier than planned under the ADB's Energy Transition Mechanism program
 - The ETM program aims to help countries cut their climate-damaging carbon emissions and is in place in Kazakhstan, Pakistan, the Philippines and Vietnam
-

“doom loop”

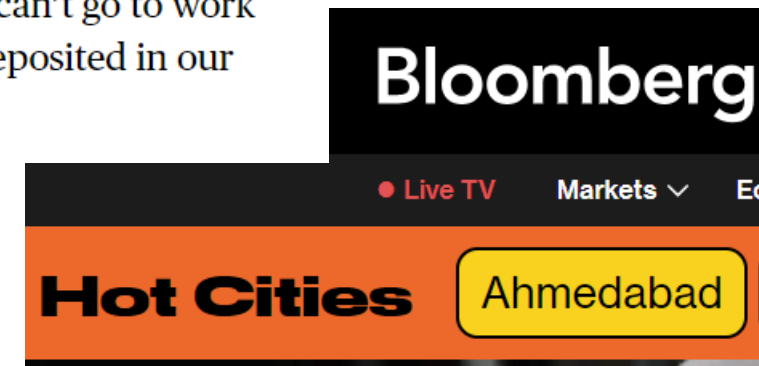


whither global shield?

- Global Shield is actually operational, to an extent
 - the coalition is having events at COP
- probably has the same issues as the rest of the examples
 - emphasis on coordinating different existing financial entities is time-consuming and can fail
 - mobilizing private capital is tough
- political economy problems
 - informal markets and low tax capacity across Global South → states don't build capacity to build adequate adaptation infrastructure/provide public services?
 - lessons of microfinance: does not promote development, creates dependency, can be procyclical, displaces vulnerable populations

The women listened intently as a community worker from a local labor union, the Self-Employed Women's Association (SEWA), pitched a solution that could protect their incomes and health. As part of a special program, the women could buy insurance against peak daily temperatures and receive payouts whenever heat makes it impossible to work outdoors. The industry calls this "parametric insurance," with protection triggered by a particular metric. For many of the women, concepts like premiums and coverage were novel but they quickly understood that the policy had the potential to be a lifeline.

Kunwar ben Chauhan decided to sign up. She's all too familiar with the dangers of extreme heat. The raw meat she sells from a street cart tends to spoil when temperatures breach 40C (104F), meaning she has to return home without any earnings. She and her children have suffered from dizziness and dehydration after spending time in the sun. With the insurance, she says, "even if we can't go to work during heat waves, we will hopefully get money deposited in our bank accounts."



Reactive, Individualistic and Disciplinary: The Urban Resilience Project in Dhaka

Sarah E. Sharma

Queen's University, Kingston, Canada

ABSTRACT

The World Bank's Urban Resilience Project (URP) champions resilience as the best response to tackle environmental hazards faced by inhabitants in Dhaka, Bangladesh without sacrificing economic development. Embedded within neoliberal risk management and sustainable development frameworks, the URP supports ongoing forms of urban expansion and densification in Dhaka as the key driver of Bangladesh's economic growth, purporting that this strategy will enable the city to address increasing and intensifying forms of flooding, heat waves, fires and earthquake risk. This paper argues that the URP depoliticises the causes of and proposed solutions to environmental hazards in Dhaka and the manner in which they are unevenly experienced. Drawing on fieldwork using qualitative methods, this paper posits that three facets guide resilience in Dhaka: reactive neoliberal policies, individualism, and disciplinary control. Ultimately, the URP obfuscates a wider regime of urban development in Dhaka that benefits certain groups (the state, international organisations, elite classes) while further economically and environmentally marginalising those living and working informally. In developing theoretical and empirical contributions to understandings of resilience in global political economy the paper contributes to debates in global political economy and environment, the everyday life of global political economy, and the inter-scalar governance of capitalist societies.

KEYWORDS

Resilience; neoliberalization; urban development; World Bank; climate governance; flooding

Sharma finds that MDB-led resilience programs in Dhaka do not attenuate what actually drives displacement: real estate development (land speculation) and the resultant water table displacement, leading to flooding—exacerbated by climate change!

ABBY SEIFF & SOKUMMONO KHAN

The Danger of Microfinance

Small loans in Cambodia drown the poor and buoy the rich.

MAY 30, 2023

Kimty Seng, an independent economist in Cambodia who studies how borrowers repay debt, has found that such sacrifices are common. Parents with microloans, he determined in a 2020 paper, are more likely to pull their children out of school or put them to work. In a 2018 study, he discovered that families with microdebt—even if they are not particularly poor—eat less, having taken money from their food budget to repay loans. Seng's research drew on 2014 and 2017 nationwide socioeconomic surveys by the Cambodian government, but little appears to have changed since then. Rather, a growing body of analytical research is corroborating what rights groups, academics, and journalists have long documented: microfinance in Cambodia—and elsewhere—is driving many borrowers into deeper poverty. Instead of pushing poor people up the economic chain, it appears for the most part to have become a form of de facto wealth transfer from the poor to the rich.

microfinance is not identical to insurance, but both involve extending financial products to those whom policymakers judge need support. both exacerbate financialization without development

'Catastrophe' Bond Market Headed for Major Surge in Issuance

- World Bank targets \$5 billion in outstanding cat bonds
- Issuance comes as insurers increasingly unable to cover losses



Flooded homes and buildings in Karditsa region, Greece, in September. *Photographer: Konstantinos Tsakalidis/Bloomberg*

Insured Losses Hit \$120 Billion as Extreme Weather Spreads

- Hurricane Ian was costliest event of 2022: Munich Re study
- Before 2005, industry losses never topped \$50 billion a year



A man takes photos of boats damaged by Hurricane Ian in Fort Myers, Florida on September 29. *Photographer: Giorgio Viera/AFP/Getty Images*

“Including uninsured losses, the total cost of storms, droughts, earthquakes and fires last year was \$270 billion.”

doom loop lessons

- insurance programs as currently constituted can't really address the actual drivers of climate change... so what's the point?

takeaways

what we just covered:

- finance gap + mobilizing private capital
- JETPs + MDB Reform + Global Shield
- mobilization data
- investment barriers
- energy transition mechanism case study
- doom loop & adaptation

takeaways

what ties them all together?

- politically / diplomatically: **pyrrhic ideological victory**
 - or hollow ideological hegemony?
 - not even cross-border ideological/rhetorical accord among political elites and investors in North and South can break domestic peco roadblocks
 - second image, second image reversed?
- economically / financially: **no liquidity, dependency**
 - lack of peco commitment → no money
 - either way, reinforces dependency theory implications for climate resilience
- where climate is concerned... **perverse adaptation outcomes**
 - lack of mitigation programs + lack of economic development = no space for adaptation

growth models

- all about “mobilizing private capital” toward social goals
 - focus on rentier assets: housing, energy, transport, healthcare
 - cities: Nusantara, NEOM, Cairo
 - Ukraine
- anyone have any better growth model ideas?
 - integration into global private financial system → debt crises, procyclical policy, liquidity shocks → no obvious large-scale growth success stories / climate resilience success stories in Global South

derisking, at the end of the day

- swinging for the hedges
 - derisking implies political commitment to backstopping investor demand for risk hedges
 - patchwork derisking = limited ability to backstop investor flight to safety during shocks
- **hysteresis**: shocks that lower investment/consumption demand are self-perpetuating → lower growth prospects for countries and key decarbonization industries
- perverse conclusion: less derisking now requires way more derisking later?

but none of this fixes underlying financial system volatility

- no global dealer of last resort to preserve liquidity where it's needed
- socialization of investment process = derisking?

please keep in touch!