

ABCDE 2024

Inconsistency and Incoherence

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The World Bank Group

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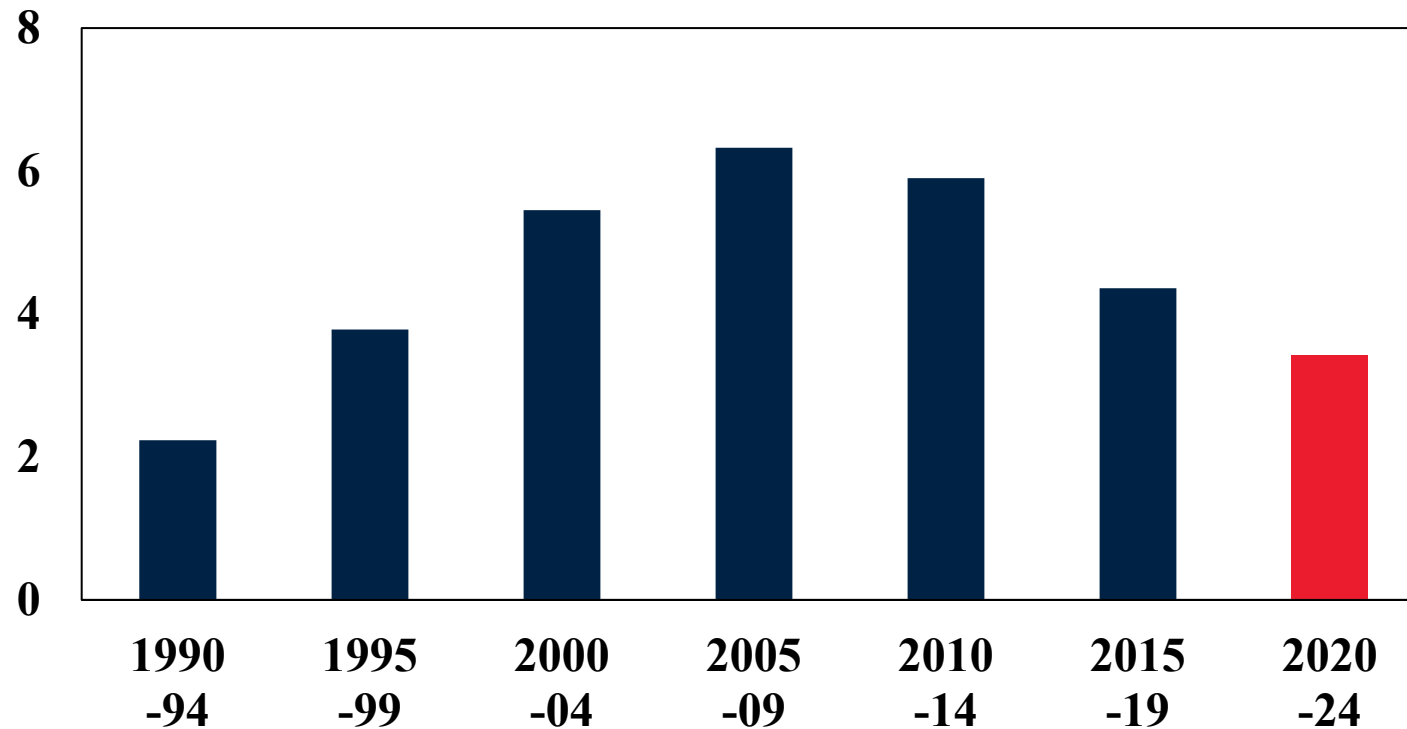
Based on work by World Bank Group economists

Inconsistencies

1. Falling growth and growing ambition
2. Development needs and climate finance
3. GHG emissions and fossil fuel bans
4. Trade wars and climate emergency
5. Sovereign debt and creditor demands
6. Private capital and investment climate

Weakest growth since the early 1990s

GDP Growth in Emerging Markets and Developing Economies
(Percent, non-overlapping 5-year averages)

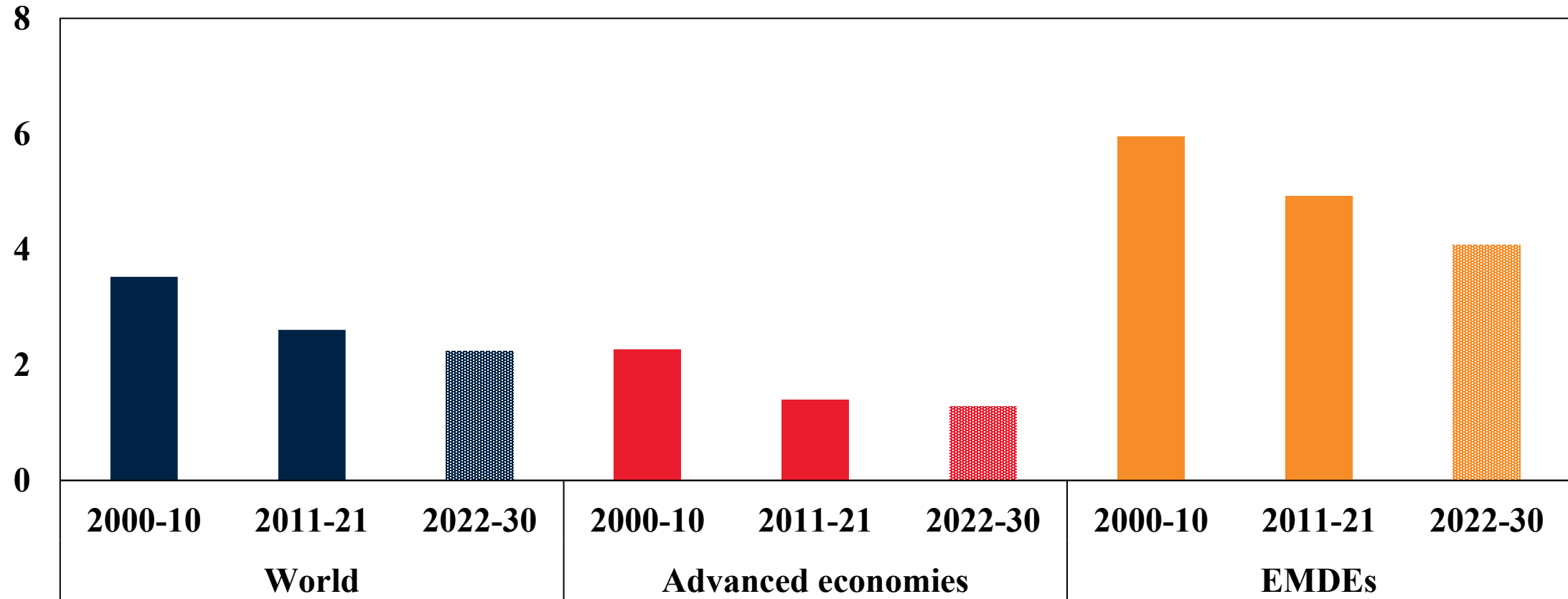


Source: World Bank.

Note: Aggregate growth rates are calculated using GDP weights at average 2010-19 prices and market exchange rates.

Slowing growth

Potential growth (Percent)

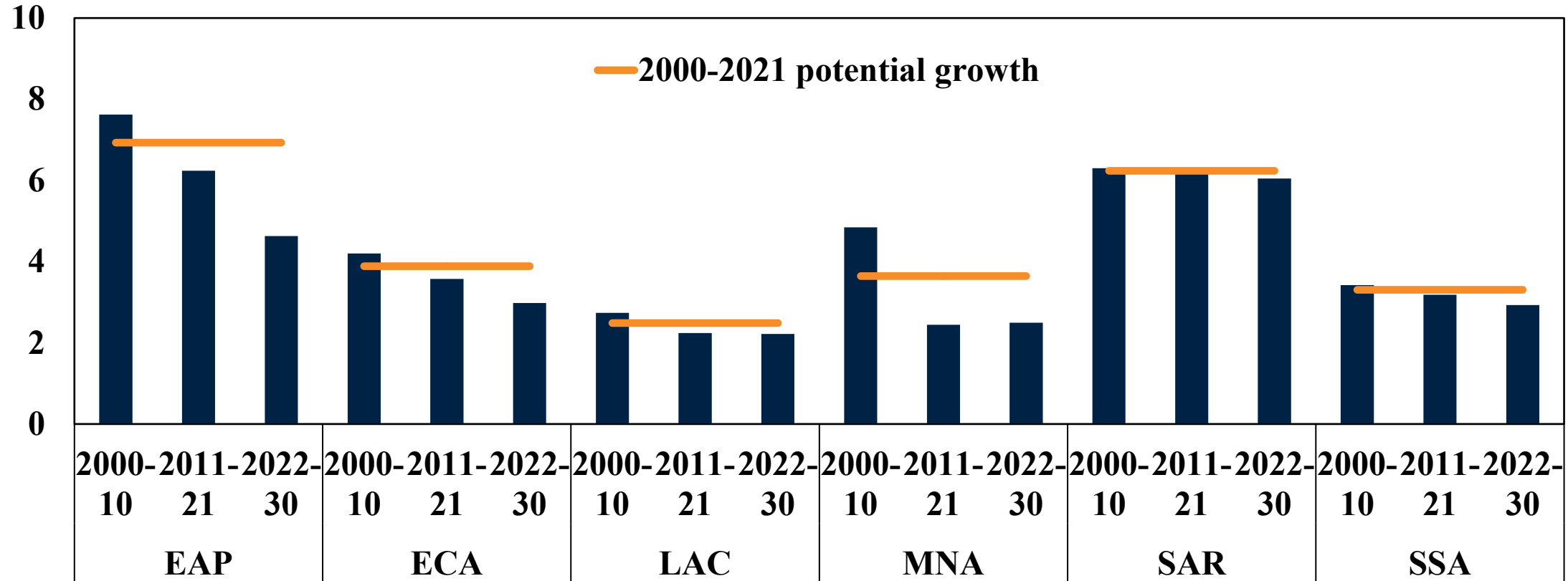


Source: Kose and Ohnsorge (2023).

Note: Period averages. Potential growth is measured by production function. Shaded bars indicate forecasts.

Slowing growth, everywhere

Potential growth in EMDE regions (Percent)



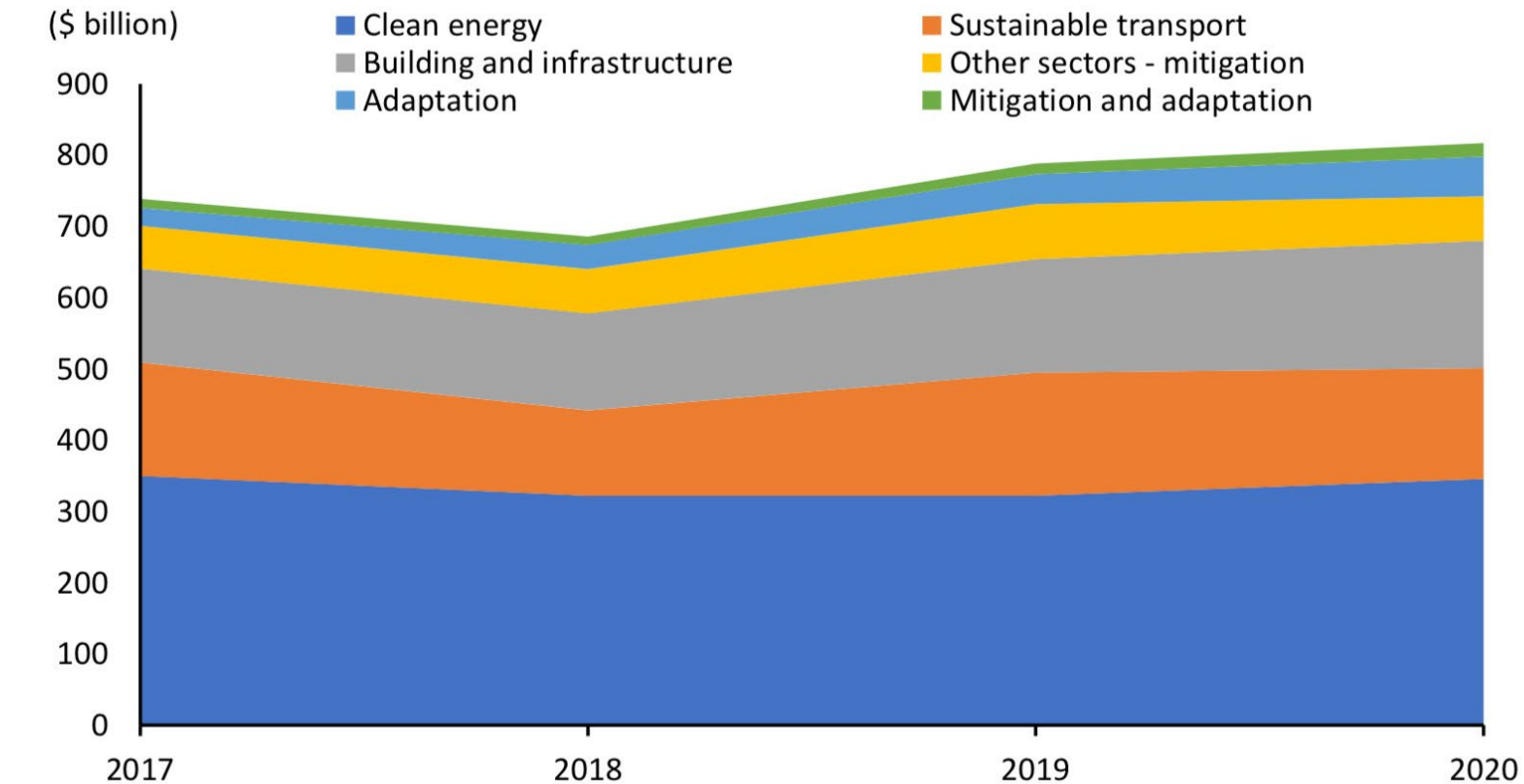
Source: World Bank.

Note: EAP, ECA, LAC, MNA, SAR, and SSA refer to, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa. GDP-weighted arithmetic averages using potential growth estimate based on production function approach.

G-20 Report recommendations

- Additional spending of \$3 trillion per year needed by 2030
 - Two thirds for additional spending on climate action
 - One third for spending on other sixteen SDGs
- International development finance system to provide an additional \$1 trillion by 2030: \$500 billion in official financing, and \$500 billion by mobilizing private capital
 - One third in concessional funds and non-debt-creating financing
 - Two thirds in non-concessional debt-creating official lending
- MDBs would provide \$250 billion of the additional official financing and mobilize and catalyze the additional private finance.
 - \$200 billion in non-concessional lending
 - \$60 billion or so in concessional funds

Global climate finance mainly (90%) for mitigation



Source: UNFCCC2022.

Do you really want to invest in the future?

Annual education spending per K-12 student

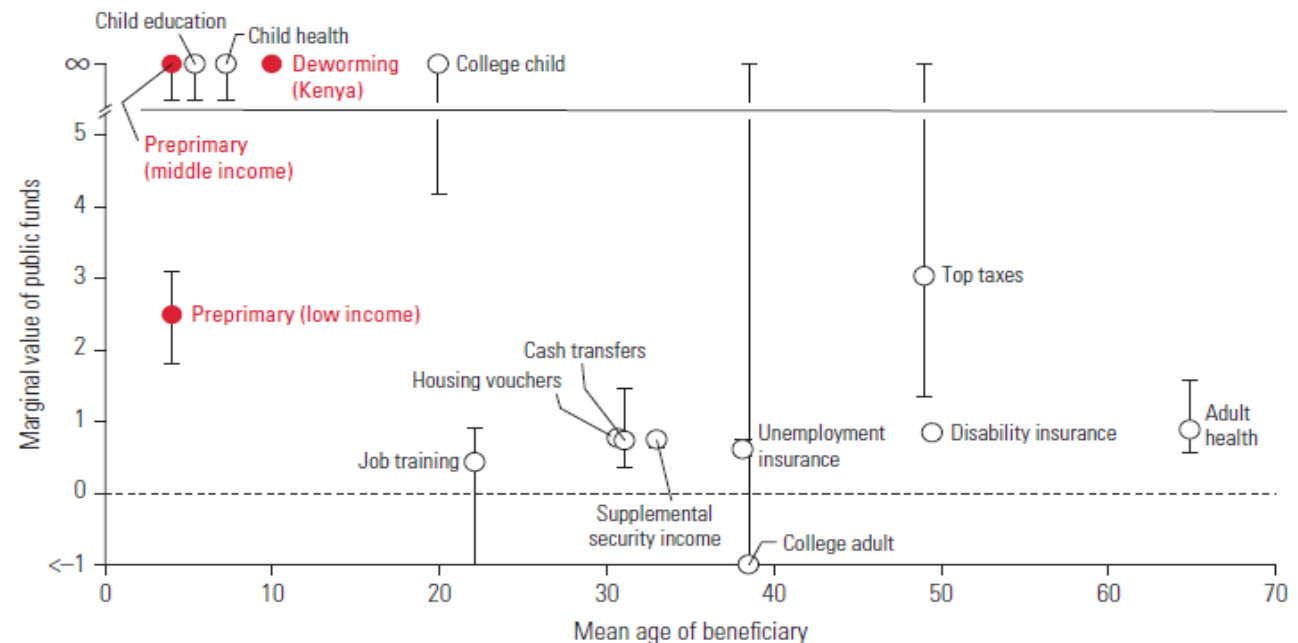
| Country | 2012-13 | 2020-21 |
|--|--------------|--------------|
| High Income | \$7564 | \$8457 |
| Upper Middle Income | 941 | 1165 |
| Lower Middle Income | 301 | 337 |
| Low Income | 44 | 54 |
| Ratio LICs to HICs | 0.58 Percent | 0.64 Percent |
| Ratio LMICs to HICs | 3.98 Percent | 3.98 Percent |
| Source: Education Finance Watch 2023 | | |

Education and health provide much higher returns than cash transfers

Fiscal policies that give the largest “bang for the buck” often bring returns after many years:

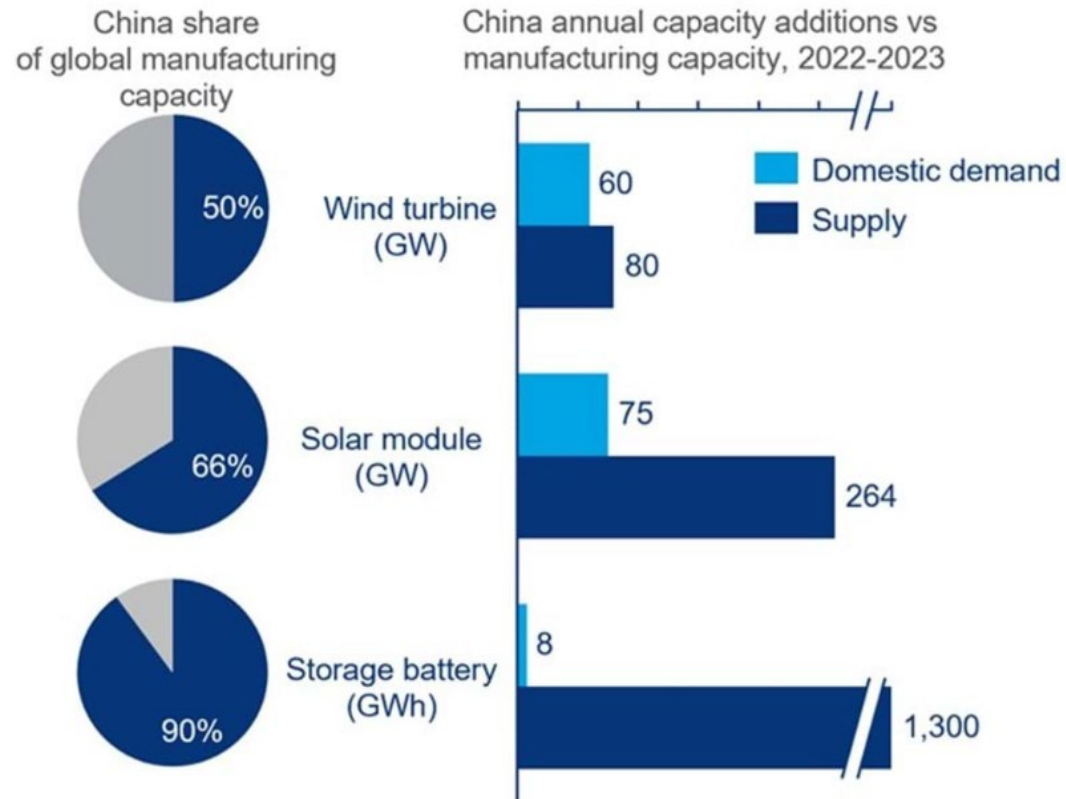
- Child health
- Public education
- Infrastructure
- R&D investment

These policies can be hard to prioritize when assessed against policies that provide quicker returns, even they are much lower



Source: Hendren and Sprung-Keyser 2020 for US policies; Finkelstein and Hendren 2020 for de-worming in Kenya; World Bank estimates using Holla et al. 2021 for pre-primary education in LICs and MICs MVPF=marginal value of public funds.

Green intermediates: overcapacity or opportunity?



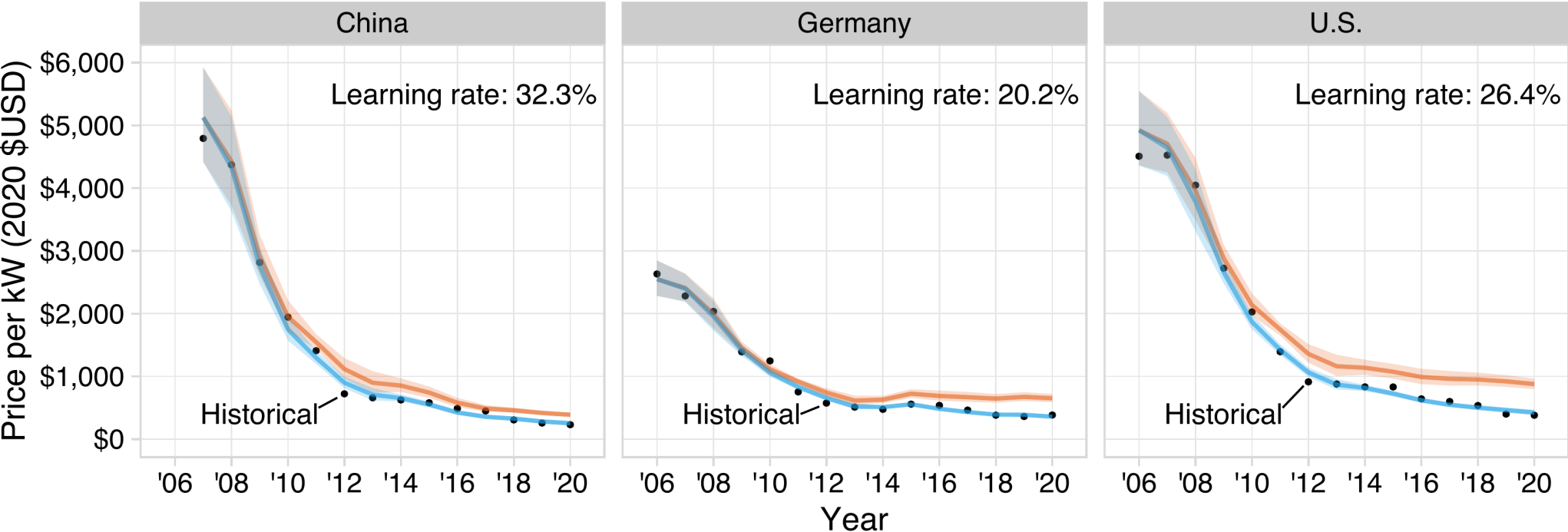
- China accounts for more than 50 percent of wind turbine suppliers
- China dominates upstream production in the solar value chain, producing 70 percent of the world's solar panels
- China had the largest production capacity for lithium-ion batteries for vehicles with 90 percent of global manufacturing capacity in battery storage

Source: [Wood MacKenzie \(2022\)](#)

Globalized markets for LCTs lower costs faster

Global supply chains for solar panels result in faster learning and lower global prices

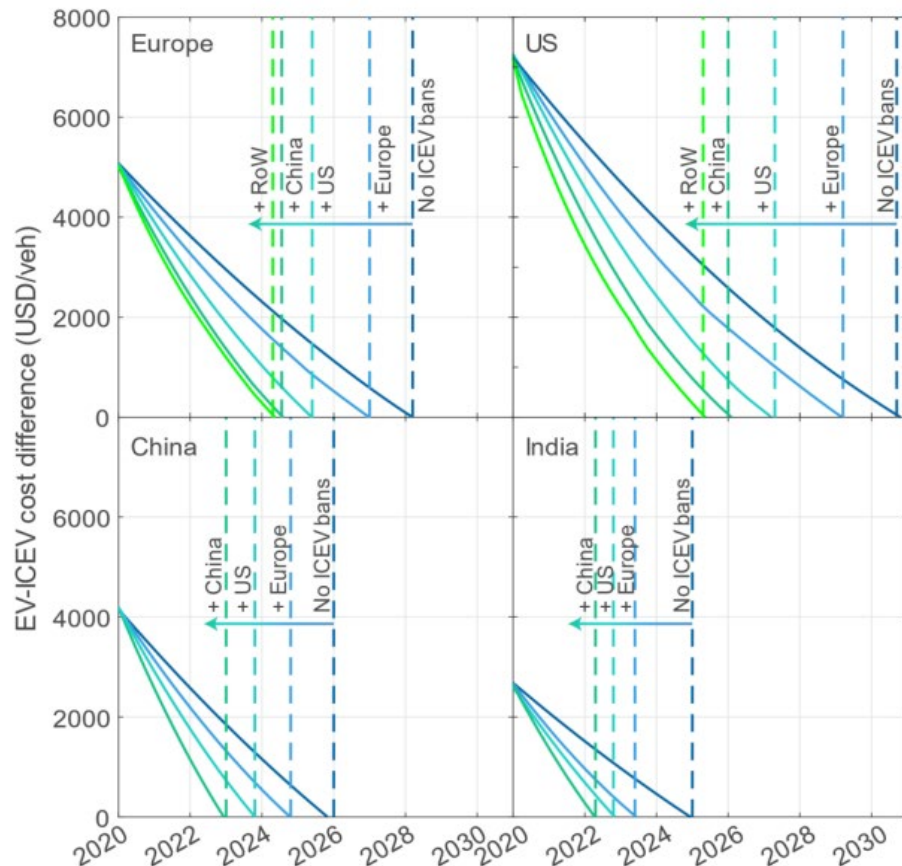
Estimated Module Prices Under Global vs. National Market Scenarios



Source: [Helveston et al. \(2022\)](#)

Globalized supply chains hasten technology tipping points

Analysis of cost parity between ICEVs and EVs for different scenarios of international cooperation

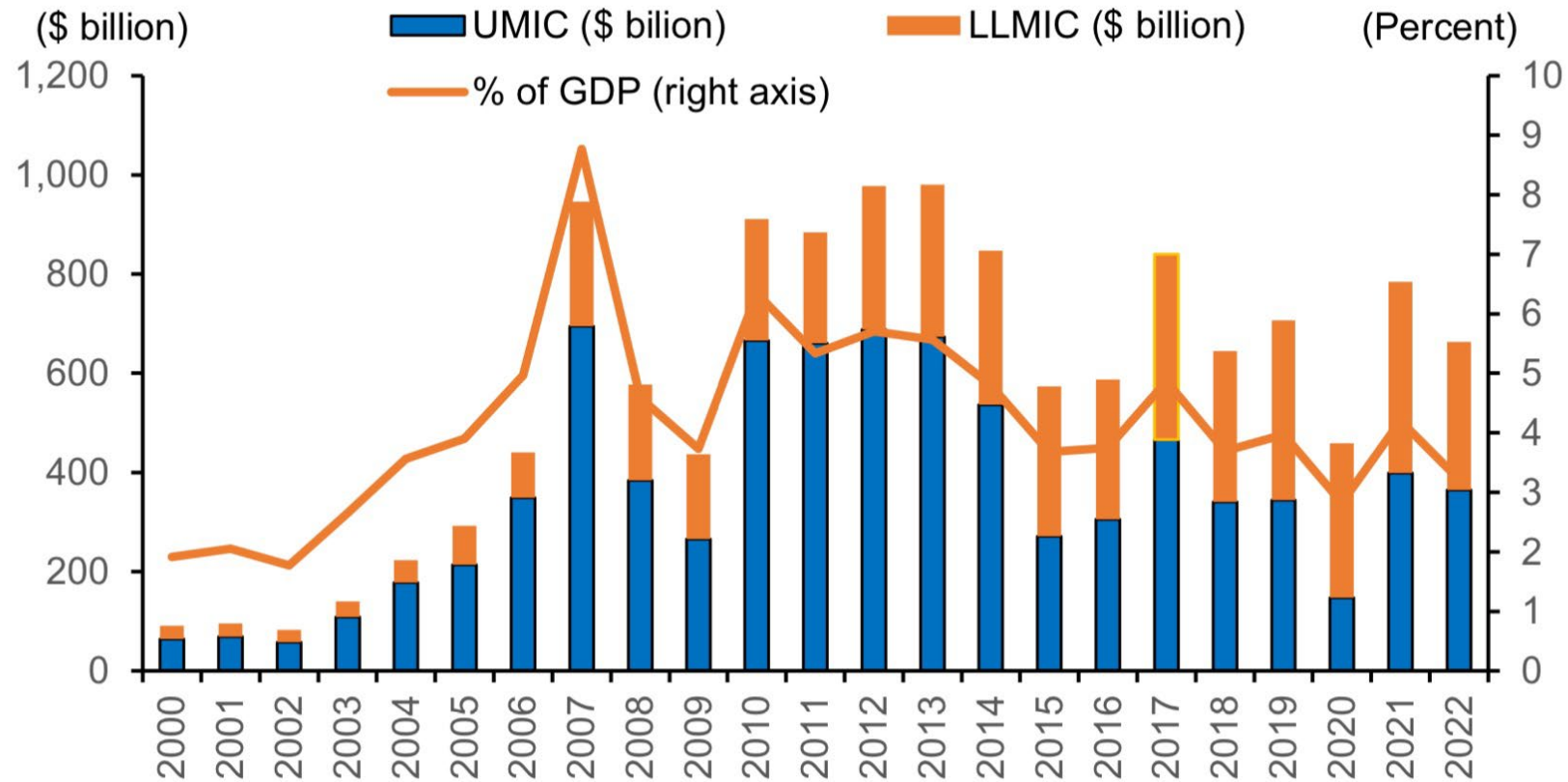


- International trade and technology flows bring forward the point at which EVs reach cost parity with internal combustion engine (ICE) vehicles
- This matters a lot for energy transition costs in lower-income countries
- Trade between China, the US and the EU is particularly important; India not yet so much

Source: [Lam and Mendrea \(2022\)](#)

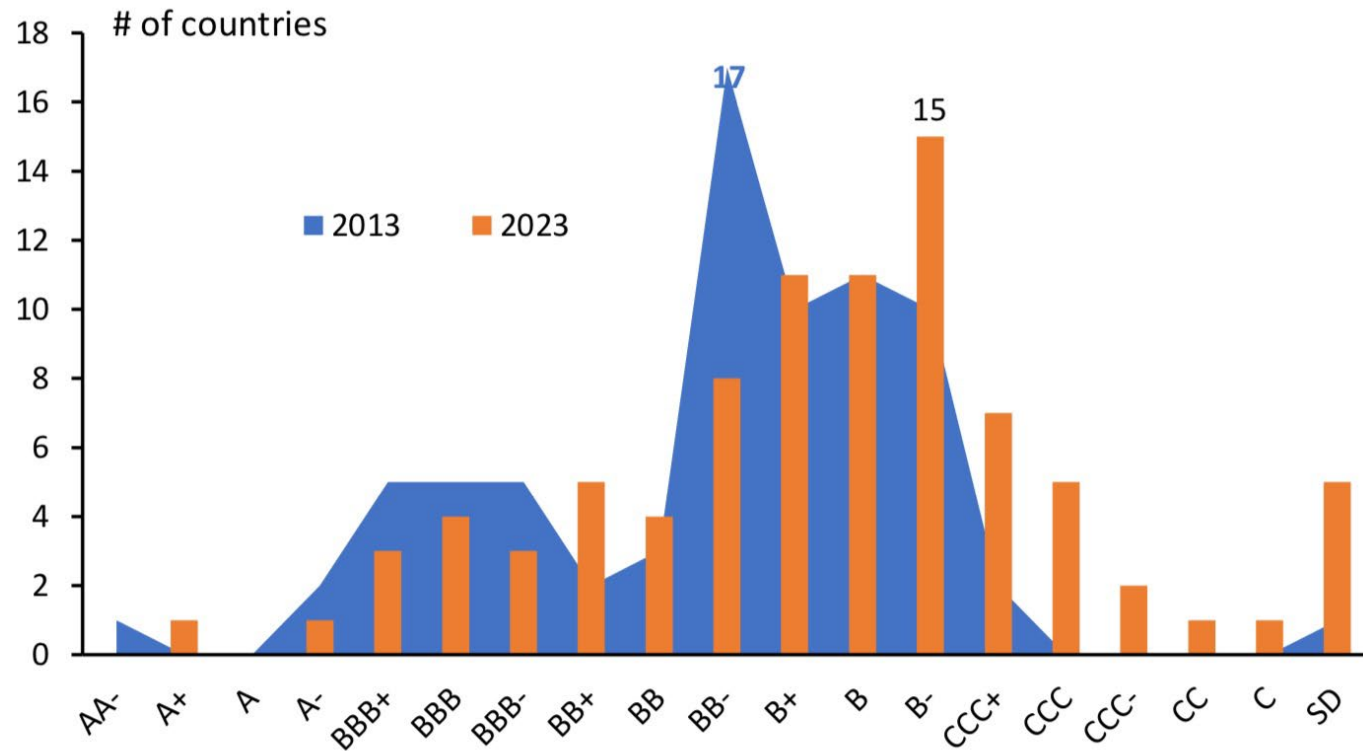
Private capital flows down

Figure 1. Private capital inflows to low- and middle-income countries, excluding China, 2000–22



Source: IMF's Balance of Payment and Authors' calculations.

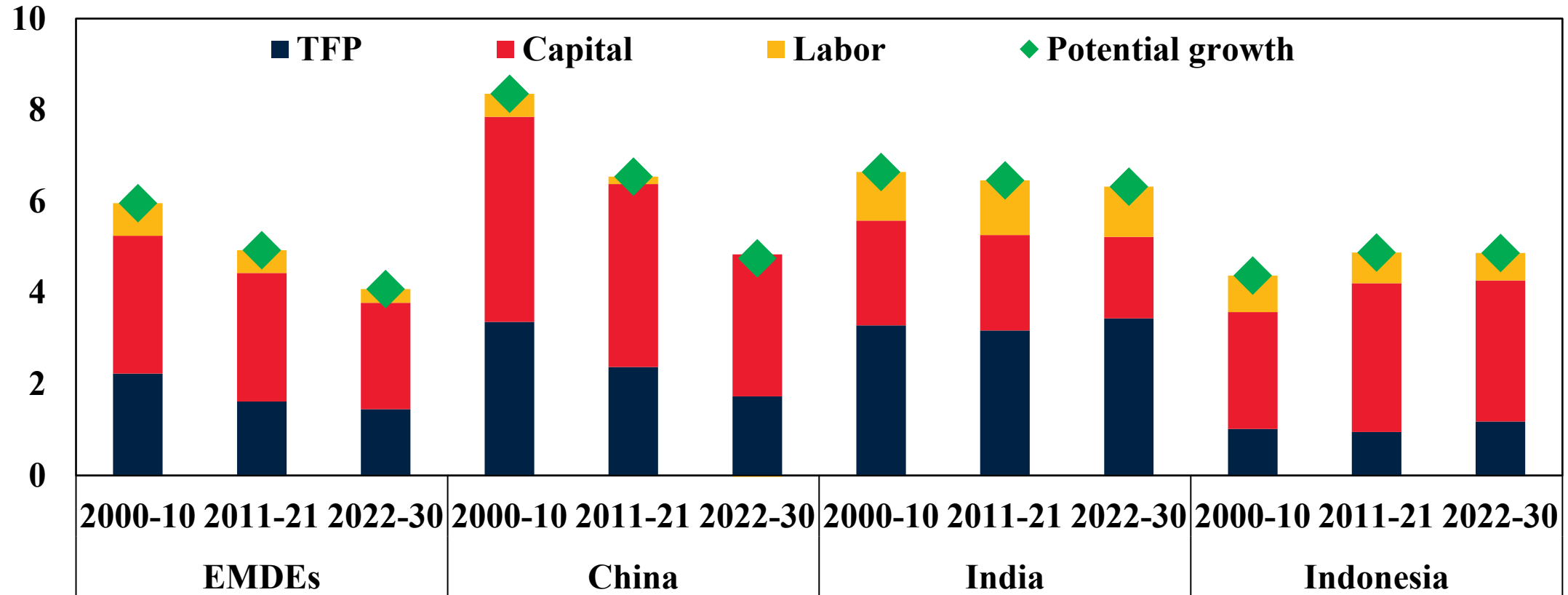
Creditworthiness down



Source: S&P, Moody's and Fitch.

China-led development until 2020, is it India's turn now?

Potential growth in (Big) EMDEs (percent)



Source: Kose and Ohnsorge (2023).

Note: Production function-based potential growth estimates. EMDE average shows GDP-weighted averages of production function-based potential growth estimates for 53 EMDEs. TFP = total factor productivity. EMDEs = emerging market and developing economies.

Coherence lies within

1. Industrial Policy
2. Sovereign Debt
3. Private Capital Mobilization
4. Pandemic Preparedness
5. Welfare Programs
6. Women's Work
7. Jobs for Youth