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GUARANTEEING SUSTAINABLE INFRASTRUCTURE

Rogério Studart and Kevin Gallagher

Abstract: There is an urgent need to scale up investment into sustainable infrastructure. The “supply of private capital” is not lacking for this task, given the rapid expansion of global liquidity that has swelled the balance sheets of pension funds and other institutional investors. Industrialized nations and multi-lateral development banks have begun to pledge billions of dollars toward meeting the climate challenge, but those resources do not match the scale of the problem and seldom grant developing countries ‘ownership’ over projects and broader goals. In turn, private financial intermediaries and markets are skewed away from longer-term sustainable investment. A new financial architecture is needed that more effectively “connects the dots” between private financial markets and global public needs—particularly in emerging and developing nations. In addition to earmarking public budget resources for actual green projects, there is a clear need for new structures and instruments. This paper discusses the rationale underpinning one possible instrument that could be part of this architecture: a global guarantee financed fund that would use some of the international pledges anchored in an international coalition between national, regional and multilateral banks, that would allow emerging market and developing countries to finance the sustainable transition themselves.

Key words: infrastructure; sustainability; financing gaps; global guarantee fund.

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