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Sustainable Finance for the Green Recovery of Emerging Countries

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Abstract
An epidemic is just a harbinger of a global climate emergency. Such events have brought into sharp focus the imperative of preventing catastrophic events. It's crucial that we strengthen our ability to adapt after a crisis is one of the fundamental principles for rejuvenating our communities and countries. We also need to have confidence that we are prepared not only to deal with potential pandemics, but also with climate change, which is the most imminent existential threat to mankind.

Keywords: *Green Recovery, Sustainable Finance, Pandemic, Green Investment, Emerging Countries*

Introduction

Time to "Revive or Lose" the Paris Agreement
– Kristalina Georgieve

The world is grappling with the severe health and economic consequences of the COVID19 pandemic. This crisis is far from over. The severity and speed of the declines in economic activities during the great lock-down were far greater than at the onset of the Great depression. Comparatively to the financial crisis-2008, which focused primarily on the US and Europe, the pandemic has decimated humanity as a whole and exposed the fragility of the health and social systems. International Labour Organization estimates that the equivalent of 400 million full time jobs were lost in the second quarter of 2020.

An epidemic is just a harbinger of a global climate emergency. Such events have brought into sharp focus the imperative of preventing catastrophic events. It's crucial that we strengthen our ability to adapt after a crisis is one of the fundamental principles for rejuvenating our communities and countries. We also need to have confidence that we are prepared not only to deal with potential pandemics, but also with climate change, which is the most imminent existential threat to mankind.

Despite copious warnings from the scientists about the risk of pandemic, the world was woefully unprepared for this crisis. The same is unfortunately true for climate change. Without any incertitude, it is here and very fast affecting our climate. There have been several fires in Australia and California recently, as well as increased severity and frequency of natural disasters caused by weather. There is a serious risk of abrupt and prolonged climate change when the Earth eventually reaches a critical point in climate change.

Global temperatures are on a course to not rise more than 1.5 degrees above pre-industrial levels due to the pandemic that struck at the dawn of a carbon-free future. Global warming must be tempered in the years ahead. A transformational response to an emergency requires the use of multiple emergency management approaches. In order to defend livelihoods and promote economic recovery within the immediate timeframe, crisis interventions must be aligned with broader, longer-term strategies to prepare for climate change and increase mitigation and recovery.

Strengthening the Green Investment

It is possible to pursue a sustainable rebound while making progress in emerging economies. Carbon-free energy is, arguably, now more affordable than fossil fuel-generated energy since many eco-friendly technologies have evolved. Comparatively to these nations' current fiscal policies, green initiatives will stimulate more job creation and yield better and faster returns on investment. In addition, we also find that taking action or acting late on climate change can result in significant costs, since not taking action or acting late will cost more in the long run. As long as we do not expect to reap rewards down the road from efforts made today to mitigate climate change, they represent a sound investment. Meanwhile, a prolonged delay could lead to devastating temperatures on the planet and even higher costs in the future. Adaptation to climate change costs, according to the Global Commission on Adaptation, could be worth up to ten times as much as each penny invested.

There are still a few challenges to overcome

The majority of nations lack adequate financial resources to rebuild and implement well-deserved initiatives to adapt and mitigate climate change. As many nations had been extremely unsteady prior to the current crisis, COVID19 has dramatically undermined fiscal stability despite political stability. Developing nations are expected to have international public obligations surpassing 100 percent of their GDP by the end of the year (IMF, 2020). Providing debt restructuring to respond to the crisis and providing adequate funding to stabilize economies are essential to responding effectively to the crisis. Currently, there is no appropriate mechanism in place in the international financial framework for dealing with instances when government borrowing becomes problematic. Debt problems will inevitably arise in developing economies, and efforts should be developed to solve them effectively.

In addition, it is imperative that public spending and the tax structure are aligned with the goals of a sustainable future given the flexibility of public spending. Lastly, all fossil fuel incentives should be terminated. As a whole, fossil fuel assistance amounted to 6.5% of global GNP (IMF 2017). In addition to reducing greenhouse gases, elimination of these would yield considerable economic efficiencies. Carbon taxes are a viable method for lowering carbon emissions. They will also reduce environmental pollution-related death rates. A portion of the proceeds from the carbon tax will be redirected to low-income families whose incomes will be adversely affected by the transition to a climate-friendly economy. Carbon taxes can be introduced or raised at a modest cost to the political system if oil prices decline.

An orientation to finance

Along with fiscal policies, it will be crucial to coordinate the flow of funds for greenhouse gas reductions and climate-resilient development. Climate change risks will have to be fully integrated into the legal, regulatory, and financial systems of the monetary and financial systems, as climate change poses a significant threat to the future of global finance.

Incentives for developing countries

International financial institutions have a key role to serve in assisting their members with sustainable development. Considering climate risks as part of every aspect of management requires fostering competence and demonstrating leadership. To obtain loans and investments from international development banks, developing countries must design their portfolios in accordance with the Paris Agreement and gradually phase out carbon-intensive lending and investing. Additionally, it can help facilitate the switch to a lower carbon economy while preserving growth and job creation in the near term.

It is also important that international financial organizations provide assistance to countries that are at risk from climate change. Unfortunately, those nations that did the least to contribute to global warming through industrialization and agriculture are most affected by global warming. These nations face a life or death situation if they don't accelerate their investment in climate-resilient infrastructure. There is no doubt that the most vulnerable developing countries are those that have the most difficulty funding their resilience and adaptation. As a result, both the public and private sectors are increasingly bearing the cost of climate-related economic risks (Kling et al, 2020). In fact, developing countries that are vulnerable to climate change will experience a downward spiral, as increasing debt burdens and limited resources limit investment in climate adaptation.

Climate-sensitive nations face extreme financial consequences that are likely to increase significantly as market players continue to price risks associated with climate change and global temperatures continue to rise. Increasing the resilience against climate change and establishing a system to manage financial risk are urgently needed by these nations for the purpose of creating a mutually beneficial partnership. By increasing investments in disaster risk reduction, both financial instability and the debt burden could be eased, leaving developing countries with plenty of resources available to address the global climate crisis.

The central banks will also have to design new measures, notably to enhance disaster relief programs following a natural disaster. Since the early 1990s, a large number of developing nations sustained damages equivalent to about 10% of their annual GDP as a result of numerous calamities. The budget can nonetheless be severely affected by such events, leading to unaffordable public borrowing. So climate debt, like public debt can work as a direct result of climate disasters, necessary adaptation measures.

Vulnerable countries must avoid perpetual crisis mode

A natural catastrophe has shown just how quickly an economy can come to a halt with this pandemic. The nations that are climate-prone have endured these conditions for a long time. The greater number of nations will discover that they are in perpetual crisis if we do not act now and commit to dramatically increasing resources to mitigate and adapt to climate change. All countries that have been granted the privilege of exempting themselves from certain obligations cannot insulate their economies from worldwide challenges. The ramifications of climate change will be noticeable everywhere, including with increased migrations as a result of calamities and climate change, similar to how COVID19 has crossed international boundaries.

The risks are considerable. Global warming can be prevented if the global economy is revamped. To address climate change, foster sustainable communities, and promote economic growth, we need to work together at all levels: regionally, domestically, and globally. Several obstacles stand in our way. But this recession also provides a great opportunity to review the state of our economy and society. The kind of revival our society needs should be determined with judiciousness.

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