Executive summary

Infrastructure sits at the very centre of development pathways and underpins economic growth, productivity and well-being. Yet infrastructure has suffered from chronic underinvestment for decades, in both developed and developing economies. The OECD estimates that USD 6.9 trillion a year is required up to 2030 to meet climate and development objectives. Furthermore, current energy, transport, building and water infrastructure make up more than 60% of global greenhouse gas emissions. An unprecedented transformation of existing infrastructure systems is needed to achieve the world's climate and development objectives.

Aligning financial flows with low-emission, resilient development pathways is now more critical than ever to meet the goals of the Paris Agreement and deliver on the 2030 Agenda for Sustainable Development. Today there is a unique opportunity to develop infrastructure systems that deliver better services while protecting the environment. Harnessing the benefits of rapidly emerging technologies, new business models and financial innovations will be key in opening new pathways to low-emission, resilient futures.

Mobilising public and private resources across the financial spectrum is an essential part of generating the trillions of dollars needed for sustainable infrastructure. Public finance institutions, banks, institutional investors, corporations and capital markets all have a crucial role to play, both in their own right and as part of the broader financial ecosystem.

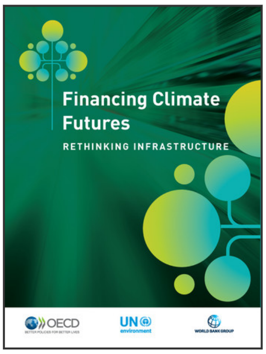
Governments need to set the right incentives to mobilise finance away from emissions-intensive projects, and provide investment and climate policy frameworks that support the rapid and radical transformations required. While there has been some progress, current policies continue to foster an incremental approach to climate. Existing policy frameworks, government revenues and economic interests continue to be entangled in fossil fuels and emissions-intensive activities. Deeper efforts are needed to drive systemic change, overcome institutional inertia and break away from the vested interests that are often barriers to low-emission, resilient development.

Enhanced international co-operation, through the Paris Agreement or fora such as the G7 and the G20, is an essential part of the transformation. The international community has increasingly recognised the need for such transformation: almost all G20 countries confirmed their willingness to embark on a global energy transition in line with climate and development goals in the 2017 G20 Hamburg Climate and Energy Action Plan for Growth. There is also growing awareness that the push for greater climate action must be accompanied by a just and inclusive transition to address inequalities and provide equal opportunities for all parts of society. Governments need to ensure that the transition benefits everyone and does not disproportionately affect the poor and most vulnerable.

This report lays out an agenda to enable societies around the world to undertake the kind of systemic actions that the transformation towards a low-emission, resilient future will require. It highlights 6 transformative areas and 20 actions that are key to aligning financial flows with climate and development goals in the areas of planning, innovation, public budgeting, financial systems, development finance and cities.

- **Plan infrastructure for a low-emission and resilient future**, by rethinking planning at all levels of governments to align current infrastructure project plans with long-term climate and development objectives, avoid carbon lock-in and make resilience the norm in infrastructure decisions.
- **Unleash innovation to accelerate the transition,** by deploying targeted innovation policies and accelerating the deployment of existing technologies, business models and services, swiftly moving the next generation of solutions from the lab to the market, and promoting international technology diffusion to make sure innovation benefits all.
- **Ensure fiscal sustainability for a low-emission, resilient future**, by diversifying sources of government revenue to reduce carbon entanglement, aligning fiscal and budgetary incentives with climate objectives and harnessing the power of public procurement and public institutions' spending while ensuring an inclusive transition along the way.
- **Reset the financial system in line with long-term climate risks and opportunities**, by fixing biased incentives, capability gaps and inadequate climate risk disclosure and pricing that are hindering the allocation of finance to low-emission, resilient infrastructure.
- **Rethink development finance for climate,** by ensuring that development finance institutions have the resources, mandates and incentives to deliver transformative climate action, attract new investors and sources of finance by using concessional finance strategically, and help countries advance their climate agendas and build enabling environments and "climate markets".
- **Empower city governments to build low-emission and resilient urban societies**, by developing capacity to more effectively plan and finance the right infrastructure, aligning national and local fiscal regulations with investment needs, and building climate-related and project finance capacity at the city level.

Delivering on the transformation will be challenging. While there is encouraging momentum, governments must continue to drive systemic changes to ensure that financial flows are well aligned with the infrastructure needed for low-emission, resilient pathways to the future. Moving towards a more transformative agenda will help governments deliver sustainable, balanced and inclusive growth and improve well-being within and across societies.



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