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**CLEAN  
AIR  
FUND**

# Why is so little invested in clean air?

Sean Maguire

Director of Strategic Partnerships

Clean Air Fund

Better Air Quality Conference – Manila, November 17th



CLIMATE  
POLICY  
INITIATIVE

CLEAN  
AIR  
FUND

# THE STATE OF GLOBAL AIR QUALITY FUNDING 2023

An analysis of international development  
funding to improve outdoor air quality.

# THE ADVERSE IMPACTS OF AIR POLLUTION, GLOBALLY

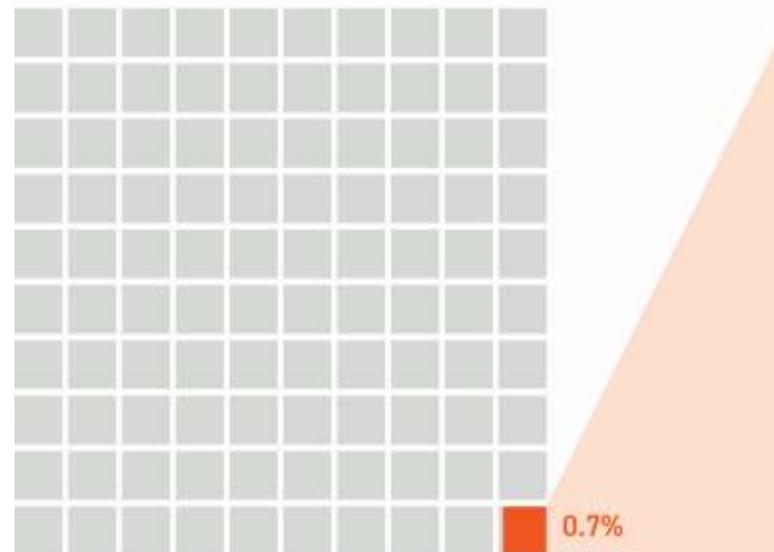


# CHRONIC UNDERFUNDING PERSISTS

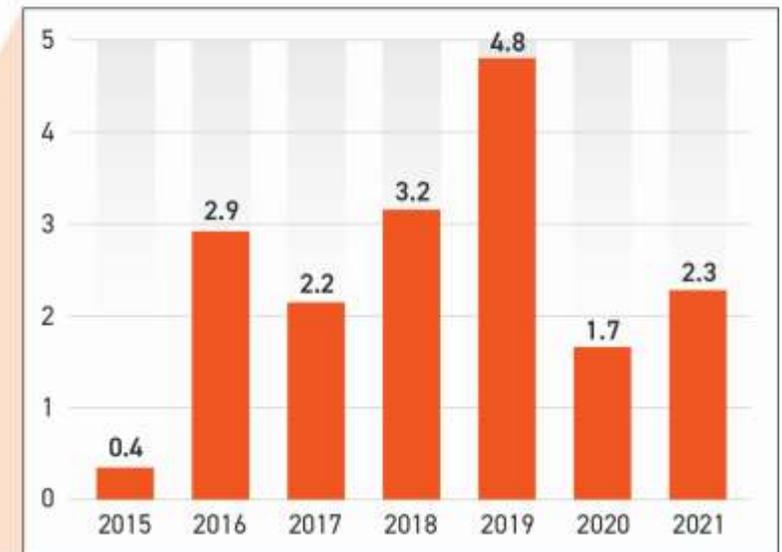
- \$17.3 billion was committed by international development funders to projects focused on tackling outdoor air pollution, cumulatively between 2015 and 2021.
- On average, this represents only 0.7% of total international development funding in the same period.
- In other words, for every \$1,000 spent by a development funder, just \$7 was spent on tackling outdoor air pollution, while there is evidence that \$1 spent on air pollution control can yield at least \$30 in economic benefits.

## OUTDOOR AIR QUALITY FUNDING AS A SHARE OF TOTAL INTERNATIONAL DEVELOPMENT COMMITMENTS

Total international development funding, 2015 - 2021



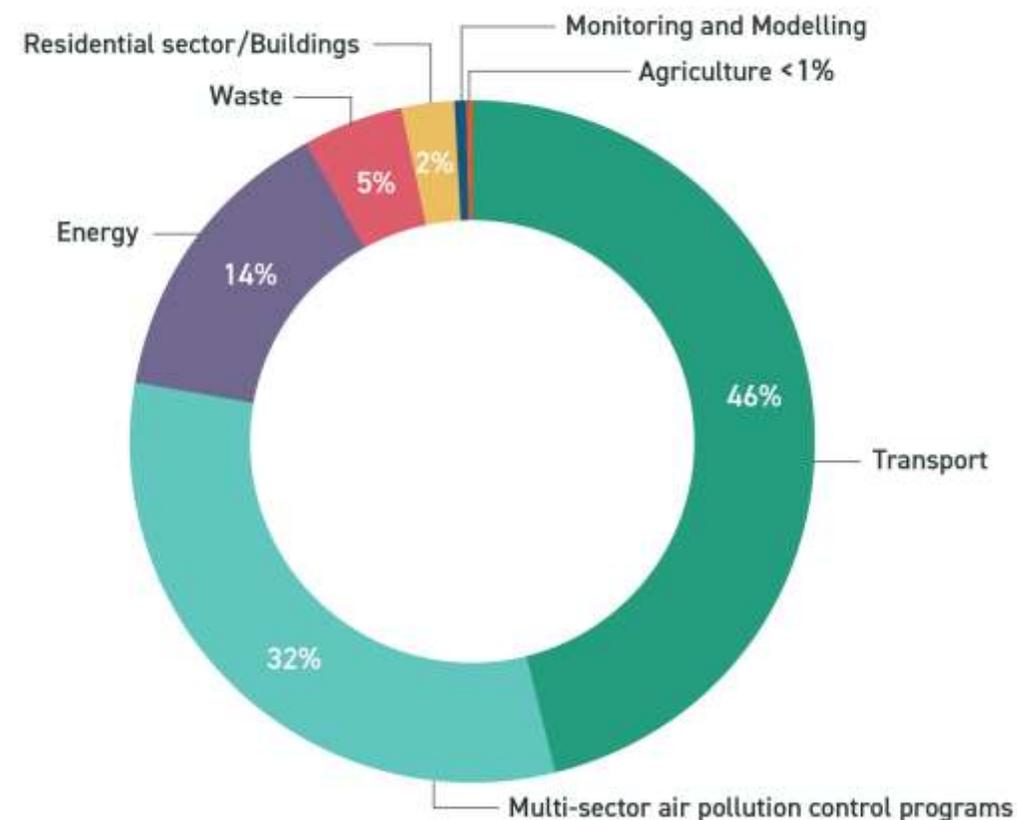
Outdoor air quality funding (USD billion)



# MOST OUTDOOR AIR QUALITY FUNDING WAS CHANNELLED TO TRANSPORT INVESTMENTS FOLLOWED BY MULTI-SECTOR AIR POLLUTION CONTROL PROGRAMS

- Transport projects received the most outdoor air quality funding (46%) in the most recent five years of data.
- For example, investment in cleaner fuels, electric and hybrid vehicles, public transport systems and railways, with an explicit objective of reducing air pollution, as well as facilitating more cycling and walking.
- Large multi-sector air pollution control programs, mostly in East Asia, were the next highest recipient of outdoor air quality funding (32%) at \$4.5 billion.
- The Beijing-Tianjin-Hebei Air Quality Improvement Programme received approximately 65% (\$2.9 billion) of this funding, a major contributor to China’s successful “war against pollution”

OUTDOOR AIR QUALITY FUNDING BY SECTOR, 2017-2021

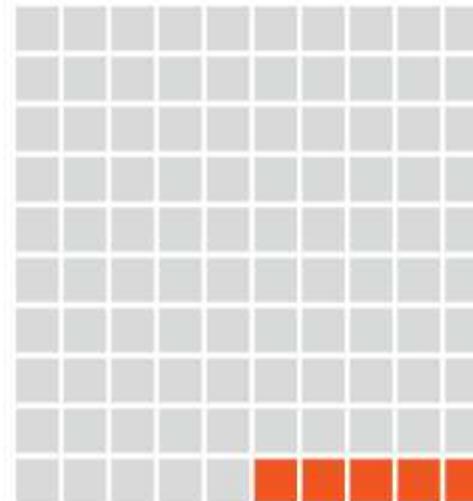


# ONLY 4% OF TOTAL DEVELOPMENT FUNDING DELIVERED OUTDOOR AIR QUALITY CO-BENEFITS

- Just 4% of total international development was committed to projects with outdoor air quality co-benefits
- This is a more significant share of international development funding.
- This means 96% of international development funding is air quality-agnostic
- Air quality outcomes are overlooked, undervalued, or ignored in many development interventions.

## FUNDING WITH OUTDOOR AIR QUALITY CO-BENEFITS AS A SHARE OF TOTAL INTERNATIONAL DEVELOPMENT COMMITMENTS

Total international development finance, 2015 - 2021



Air quality funding (\$ billion)



# TOP 10 INTERNATIONAL DEVELOPMENT FUNDERS OF OUTDOOR AIR QUALITY PROJECTS, 2017-2021

- The number of funders investing in outdoor air quality projects is limited
- The top 10 funders provide 97% of total outdoor air quality funding
- Concentration of funding from a handful of funders indicates limited engagement with outdoor air quality by wider funding community
- We need to widen the funding base to more international development funders.

Ranking	Funder	Outdoor air quality funding (\$ million)	Outdoor air quality funding as a % of total int. development finance commitments
1	Japan	5,115	6%
2	Asian Development Bank	5,065	5%
3	Asian Infrastructure Investment Bank	1,246	4%
4	Canada	658	3%
5	Republic of Korea	539	2%
6	World Bank Group	407	0.1%
7	European Bank for Reconstruction and Development	299	1%
8	European Investment Bank	112	0.4%
9	France	93	0.1%
10	USA	64	0.04%
<b>All top 10 funders</b>		<b>13,597</b>	

# TOP 10 INTERNATIONAL DEVELOPMENT FUNDERS OF PROJECTS DELIVERING OUTDOOR AIR QUALITY CO-BENEFITS, 2017-2021

- As is the case with dedicated outdoor air quality funding, funding with outdoor air quality co-benefits is largely provided by a small number of the same funders.
- The top 10 provided 85% of the total in the most recent five years for which data is available.

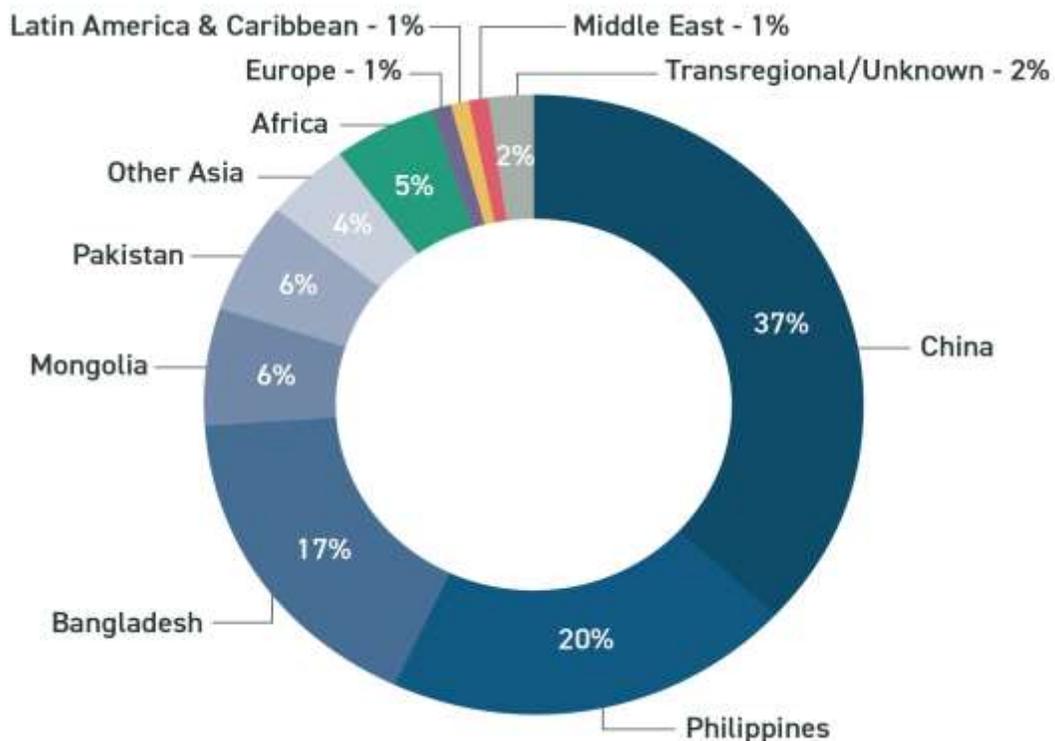
Ranking	Funder	Funding with outdoor air quality co-benefits (\$ million)	Funding with outdoor air quality co-benefits as a % of total int. development finance commitments
1	Asian Development Bank	17,792	16%
2	European Investment Bank	13,235	42%
3	Japan	7,598	8%
4	Inter-American Development Bank	5,953	8%
5	China <sup>†</sup>	5,548	Unknown <sup>‡</sup>
6	European Bank for Reconstruction and Development	5,193	13%
7	World Bank Group	5,106	2%
8	Asian Infrastructure Investment Bank	4,156	14%
9	Germany	2,675	2%
10	France	1,981	3%
<b>All top 10 funders</b>		<b>69,237</b>	

# SPENDING IS CONCENTRATED ON 5 ASIAN COUNTRIES

## OTHER REGIONS AND COUNTRIES ARE LEFT BEHIND

- From 2017-2021, 86% of outdoor air quality funding was concentrated in only five countries: China, Philippines, Bangladesh, Mongolia and Pakistan.
- This is because of the scale of financing provided by the top three funders – Asian Development Bank, the Japan International Cooperation Agency, and the Asian Infrastructure Investment Bank, which focus their investments on the Asia region.
- Together these funders committed 81% of total outdoor air quality funding in the most recent five years which data is available.
- Coherent, government-led programmes for air quality improvements in these countries made it possible for them to attract development funding.

**OUTDOOR AIR QUALITY FUNDING BY REGION OF DESTINATION, 2017-2021**



## BREAKDOWN OF 'OTHER ASIA' CATEGORY (2017-2021)

- Other Asian countries received \$550m between them
- Many countries with high pollution levels are potentially being left behind.
- India and Nepal have the highest population-weighted annual average PM2.5 exposure; each get less than 1% of the total funding.
- Domestic funding is important too but is not sufficient. More international development support is needed for more countries in Asia.

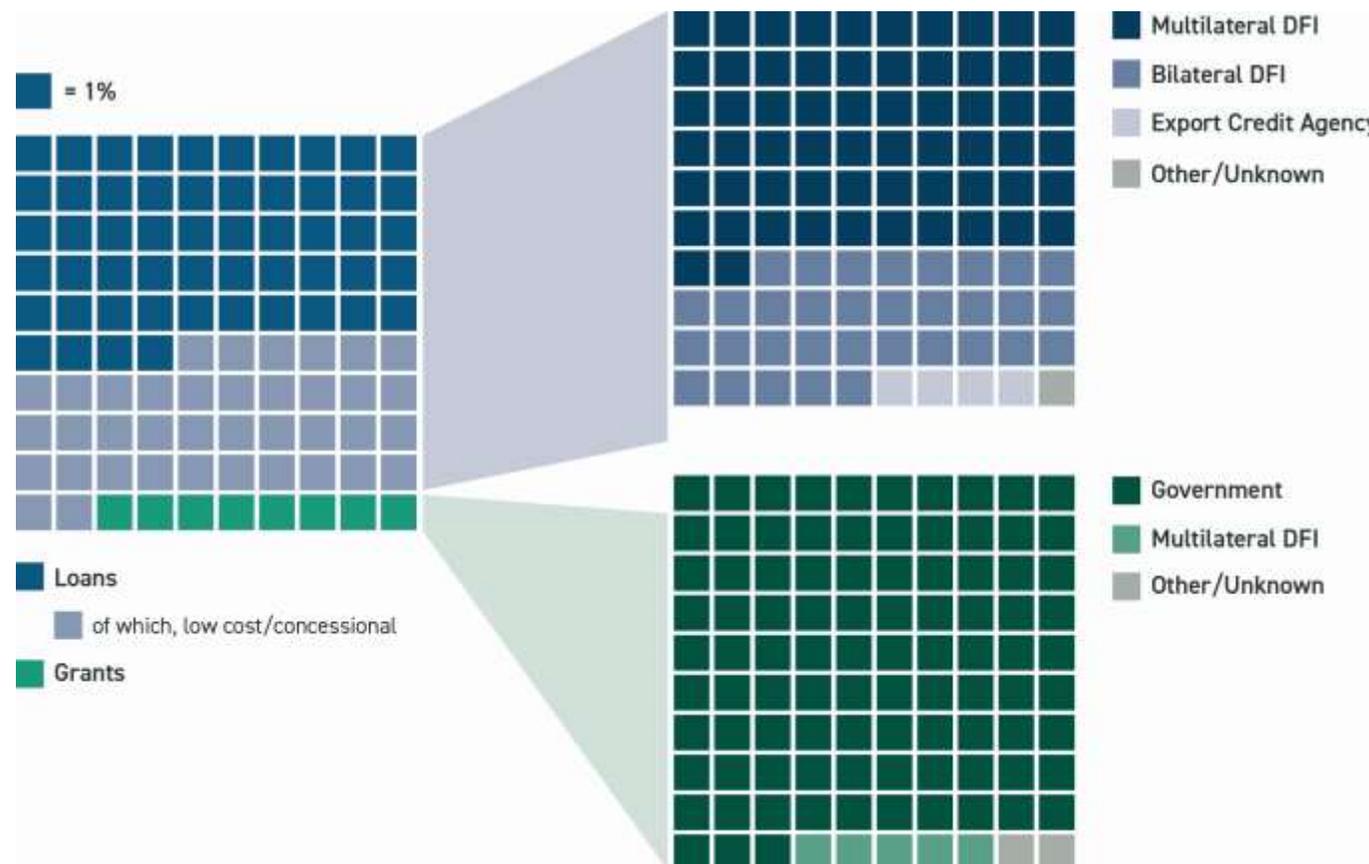
Country	USD mn	% of Other Asia Funding
Uzbekistan	209.0	38%
Kyrgyzstan	100.6	18%
<b>India</b>	<b>97.9</b>	<b>18%</b>
Cambodia	77.7	14%
Unspecified/Oceania	18.9	3%
Vietnam	17.6	3%
<b>Nepal</b>	<b>11.8</b>	<b>2%</b>
Unspecified/Far East Asia	5.7	1%
Marshall Islands	4.1	1%
Indonesia	4.0	1%
Myanmar	3.6	1%
Malaysia	1.4	0%
Tajikistan	0.5	0%
Unspecified/Central Asia	0.5	0%
Thailand	0.4	0%
Korea, Democratic People's Republic	0.4	0%
Kazakhstan	0.3	0%
Unspecified/South Asia	0.2	0%
Lao PDR	0.0	0%
Wallis and Futuna	0.0	0%
<b>Total</b>	<b>554.6</b>	<b>100%</b>

# GRANT FUNDING WAS ONLY 8% OF OUTDOOR AIR QUALITY FUNDING

## MORE GRANT FUNDING IS NEEDED

- Most outdoor air quality funding was loans (92%, or \$12.9 billion), of which \$5.3 billion was low-cost/concessional.
- Grants were the remaining 8% of air quality funding, largely from governments.
- Such funding is a vital resource to improve air quality by facilitating capacity building and technical assistance.
- Recipients favour grants since they avoid worsening debt positions in countries often already facing debt distress.

OUTDOOR AIR QUALITY FUNDING BY INSTRUMENT AND TYPE OF FUNDER, 2017-2021



# MANY FINANCIAL INSTRUMENTS HAVE NEVER BEEN USED FOR AIR QUALITY

- Deploying a diverse range of financial instruments could promote a more effective use of public resources to de-risk investments in those sectors that present attractive returns for private investors.
- Public resources could then be directed towards air pollution control programs and monitoring and modelling projects

Category	Instrument	Used for dedicated air quality projects
<b>Grants, debt and equity</b>	Grants	√
	Debt	√
	Equity	√
<b>Secondary capital market instruments</b>	Green bonds	Proposed
	Social bonds	×
	Sustainability bonds	×
	Sovereign bonds	√
	Green sukuk	×
<b>Results-based finance instruments</b>	Results-based funding	√
	Carbon finance	×
	Environmental impact bonds	×
	Sustainability-linked bonds	×
<b>Structured finance mechanisms</b>	Aggregation	×
	Securitization	×
	Pooled procurement	×
<b>Risk mitigation instruments</b>	Currency hedging instruments	×
	Guarantees	√
	Insurance products	√

# PLEASE REMEMBER THESE 3 KEY MESSAGES

All funders should...

## 1 Chronic underfunding persists

- Substantially increase air quality funding commitments
- Account for co-benefits of air quality interventions
- Tailor financial strategies to tackle investment barriers
- Partner with other public and private investors to reduce risks and bring in new sources of finance

## 2 Funding is focused on middle income Asia. Others are missing out

- Actively push air quality up governments' agendas to stimulate demand for funding
- Increase grant and concessional finance;
- ensure funding reaches all countries and regions in need;
- ensure key sectors such as agriculture and waste are not left behind

## 3 Early signs of a positive shift on fossil fuel funding are emerging

In 2021, \$2.3 billion was spent on air pollution, while \$1.5 billion went to fossil fuel-prolonging projects

- Swiftly phase out funding of new fossil fuel-prolonging activities, and redirect capital to air quality projects

**Visible leadership on air pollution is critical  
Make it part of your mission statement**

**“Young people deserve clean air, clean water,  
healthcare and decent jobs”**

**Ajay Banga, World Bank President,  
October 2023**



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