

## Mobilizing Private Finance for Sustainable Development at Scale: Exploring Gaps in Financial Regulation

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**Date:** 13 February 2025

**Time:** 10:00 am - 11:30 am ET

**Type:** Hybrid event, UNHQ CR6

### Abstract

Mobilizing private capital is essential for achieving the Sustainable Development Goals (SDGs). However, research has shown that international financial regulation may unintentionally restrict investment flows to geographies and assets with significant SDG gaps. This panel, part of the 3<sup>rd</sup> Preparatory Committee for FfD4, will discuss policy recommendations from the FfD4 Zero Draft outcome document as well as academic insights and conclusions from a previous Global Investors for Sustainable Development (GISD) Alliance expert meeting.

### Background

**There is a need to scale up sustainable finance in EMDEs.** EMDEs face high financial needs for achieving Sustainable Development Goals (SDGs). However, there is an asymmetry in international finance between high-income countries, that are home of a large majority of financial assets, and EMDEs. In the case of sustainable finance, this asymmetry is even greater. This diagnosis and bias in favor of high-income countries in sustainable finance is well-documented and has been highlighted by both recent institutional reports (IMF, OECD, NGFS) and research papers.

**Overcoming the barriers to sustainable investment flows in EMDEs requires an “ecosystem of solutions” (NGFS, 2024).** There are several factors that act as barriers to sustainable finance flows in EMDEs, on both supply and demand sides. The UN-backed GISD Alliance, Co-Chair of the Business Track for the Fourth International Conference on Financing for Development, led different workstreams exploring a wide range of issues. These have included increasing private capital mobilization through enhanced blended finance structures, mitigating currency risks, as well as aligning incentives along the investment chain, including through regulation.

**The prudential framework was identified as one area of improvement on the supply-side.** Recognizing the need to maintain the stability and soundness of the financial system, addressing financial regulation issues should not water down existing standards. Rather, the focus could be on appropriately calibrating risks. Research suggests that capital requirements for SMEs, EMDEs, and long-term projects like infrastructure may not always reflect the actual risk profiles of these investments. Additionally, legal and contractual constraints may sometimes limit the ability of blended finance mechanisms, such as MDB guarantees, in providing capital relief. Targeted, risk-based adjustments to international standards,

developed in collaboration with relevant stakeholders, could be explored to address these challenges. Furthermore, systemic factors such as climate change and inequality, with the potential to affect the stability of the financial system, could be considered by supervisory authorities in the medium to long-term.

### Policy Response and Meeting Objectives

**International fora and leading policy groups have started to identify and address these issues.** In the FfD4 Zero Draft Outcome document, Member States present a set of policy solutions. Moreover, an October 2024 GISD Alliance expert meeting resulted in targeted recommendations. In 2025, the 4P Initiative (Paris Pact for People and the Planet) will launch an Eminent Persons Group and a new 4P Coalition to assess the impact of prudential regulations on investments in developing countries. This review will focus on reassessing and, if needed, proposing amendments to prudential capital requirements for banks, insurance companies, and pension funds, ensuring better alignment with risks in EMDE investments. The initiative will engage key stakeholders and support the South African G20 Presidency's emphasis on the cost of capital and debt.

**This panel discussion on financial regulation will be hosted as a side event to the 3<sup>rd</sup> Preparatory Committee for FfD4.** The discussion will bring together Member States, experts, financial institutions, policy groups and supervisory authorities to explore recommendations from the Zero Draft Outcome document, the October 2024 GISD expert meeting, and recent work by the 4P.

**Recommendations will be discussed and strategies for operationalizing them on the Road to Seville will be explored.** Further steps could include facilitating a dialogue with relevant stakeholders, such as Central Banks and standard-setters.

### Draft Programme

#### **5 minutes | High-level Opening**

Member State Representative

Shari Spiegel, Director of the Financing for Sustainable Development Office

Piera Tortora, Head of Secretariat, 4P Paris Pact for People and the Planet

#### **15 minutes | Framing**

Presentation by Liliana Rojas-Suarez, Director of the Latin America Initiative at CGDEV, on her latest research on Basel III and the SDGs.

#### **1 hour | Panel discussion: Aligning Financial Regulation to Unlock Private Investment for Sustainable Development at scale**

An interactive exchange on the regulatory barriers that may hinder long-term sustainable investment, especially in EMDEs, with a deep dive into risk weights.

## 10 minutes | Closing Remarks

Piera Tortora, Head of Secretariat, 4P Paris Pact for People and the Planet

Shari Spiegel, Director of the Financing for Sustainable Development Office

### List of Panelists

- Christopher Tynan, Vice President, Public Sector Banking, Citi Bank
- Liliana Rojas-Suarez, Director of the Latin America Initiative at CGDEV
- Piera Tortora, Head of Secretariat, 4P Paris Pact for People and the Planet
- Shanti Bobin, Deputy Assistant Secretary Multilateral Financial Affairs and Development, French Treasury
- Wyatt Yankus, Director, Strategic Policy Insights, Standard Chartered
- Representative of a Central Bank

### Questions

- What are some of the proposals linked to financial regulation and sustainable investment in the FfD4 Zero Draft outcome document?
- What key takeaways from the GISD expert meeting should Member States consider?
- What are the most effective strategies for advancing these issues on the Road to Seville?
- How do the 4P 2025 workplan, FfD4, and G20 processes align and complement each other?

### References

G20/OECD (2024), “Assessing and promoting capital flow resilience in Emerging Markets and Developing Economies”.

IMF (2023), “Financial Sector Policies to Unlock Private Climate Finance in Emerging Market and Developing Economies”, Global Financial Stability Report, chapter 3.

IMF (2024), “Policies to Foster Green FDI: Best Practices for Emerging Market and Developing Economies”, Staff Climate Notes.

Liliana Rojas-Suarez (2025), “Aligning International Banking Regulation with the SDGs”. *For the World’s Profit: How Business Can Support Sustainable Development*.

OECD (2023), “Towards Orderly Green Transition: Investment Requirements and Managing Risks to Capital Flows”.

NGFS (2023), “Scaling Up Blended Finance for Climate Mitigation and Adaptation in Emerging Market and Developing Economies (EMDEs)”, Technical Document.

South African Reserve Bank, "Blended Finance: Barriers, Opportunities and Implications for Financial Stability and Supervision", Speech by F. Tshazibana, Deputy Governor, 2024.