

Scaling up private investment for sustainable development – opportunities for action at the Fourth International Conference on Financing for Development (FFD4)

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A side event to the 2nd FFD4 Preparatory Committee Meeting

Wednesday, 4 December 2024

11:30 a.m. – 1:00 p.m.

Conference Room 12, UN Headquarters New York

Concept note

Background

Many developing countries continue to face significant challenges with the mobilization of private investment at scale. A range of challenges at the national and international levels impact the flow of private capital to countries and sectors critical for the achievement of the SDGs.

A critical impediment at the domestic level is local currency risk. Local capital markets in developing countries are often insufficient to finance sustainable development priorities. Developing countries therefore need to borrow in foreign currencies, exposing them to exchange rate volatility, which in turn limits the volume of investment that can be mobilized. Existing mechanisms to hedge currency risks are often too expensive.

Another key challenge to channeling additional private resources to developing countries has been the lack of success in scaling blended finance. To date, blended finance transactions mobilized only about 230 billion Dollars – a drop in the ocean compared to the actual sustainable development and climate action financing needs. In addition, only a small share has been allocated to places with the highest needs, such as Least Developed Countries.

A third issue is the concern how international regulatory frameworks may impact long-term private investment for sustainable development. Stability and protection of financial market actors from future risks are the key priorities of financial regulation. At the same time, there may be unintended consequences on sustainable development investment in developing countries, for example the effects of risk-weighted assets on capital requirements for infrastructure investment.

Objective

The Fourth International Conference on Financing for Development (FFD4) provides once-in-a-decade opportunity to address these impediments to the mobilization of private investment. As UN Member States are preparing for the negotiations of the FFD4 outcome document, the Global

Investors for Sustainable Development (GISD) Alliance will organize a side event to provide space for a discussion of ideas and recommendations to scale up blended finance, tackle local currency risk and for possible adjustments of regulatory frameworks that have the potential to unlock significant amounts of private capital for sustainable development. The side event will build on the relevant substantive workstreams conducted by the GISD Alliance, as well as inputs from members of the FFD4 Business Steering Committee.

The FFD4 Business Steering Committee is co-chaired by the International Chamber of Commerce and the GISD Alliance. It brings together business organizations and initiatives, as well as UN-system related initiatives (World Economic Forum, Business 20, Glasgow Financial Alliance for Net Zero, Sustainable Markets Initiative, Investor Leadership Network, Global Compact, PRI, UNEP-FI), to provide a consolidated private sector perspective to the FFD4 process. The Steering Committee will also organize an International Business Forum during FFD4 and facilitate the launch of new private sector commitments and initiatives.

Guiding questions

1. Why has blended finance not reached its full potential in terms of scale and scope? What solutions can FFD4 advance to scale up blended finance and enhance its sustainability impact?
2. How has currency risk affected private investment for sustainable development? What proposals can FFD4 move forward to help developing countries better mitigate currency risk and mobilize private investment for the SDGs?
3. What types of regulation affect the allocation of private capital to sustainable development? How do they differ for banks, pension funds, insurance companies and other investors? How can FFD4 enhance better alignment of regulatory frameworks with sustainable development while maintaining the stability of the financial system?
4. How can FFD4 best advance action on further enhancing the contribution of private business and finance to sustainable development?

Moderator

- Shari Spiegel, Director, Financing for Sustainable Development Office, United Nations Department of Economic and Social Affairs

Introductory remarks

- Krishnan Sharma, Principal Economic Adviser, United Nations Department of Economic and Social Affairs

Panelists

- Jay Collins, Vice Chairman, Banking, Citi
- Wyatt Yankus, Director, Group Public & Regulatory Affairs, Standard Chartered
- Luisa Scarcella, Global Policy Lead, International Chamber of Commerce
- Claire Baumann, Head of Sustainable Finance, Global Compact
- Ben Weisman, Head of Capital Mobilization, GFANZ
- Nick Autiello, Senior Advisor, Investor Leadership Network