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From Risk to Reward: Unlocking Private Capital for Climate and Growth

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Foreword



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Developing countries stand at the frontlines of the climate crisis. They are simultaneously the most vulnerable to climate shocks and among the least equipped financially to respond. Rising climate risks threaten hard-won development gains, straining fiscal space and increasing the cost of borrowing. At the same time, global climate finance flows remain far below what is needed, with adaptation finance in particular lagging behind, leaving many communities without the resources to build resilience.

Yet the story is not only one of challenge – it is also one of opportunity. Emerging markets and developing economies are home to dynamic populations, abundant natural resources and rapidly growing clean technology sectors. If adequately financed, these countries can become hubs of innovation and drivers of the global transition to a low-carbon, climate-resilient economy. Unlocking this potential will require urgent and transformative action to mobilize both domestic and international private capital.

The barriers are well known: insufficient support for the preparation of investable projects and inadequate matchmaking between project

supply and investor demand, limited financial market development, heightened political and foreign exchange risks and the high cost of capital. Overcoming them will demand more than incremental fixes. It calls for bold partnerships between governments, multilateral development banks, development finance institutions and the private sector.

This report highlights practical pathways forward to mobilize private capital from both domestic and international lenders and investors. It identifies priority areas for reform and lays out concrete actions that can help unlock private climate finance at scale. Importantly, it reflects the perspectives of a diverse range of stakeholders – from policy-makers to investors – who are actively seeking solutions that balance risk and return while delivering real impact.

The choices we make in the coming years will shape whether developing countries are left behind in the global climate transition or positioned as leaders of a more sustainable future. By working together to channel finance where it is needed most, we can turn today's climate crisis into tomorrow's opportunity for resilient, inclusive growth.

Executive summary

Six priority action areas can scale up private capital for climate-aligned growth in emerging markets.

“ Achieving climate targets will require EMDEs to mobilize \$2.4 trillion per year by 2030, including \$1 trillion in external finance.

Climate finance – the mobilization of public and private capital to support both mitigation (emissions reduction) and adaptation (resilience building) – continues to fall short of global needs. This shortfall is especially stark in emerging markets and developing economies (EMDEs), where funding for adaptation trails behind that for mitigation, leaving the most vulnerable countries with limited resources to address increasing climate risks. Achieving climate targets will require EMDEs to mobilize \$2.4 trillion per year by 2030, including \$1 trillion in external finance,¹ most of which will need to come from private sources, given fiscal constraints and cuts to development finance.

Despite the urgency, global efforts to close this gap – such as the New Collective Quantified Goal (NCQG)² – have yet to deliver transformative results. Climate funds remain severely under-resourced and current flows are a fraction of what is needed. At the same time, there is growing recognition, particularly in EMDEs, that climate is no longer just an environmental concern but a systemic financial risk – one that directly shapes sovereign credit ratings, investor behaviour and capital flows. Yet many global and domestic private investors still allocate only a small portion of their portfolios to climate-aligned investments in EMDEs.

In this context, the role of the private sector is not optional – it is essential. Mobilizing large-scale,

long-term finance and embedding climate risk into core financial decision-making are critical to closing the funding gap and unlocking the potential for low-carbon, climate-resilient growth in EMDEs.

However, structural barriers persist: underdeveloped local capital markets, political and foreign exchange risks, limited visibility of bankable projects, data and capacity gaps, and complex de-risking mechanisms that can add to transaction costs and complicate deal structuring. To overcome these hurdles, public and private actors must collaborate more strategically, concentrating resources where they are most needed rather than duplicating efforts or inadvertently crowding-out investment.

This paper sets out practical, targeted solutions to these investment barriers, drawing on insights from policy-makers, multilateral development banks (MDBs), development finance institutions (DFIs), private investors and climate finance experts. Crucially, the paper reflects input from a diverse range of private investors – including those with varying investment strategies, risk appetites and business expansion goals.

Based on these findings, the paper identifies six priority areas and 16 clear, stakeholder-specific actions to support the next wave of strategic pilots and initiatives for unlocking private climate finance in EMDEs at scale (see Table 1).

TABLE 1 **Six priority areas for action**

Improve access to bankable project pipelines	Support countries with strengthening public-private collaboration through climate innovation funds, developing demand aggregation platforms, expanding syndicated loans between private investors and MDBs, and embedding climate adaptation layers into public infrastructure.
Increase data transparency and local market intelligence	Address information asymmetries by scaling-up national climate investment data platforms, adopting digital credit analytics tools and brokering partnerships between local businesses and global investors.
Mobilize local capital	Redirect domestic capital pools towards climate activities by deploying local credit guarantees and promoting local currency instruments.
Streamline risk-sharing mechanisms	Simplify and standardize de-risking approaches (e.g. blended finance tools, first-loss capital) including through AI-enabled platforms and expanded climate insurance.
Improve policy and regulatory certainty	Support investable nationally determined contributions (NDCs) with clear roadmaps and improve country platform access to give private investors predictable policy frameworks.
Scale up equity investment structures	Align equity flows with opportunities by scaling-up DFI platform investments, aggregating fragmented projects and using catalytic equity to crowd-in broader equity pools.

In essence, to overcome persistent obstacles to private climate finance in EMDEs, a holistic approach is required – one that leverages clear, predictable policy and regulatory frameworks, risk-sharing mechanisms and digital technologies to streamline investment processes and improve transparency. Central to this transformation is the power of local partnerships, which anchor global solutions in domestic realities and ensure that investments are both impactful and sustainable.

Now is the moment for decisive, collective action. All stakeholders – private investors, MDBs, DFIs, concessional and philanthropic organizations, donor governments and EMDE governments – must rise to the challenge and unite to channel climate finance where it is needed most. Only coordinated commitments and bold partnerships can unlock the resources, innovation and impact required to transform the global climate finance landscape for a sustainable future.



1

Private climate finance landscape

Climate finance for EMDEs remains severely inadequate, with a fraction of required investment mobilized from private sources. Bold public-private action is essential to close the finance gap.

1.1 Introduction

\$332
billion

of global climate finance flowed to EMDEs in 2023 – just **14% of the \$2.4 trillion needed** every year by 2030.

Climate finance continues to fall far short of what the world, particularly EMDEs, urgently need. In 2023, global climate finance reached a record \$1.9 trillion; however, only \$332 billion flowed to EMDEs from both domestic and international sources – deeply insufficient, given it is just 14% of the \$2.4 trillion per year of climate investment needed in EMDEs by 2030.³

While EMDEs can mobilize around \$1.4 trillion domestically, the remaining balance of \$1 trillion will need to come from external, mostly private, finance by 2030 – rising to \$1.3 trillion by 2035 – to stay on a Paris-aligned path.⁴

To meet this challenge, international mechanisms such as the New Collective Quantified Goal (NCQG) aim to mobilize \$300 billion annually by 2035. However, even if this target were achieved, this still leaves a gap of \$700 billion per year. This sizeable funding gap underscores that public finance alone cannot meet the scale of investment required, which is further exacerbated by the fiscal

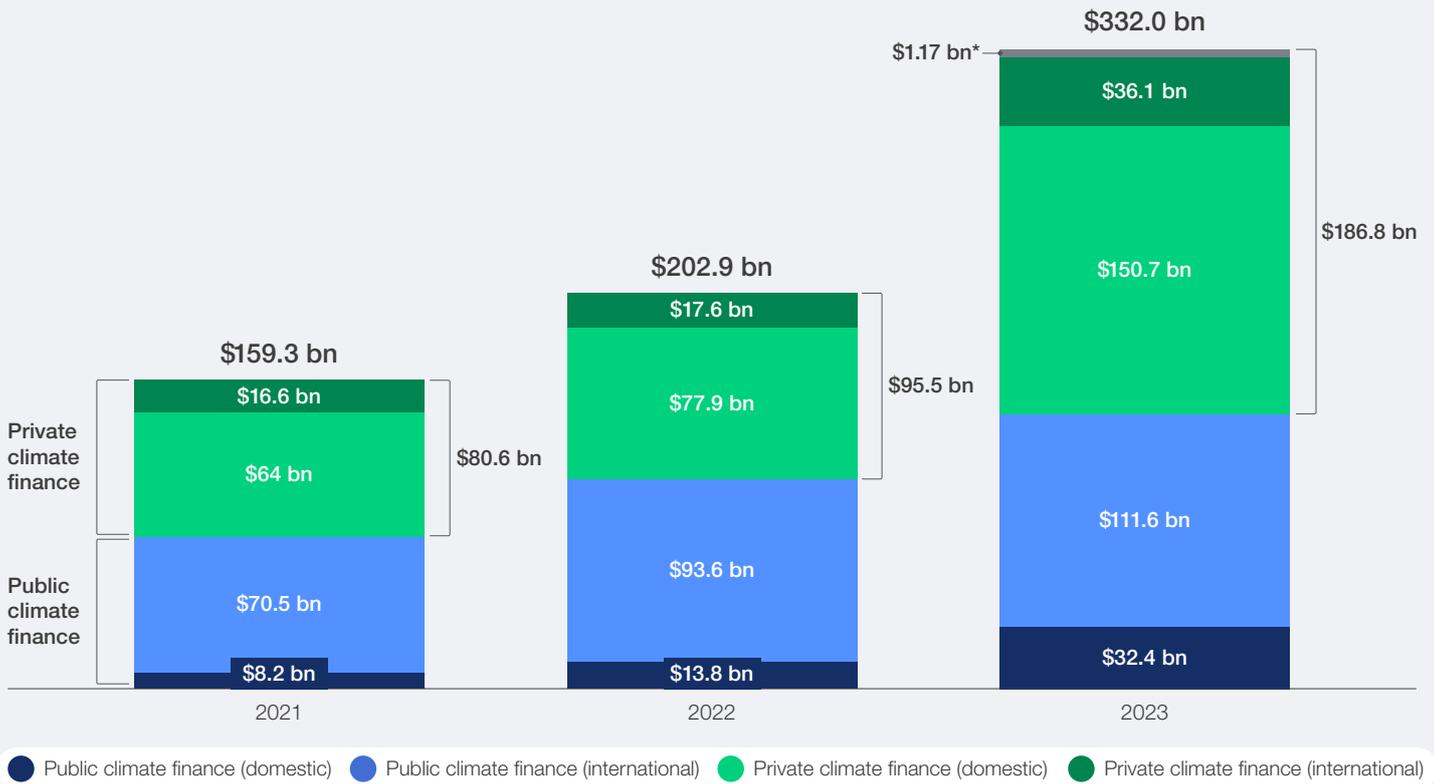
constraints and shifting priorities of donor countries. Private finance therefore becomes the critical lever for accelerating climate action.

International private finance rose from \$17 billion in 2021 to \$36 billion in 2023 (see Figure 1) but still forms a small part of total climate finance and must grow 28-fold to reach \$1 trillion/year by 2030.⁵ The amount needed is a small fraction of the capital that currently exists. For example, the world's 100 largest asset owners hold \$26.3 trillion⁶ and the UN-convened Net-Zero Asset Owner Alliance (NZAOA) manages over \$9.5 trillion.⁷

At the same time, the narrative around climate finance is shifting. Climate is no longer seen as a peripheral environmental issue – it is now recognized as a systemic financial risk, influencing creditworthiness, capital allocation and investment strategies. In EMDEs, this risk is increasingly shaping the macro-financial landscape. Yet despite this recognition, private investors still have small portfolio allocations for climate-aligned investments in EMDEs.



FIGURE 1 | Total climate finance to EMDEs has grown fast – but not fast enough



Note: *The Climate Policy Initiative reports a total of \$332 billion in climate finance to EMDEs in 2023, which includes \$1.17 billion categorized as “unknown international” finance. This is not included in the total of \$186.8 bn of private climate finance for 2023.

Source: Climate Policy Initiative (CPI), 2025.⁹

The cost of delay is rising rapidly. Without decisive action, lower- and lower-middle income countries are expected to bear the brunt of climate impacts, with ~3.6 times greater GDP losses on average than developed countries under certain scenarios, according to a study of 135 countries.⁹ These

impacts threaten not only development in these regions but also global financial stability, trade flows and supply chains. Addressing this imbalance requires a fundamental rethink of how climate finance is mobilized across mitigation and adaptation, debt and equity, and international and domestic sources.

BOX 1 Emerging markets and developing economies (EMDEs)

EMDEs refer to a broad group of countries across Latin America, Sub-Saharan Africa, South Asia, East/South East Asia and parts of Eastern Europe. For the purposes of this report, EMDEs exclude China due to its distinct investment profile and Least Developed Countries (LDCs) due to their unique financing needs and constraints.

These economies collectively represent over two-thirds of the global population, contribute to more than one-third of global GDP and are projected to account for 74% of global energy consumption by 2050. Despite their relatively modest historical climate footprint, EMDEs face disproportionate exposure to climate risks and require substantial financing to stay on a Paris-aligned path.

Multilateral funds and public instruments have made important contributions, but remain underfunded and often fail to deliver timely, scalable investments,

particularly in the most climate-vulnerable regions. As a result, many bankable, high-impact projects in EMDEs remain stalled or underdeveloped.



The key to scaling climate investment lies in partnering with committed players, those who believe in the long-term story, align with ESG values, and are willing to take calculated risks to unlock real impact.

Vaishali Nigam Sinha, Co-Founder, ReNew

Crucially, the problem is not a lack of financial tools. Over the past decade, an array of risk-sharing and investment mechanisms such as blended finance, guarantees, political risk insurance, climate bonds, first-loss capital and climate insurance have been developed and deployed at varying scales. The challenge lies in the absence of a coherent, system-wide mechanism to align these tools effectively. What is needed is transparent, streamlined and scalable architecture that can channel capital efficiently towards areas of greatest climate and development impact, while also supporting long-term economic growth in host countries.

Local partnerships are also vital. A deep understanding of domestic market dynamics, regulatory frameworks and community needs ensures that financial solutions are contextually relevant and sustainable. By building trust, aligning incentives and fostering public-private collaboration on the ground, these partnerships enable capital to flow where it is most impactful. Without robust local alliances, even the most sophisticated financial mechanisms risk being underutilized or misaligned, leaving the most pressing climate opportunities untapped.

Unlocking private capital at scale is essential not just to fill the climate finance gap in EMDEs, but to seize the opportunity these markets present. With EMDEs projected as future centres of global growth, sustainable infrastructure investment (estimated at \$1.5-2.0 trillion annually by 2030) can deliver both strong returns and resilience.¹⁰ Even a 10-15% capture of this need translates to \$150-300 billion per year in investable opportunities.

While first movers may encounter risks and challenges in the markets they enter, they can also access potentially favourable valuations before increased capital inflows affect prices. In addition, they may have opportunities to influence policies and market structures, develop relational capital that could pose barriers for later entrants, and diversify portfolios with assets that display low correlation with Organisation for Economic Co-operation and Development (OECD) economies, thereby supporting portfolio stability amid global fluctuations.

This report calls for bold, coordinated action, through public-private collaboration to overcome data asymmetries, align incentives and scale up investment. Only by building a climate finance ecosystem that is efficient, inclusive and impact-driven can sustainable growth for all be achieved.



‘Insufficient, inefficient and unfair’ is what I use to describe the state of climate finance, which could be comfortably extended to development finance.

Mahmoud Mohieldin, United Nations Special Envoy on Financing the 2030 Agenda for Sustainable Development

1.2 Trends in private climate finance

Understanding the current role of private finance and how fast it must grow is essential to charting a credible pathway to 2030. Private climate finance to EMDEs from both domestic and international sources more than doubled in two years, from 2021 to 2023.¹¹ The most significant annual jump occurred between 2022 and 2023, when flows increased from \$95 billion to \$187 billion. While this momentum is encouraging, international private finance, which increased from \$17 billion in 2021 to \$36 billion in 2023, remains limited as a proportion of total private climate finance at 19% in 2023 (see Figure 2).

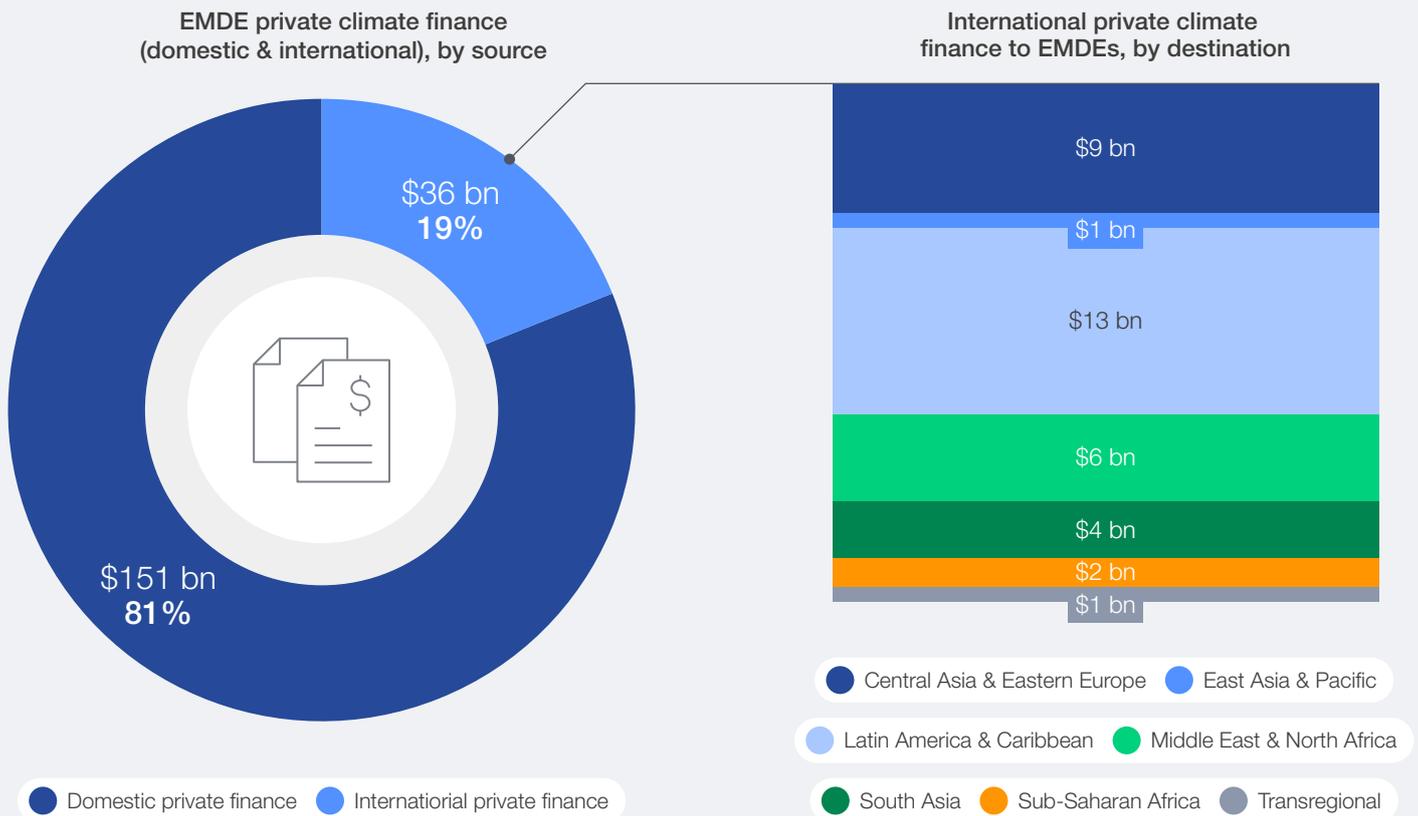
Recent trends show that domestic private climate finance has been the backbone of investment in EMDEs, rising from \$64 billion in 2021 to \$151 billion in 2023 – accounting for more than 80% of all private climate finance. This reflects growing household purchases of low-carbon technologies; nevertheless, local capital mobilization challenges such as shallow financial markets and credit risks persist.¹²



Despite strong momentum in recent years, private climate finance in emerging markets and developing economies remains insufficient and is concentrated in only a few sectors and countries. Closing the current financing gap will require not only scaling international flows but also unlocking the vast pools of domestic capital already present in EMDEs, including by tapping into domestic savings and creating markets.

Barbara Buchner, Global Managing Director, Climate Policy Initiative

FIGURE 2 | Private climate finance to EMDEs, by source and destination (2023)



Notes: For the purposes of this report, East Asia includes Mongolia, Democratic People's Republic of Korea and South East Asian EMDEs, but excludes China. Transregional refers to climate finance flows that span multiple regions or cannot be attributed to a single geographic area. These include investments in global funds, multinational programmes or financial instruments that operate across borders, serving several EMDE regions simultaneously. Transregional flows are tracked separately to reflect their cross-cutting nature and systemic impact.

Source: Climate Policy Initiative (CPI), 2025.¹³

FIGURE 3 | Private climate finance flows to EMDEs (2023)

International private finance reached \$36 billion in 2023 but must grow 28-fold to reach \$1 trillion per year by 2030



Source: Climate Policy Initiative (CPI), 2025.¹⁴

Who is investing?

Understanding who is investing, where capital is flowing and why certain sectors and geographies remain underfunded is critical to designing effective strategies that unlock the full potential of private finance. Just as important is recognizing the diversity within the private investor landscape, including commercial banks, asset managers, institutional investors, venture capital firms and impact funds. These actors operate with distinct investment mandates, risk appetites, return expectations and strategic priorities, shaped

by their business models, fiduciary duties and regulatory environments.

Why does this matter? Because without this nuanced understanding, climate finance strategies risk being misaligned with investor realities, failing to attract the right type of capital, at the right time, for the right projects. Many past initiatives have treated the private sector as a monolith, overlooking the specific barriers and incentives that influence different investor groups. This has contributed to both the insufficiency and inefficiency of climate finance in EMDEs.



When we talk about bankability, who decides what is bankable, whose balance sheet are we talking about?

Kavita Sinha, Director, Department of Private Sector Facility, Green Climate Fund

Building on reports by the Climate Policy Initiative (CPI), a US-based non-profit research group, which detail private climate capital providers worldwide, this section focuses on the breakdown of domestic and international investors providing private climate finance to EMDEs during 2023, summarized as follows (see Figure 4):

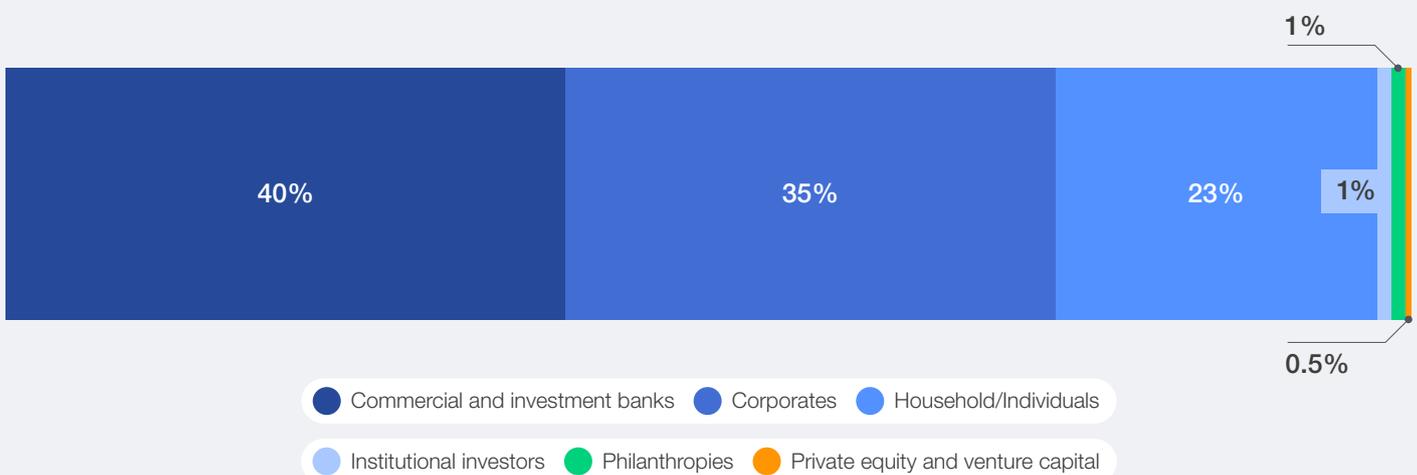
- Commercial and investment banks led with 40%, primarily through syndicated loans and green bonds.¹⁵
- Corporates followed at 35%, driven by internal decarbonization and clean infrastructure investments.
- Household and individuals contributed 23%, largely due to electric vehicles and distributed solar adoption, supported by national incentives.¹⁶
- Institutional investors accounted for just 1%, as most EMDE climate projects are too small or fragmented to meet their minimum ticket

size requirements.^{17,18} They tend to invest in public equities, private equity, real estate and infrastructure rather than direct climate solutions, which are mostly implemented by corporates, commercial banks and households.

- Philanthropies contributed 1%, deploying grants and catalytic capital to fund mission-aligned investments, often targeting early-stage and risk-tolerant opportunities.¹⁹
- Private equity and venture capital made up only 0.5%, constrained by limited pipelines, high perceived risk and insufficient risk-sharing tools – though they remain key for early-stage climate tech.²⁰

This composition underscores a reliance on conventional channels and highlights the need to crowd-in private capital through better support for project preparation, regulatory clarity and blended finance mechanisms, as discussed in Chapter 2.

FIGURE 4 Private climate finance flows to EMDEs, by investor type (2023)



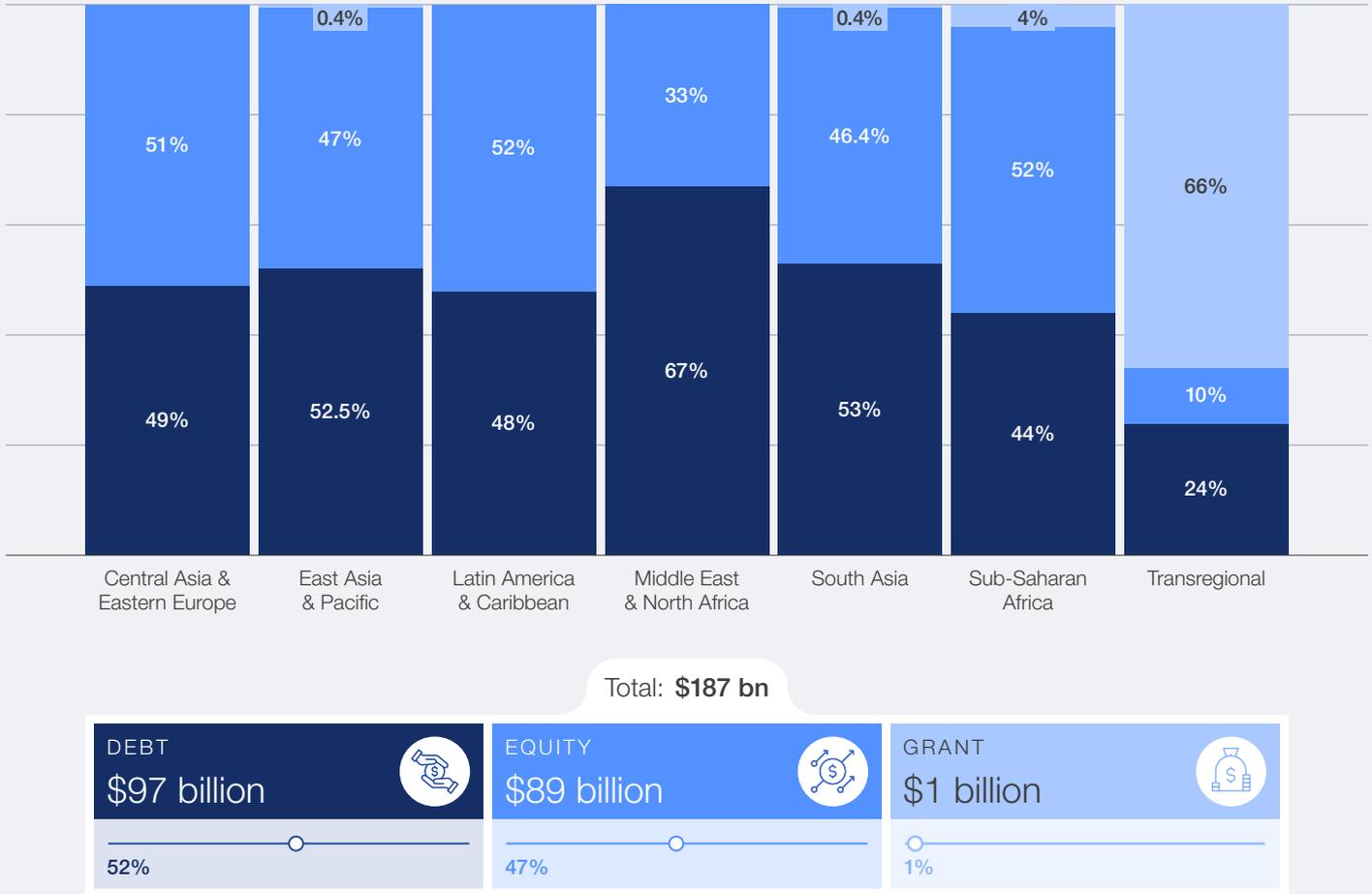
Source: Climate Policy Initiative (CPI), 2025.²¹

How are they investing?

In 2023, the composition of total public and private climate finance flowing to EMDEs remained predominantly debt-driven, with 65% issued as debt

and 30% as equity. This balance shifts notably when isolating private finance, where debt accounted for 52% and equity rose to 47% (see Figure 5). This share of equity investments is largely driven by household purchases of low-carbon technologies.

FIGURE 5 Private climate finance to EMDEs, domestic and international, by instrument type (2023)



Source: Climate Policy Initiative (CPI), 2025.²²

Regional variations further highlight divergent market dynamics: in the Middle East & North Africa (MENA), debt dominated at 67%; in Latin America & Caribbean, equity led at 52%; while Central Asia & Eastern Europe showed a near balance at 51% equity. These differences reflect varying levels of financing readiness and capital market development. Latin America's equity share aligns with its maturing capital markets and expanding green finance ecosystems, whereas MENA region's debt-heavy profile reflects investor caution, paired with a greater focus on large-scale renewable projects that require high levels of debt.^{23,24} This distribution illustrates how regional financial infrastructure and investor risk perceptions shape the instruments deployed in private climate finance.

Private climate finance is concentrated in three regions

Despite the global urgency of climate action, less than 30% of private climate finance in EMDEs reached regions outside Latin America, Central Asia and South Asia, leaving vast areas such as Sub-Saharan Africa, East Asia (excluding China) and Pacific, and the Middle East critically underfunded. This distribution mirrors broader patterns of capital market maturity, investor confidence and project pipeline readiness. Latin America's leading position reflects a strong green bond market, established project pipeline and private sector participation in clean energy.

Private climate finance to EMDEs in 2023 was distributed unevenly across regions, as summarized below and in Figure 6:

- Latin America & Caribbean attracting the highest volume at \$60 billion (32%)
- Central Asia & Eastern Europe followed with \$40 billion (21%)

- South Asia with \$35 billion (19%)
- Middle East & North Africa with \$26 billion (14%)
- East Asia & Pacific with \$13 billion (7%)
- Sub-Saharan Africa with \$12 billion (6%)

FIGURE 6 Private climate finance to EMDE regions, domestic and international (2023)

Regions	Value	Percentage
Latin America & Caribbean	\$60 bn	32%
Central Asia & Eastern Europe	\$40 bn	21%
South Asia	\$35 bn	19%

Regions	Value	Percentage
Middle East & North Africa	\$26 bn	14%
East Asia & Pacific	\$13 bn	7%
Sub-Saharan Africa	\$12 bn	6%



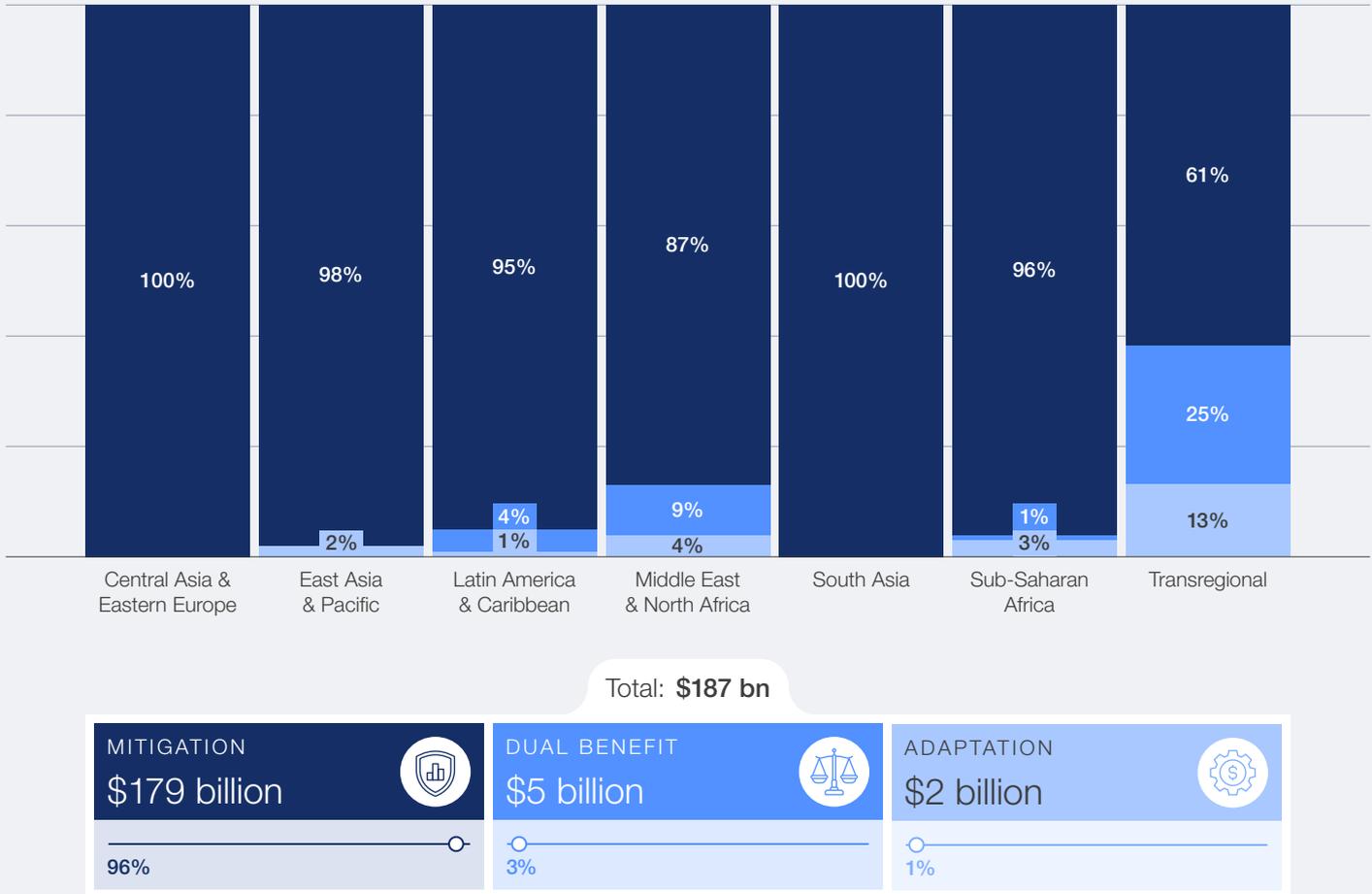
Note: For the purposes of this report, East Asia includes Mongolia, Democratic People’s Republic of Korea and South East Asian EMDEs, but excludes China.
Source: Climate Policy Initiative (CPI), 2025.²⁵



An emphasis on mitigation, with adaptation finance gaps growing

Understanding how this capital is allocated, whether towards mitigation, adaptation or dual-benefit activities, reveals important insights about investor priorities, perceived risks and the maturity of financial instruments across climate sectors (see Figure 7).

FIGURE 7 Regional distribution of private climate finance in EMDEs, by use (2023)



Source: Climate Policy Initiative (CPI), 2025.²⁶



We must address the chronic imbalance between mitigation and adaptation finance by directing more private investment into resilience-building solutions, supported by catalytic and concessional capital. Without this shift, the transition will be neither just nor sustainable. The solutions exist; now we need to replicate and scale them quickly.

Barbara Buchner, Global Managing Director, Climate Policy Initiative

In 2023, private climate finance in EMDEs remained heavily concentrated on mitigation, which absorbed 96% of total flows, while dual-benefit projects received 3% and adaptation accounted for just 1%. This imbalance reflects the commercial logic of private investors: mitigation investments, particularly in clean energy and transport, offer predictable cashflows, proven business models and access to risk-sharing instruments such as green bonds and public co-finance.²⁷

By contrast, adaptation projects typically lack monetizable outcomes, carry diffuse benefits and require significant concessional capital to become investment-ready.²⁸ Additionally, adaptation has historically been viewed as a public good and therefore the responsibility of governments. As a result, adaptation sectors continue to be sidelined from private capital flows, highlighting the need for targeted de-risking and pipeline development, including developing a better understanding of the private sector's role in adaptation and resilience.

“ In 2023, private climate finance in EMDEs remained heavily concentrated on mitigation, which absorbed 96% of total flows, while adaptation accounted for just 1%.

However, there is also a data gap in adaptation finance given the limited reporting of adaptation investments by corporates that are already mainstreaming resilience in their own operations.

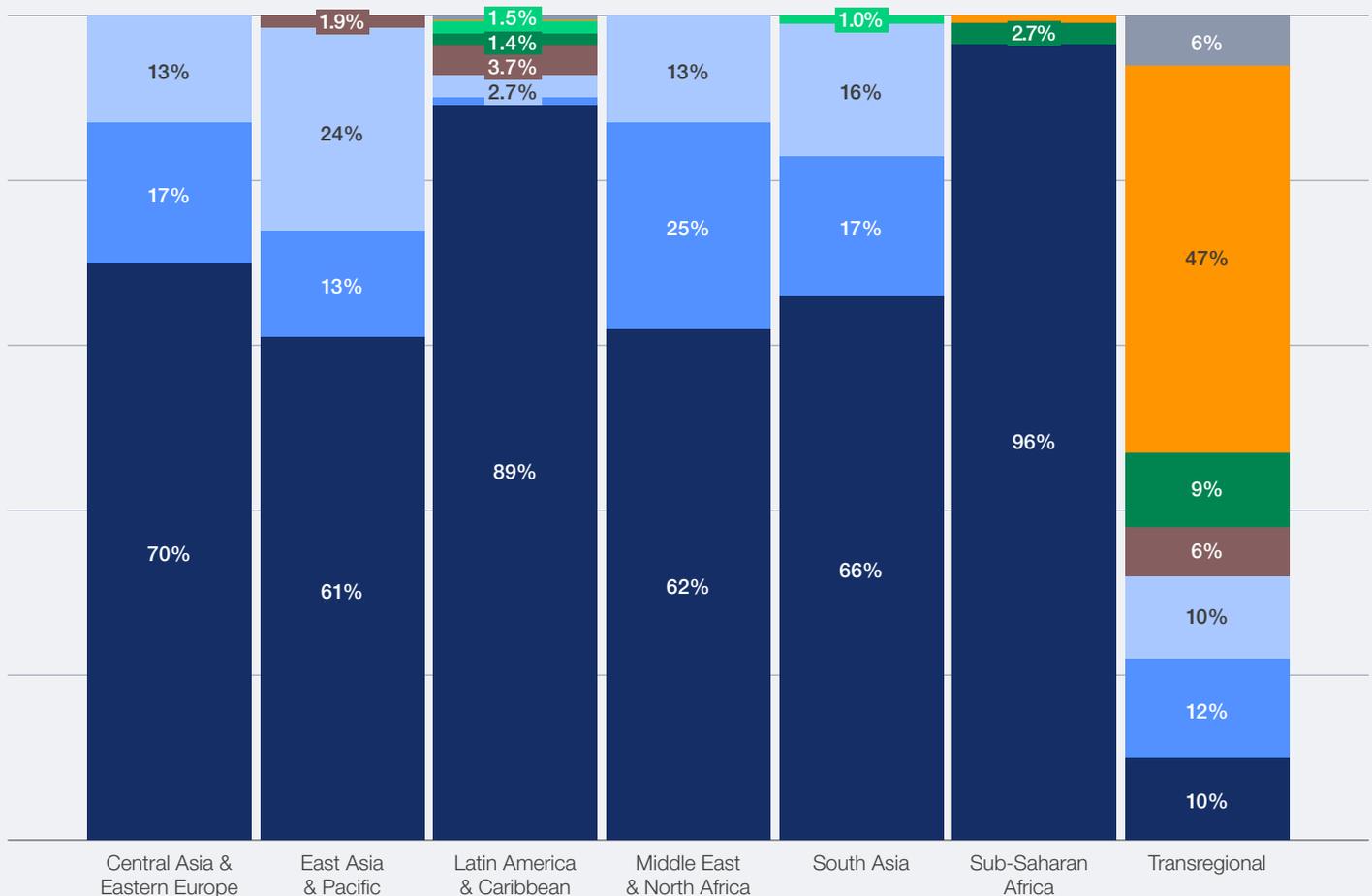
Regionally across most EMDEs, mitigation dominates climate finance. However, some regions are beginning to show early signs of diversification. MENA recorded a higher-than-average share of adaptation finance at 4%, with mitigation making up 87% of flows. This relatively stronger adaptation focus is likely driven by the region’s acute exposure to climate risks such as extreme heat and chronic water scarcity.²⁹ For example, Morocco has prioritized investments in drought-resilient agriculture and desalination infrastructure, while Egypt has advanced climate-resilient urban planning in coastal zones vulnerable to sea-level rise. These efforts are further supported by emerging regulatory frameworks, such as national adaptation plans and green building codes that promote climate-resilient infrastructure.

In Latin America & Caribbean, although 95% of flows remain mitigation-focused, there is a notable rise in dual-benefit finance. This is particularly evident in Brazil and Colombia, where private capital is increasingly directed towards sustainable land-use and climate-smart agriculture, blending mitigation with adaptation.³⁰ In contrast, Central Asia & Eastern Europe and Sub-Saharan Africa remain almost entirely mitigation-focused, reflecting limited adaptation project pipelines and low investor appetite in sectors such as water, agriculture and urban resilience.

Energy attracts the highest volumes of private capital, with regional nuances

Examining the sectoral distribution of investments provides additional insight into what kinds of mitigation opportunities are attracting private investors and how these preferences vary across regions.

FIGURE 8 Regional distribution of private climate finance in EMDEs, by investment sector (2023)



Regions	Value	Percentage
Energy	\$140 bn	75%
Buildings and infrastructure	\$21.4 bn	11%
Transport	\$15.7 bn	8%
Water and wastewater	\$5.8 bn	3%

Regions	Value	Percentage
Agriculture, forestry, fishing	\$1.3 bn	1%
Industry	\$1.3 bn	1%
Cross sectoral and others	\$0.6 bn	<1%
Waste	\$0.5 bn	<1%

Source: Climate Policy Initiative (CPI), 2025.³¹



“ To truly unlock private capital at scale, especially in EMDEs, it is important to grasp the nuances behind why different investors choose to engage.

In 2023, the private sector’s climate finance in EMDEs was mainly directed as follows:

- Energy sector, 75% of total flows
- Buildings and infrastructure followed with 11%
- Transport with 8%
- Water and wastewater with 3%

The remaining 3% was dispersed across agriculture, forestry, industry, waste and cross-sectoral projects. This concentration reflects the market maturity and scalability of energy-related mitigation technologies, including utility-scale renewables, distributed solar and grid upgrade sectors that offer strong risk-adjusted returns and established investment vehicles such as power purchase agreements and infrastructure debt.³²

While the dominance of energy is expected, the sectoral breakdown reveals some notable regional nuances. For example, MENA shows investment priorities in water conservation and food security adaptation measures, reflecting regional priorities as the most water-scarce region in the world. Latin America shows diversification with forest protection and sustainable land use gaining significant traction, alongside agriculture and land-use management initiatives.^{33,34} These variations suggest early signals of sectoral diversification that could inform future strategies for scaling-up private climate finance beyond core mitigation sectors.

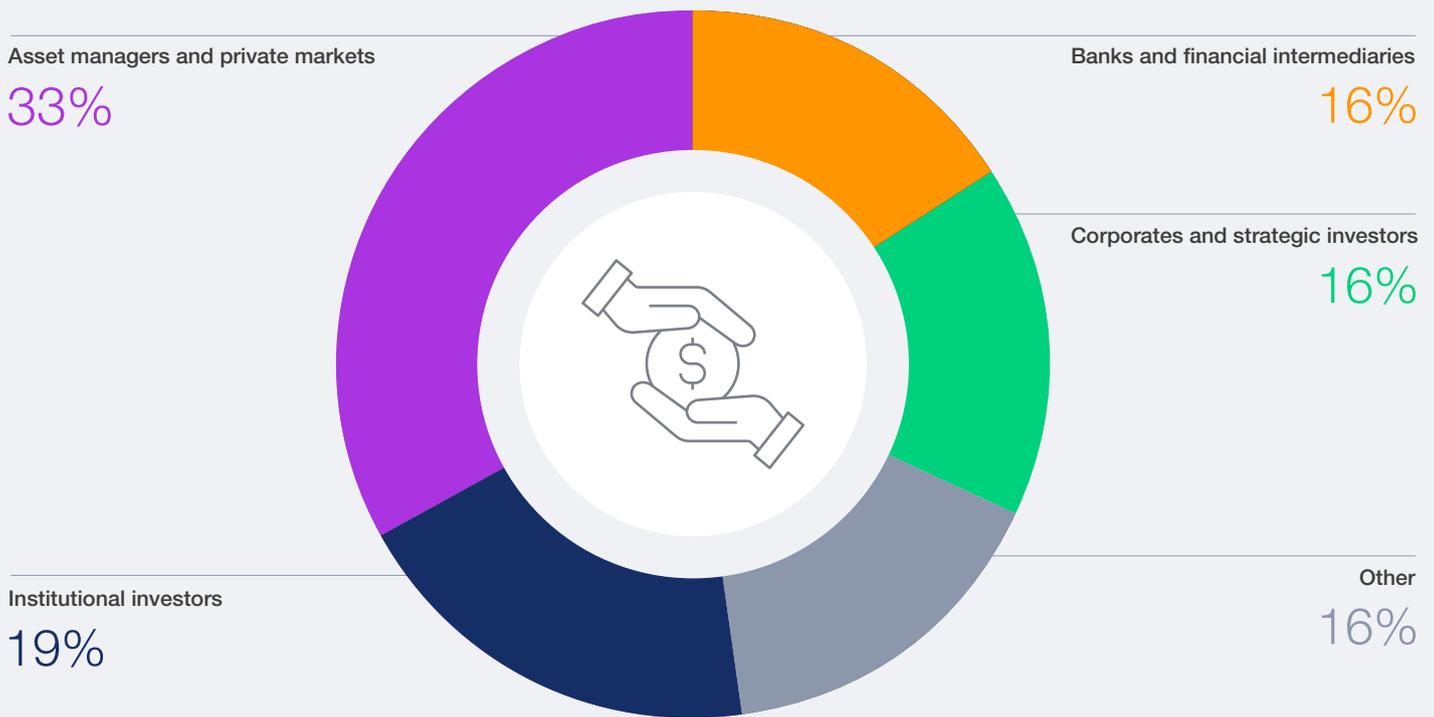
Barriers and solutions to unlocking private climate investment in EMDEs

There is no one-size-fits-all approach to private investment in climate-aligned projects. To truly unlock private capital at scale, especially in EMDEs, it is important to grasp the nuances behind why different investors choose to engage (or not) in specific sectors, geographies or risk profiles. This crucial layer of understanding has been largely absent from many climate finance reports, limiting their real-world effectiveness.

This report fills that gap by incorporating insights from a broad spectrum of private capital providers, reflecting their diverse perspectives. Doing so is essential not only to address the gap in climate finance for EMDEs but also to improve its efficiency, ensuring capital flows to where it can achieve the greatest climate and development impact.

The next chapter dives into the barriers restricting climate finance and offers targeted solutions tailored to different investor types. Using a mixed-methods approach, the study combines quantitative data with qualitative insights from a global survey of around 45 private investors (respondent breakdown in Figure 9 below) and in-depth interviews with over 15 thought leaders spanning private investors, development finance institutions and regulators. Additional input was gathered through the World Economic Forum’s dialogue series at major climate and finance events throughout 2025, including the Meetings of the International Monetary Fund (IMF) and World Bank Group (WBG), London Climate Action Week, New York Climate Week and Finance for Development in Seville.

FIGURE 9 | Breakdown of survey respondents, by investor type



Notes: Total number of respondents to World Economic Forum survey was 45. "Other" is comprised of investor networks and family offices.
Source: KPMG analysis based on World Economic Forum survey.

These diverse perspectives inform recommendations grounded in real-world challenges and opportunities. The following sections identify key structural barriers limiting private investment in EMDEs and propose practical strategies to unlock climate finance at scale.



Strong market infrastructure foundations, stable policy environments and efficient public-private risk-sharing mechanisms are critical to mobilize additional private climate finance for low-carbon and resilient development.

Olivier Mahul, Global Manager, Climate Finance Mobilization Unit, World Bank

Climate finance solutions roadmap

Improving project bankability and the enabling environment in EMDEs are key priorities to align investor needs with project opportunities. This roadmap offers short-, medium- and long-term solutions.

2.1 A roadmap to prioritize interventions that accelerate capital flow

Investors vary in experience and strategy: some have a long history of investing in climate projects in EMDEs while others are new and hesitant, willing to invest only in the right conditions. Institutional investors and private equity firms, with established emerging markets allocation strategies, claim they have capital ready to be deployed but lack investable projects. They argue that capital will flow naturally if projects meet their risk-return profiles. Policy-makers, however, believe projects are available but underrecognized by private investors.

The challenge is aligning investor needs with project opportunities. In practice, institutional investors often view deal sizes below \$20-50 million as too small to justify the fixed due diligence, legal and compliance costs – and many EMDE climate projects struggle to reach that threshold. Regulations such as Basel III further incline banks

towards larger, highly rated assets (e.g. sovereign bonds) with lower capital charges. This mismatch leaves few investable options unless projects are aggregated or scaled-up. Institutions with investment-grade ratings also face incentives to preserve their credit standing, which further discourages them from allocating to higher-risk assets.³⁵

Some higher-risk, lower-return projects can be made bankable through de-risking and blended finance, but these are not universal fixes. Institutional investors prioritize partnerships, policy stability and risk-adjusted returns, while corporates and asset managers emphasize data transparency. The message is clear: there is no one-size-fits-all solution. Approaches must be tailored both to investor types and to the diverse socioeconomic, financial and policy contexts of EMDEs.

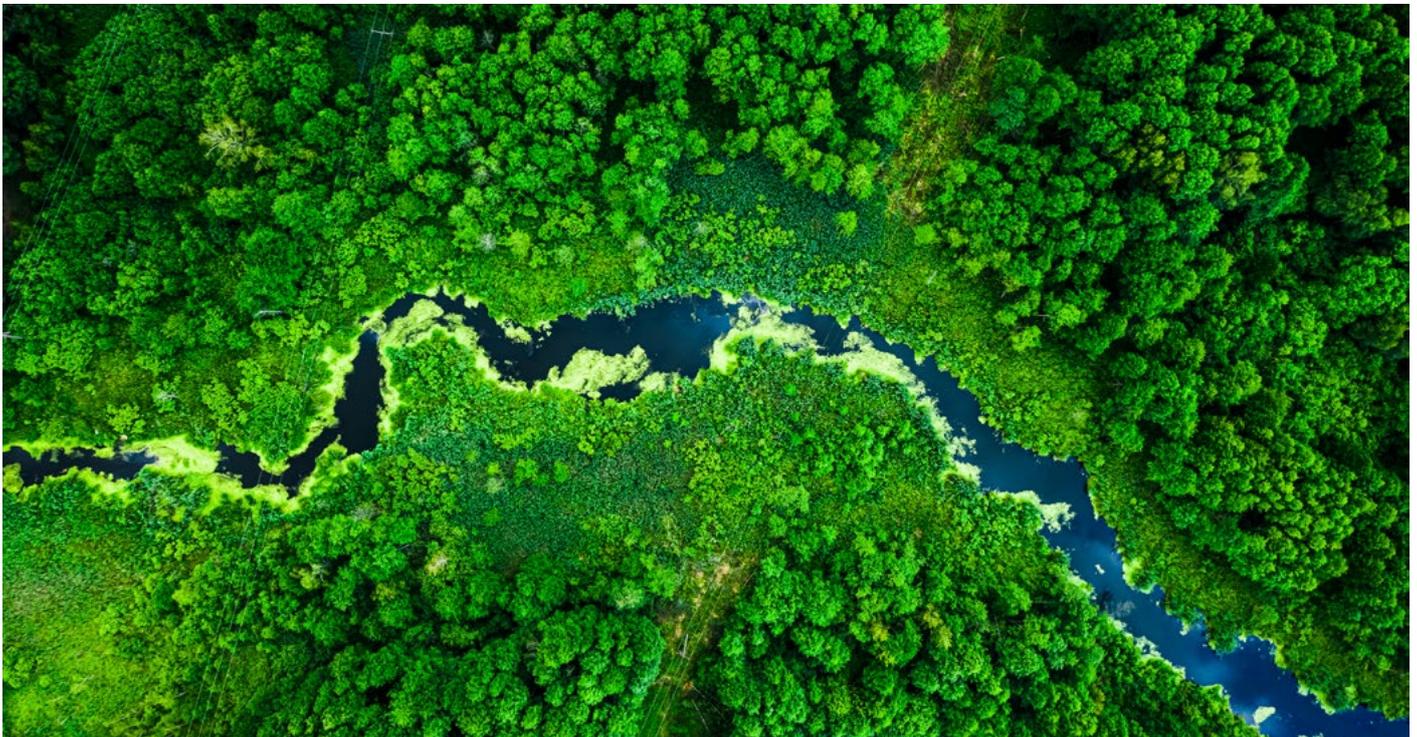


As free capital flows into emerging markets, we must ask: Is concessional finance truly serving the additionality metrics?

Kavita Sinha, Director, Department of Private Sector Facility, Green Climate Fund³⁶

In Africa and India, private investors report being crowded-out of renewables by MDBs and DFIs offering below-market rate capital. These “low-hanging fruit” projects distort markets, sidelining local capital that then seeks returns in developed economies. Better alignment is needed so that public finance targets adaptation in vulnerable countries, where risks are high and private capital is scarce.

Pension funds, for example, avoid jurisdictions with political, legal and currency risks that are costly to hedge. Survey results reinforce this, with 70% of respondents to this report noting that climate finance barriers largely reflect broader systemic constraints in EMDEs, including weak pipelines, unreliable data, shallow markets, regulatory uncertainty and fragmented de-risking tools.



MDBs are urged to make funding decisions thoughtfully, ensuring concessional resources are allocated without crowding-out private investors.

Christopher Marks, Managing Director and Head of Emerging Markets, Mitsubishi UFJ Financial Group (MUFG)

The barriers to private climate finance are not isolated but deeply interconnected, reinforcing one another in ways that erode investor confidence, inflate transaction costs and suppress capital flows. For example, opaque data exacerbates the challenge of identifying bankable projects, while shallow financial markets magnify currency risks and limit the availability of risk mitigation tools. These dynamics create a cycle where perceived risks remain higher than actual risks, deterring investment at scale.

Because of this complexity, a clear phased approach is essential. Many of the solutions, such as improving data platforms, piloting local partnerships or expanding blended finance, can deliver impact in the near-term. But they cannot fully succeed without complementary medium- and long-term reforms in regulation, market depth and institutional capacity. Sequencing actions across short- (1-5 years), medium- (6-10 years) and long-term (10+ years) horizons ensures that early wins lay the groundwork for systemic shifts. This temporal lens is critical for moving from today's fragmented ad hoc climate finance landscape towards a coherent system capable of mobilizing private capital at scale.

The visual roadmap presented in Table 2 distills key steps for diverse stakeholders across the climate finance ecosystem, recognizing that different private investors face unique constraints and motivations and governments operate within varied socio-economic and cultural contexts. While not exhaustive and excluding broader macro-prudential reforms beyond this study's scope, this framework offers a high-level guide to prioritize interventions that accelerate capital flow, improve project bankability and reduce investment risk. Detailed barriers and solutions are explored in this chapter to support tailored, effective action.

The following section sets out the core barriers that investors face in EMDEs, as identified through our surveys, interviews and literature reviews. For each identified barrier we then outline targeted solutions that can help unlock private capital. To put these solutions in practice, we draw on case studies that illustrate how these approaches have been piloted in EMDE contexts, highlighting lessons that can be adapted to national contexts.



There's no silver bullet to unlocking private capital. It's about moving the whole supply chain, from macro stability to project preparation, all at once. It's a market, and we're working across the entire chain to drive development and climate action together.

Jamie Fergusson, Global Director, Climate and Nature, International Finance Corporation

TABLE 2 | Climate finance solutions roadmap: barriers and associated solutions

Current state	Priorities	Solutions: short-term	Solutions: medium-term	Solutions: long-term	Future state
<ul style="list-style-type: none"> – Fragmented project pipelines, ad hoc project support – Initial reforms underway and evolving standards – Limited early-stage coordination among actors – High perceived risk, limited data transparency and insufficient local partnerships 	<p>PRIORITY 1</p> <p>Improve access to bankable project pipelines</p>	<p>Strengthen early-stage pipelines through partnerships with developers, public-private MSME and venture platforms, and local incubators to scale up smaller climate businesses.</p>	<p>Create demand-aggregation platforms led by corporate buyers, that link developers, project sponsors and fund managers to pool fragmented projects into larger investment opportunities.</p> <p>Embed climate adaptation layers into public infrastructure projects that already have established business cases.</p>	<p>Increase the volume of syndicated climate loans between private investors, MDBs and local intermediaries to channel capital efficiently along the value chain.</p>	<ul style="list-style-type: none"> – Country platforms become the backbone of investable, NDC-aligned project pipelines. – Climate finance data is standardized and transparent, reducing risk perception and costs. – Local capital markets are deepened through green bonds and local currency lending. – Risk-sharing tools are simplified, standardized and embedded in mainstream finance. – Policy frameworks provide long-term stability and regulatory clarity for investors. – Blended finance evolves into scalable, standardized public-private co-investment models. – Private and domestic capital flows scale up, closing finance gaps and strengthening ecosystems.
	<p>PRIORITY 2</p> <p>Increase data transparency and local market intelligence</p>	<p>Expand access to comparable climate investment data, methodologies and market intelligence platforms.</p> <p>Help global investors establish local partnerships in EMDEs to reduce information asymmetry and strengthen deal flow.</p>	<p>Adopt digital tools for credit analytics to cut due diligence costs and standardize risk assessment across developers, financial intermediaries and institutional investors.</p>		
	<p>PRIORITY 3</p> <p>Mobilize local capital</p>	<p>Deploy local credit guarantees to mobilize domestic capital and reduce risk perception for local banks, fund managers and developers.</p>	<p>Increase access to local currency instruments and green lending facilities, channelled through domestic financial institutions to developers and SMEs.</p>		
	<p>PRIORITY 4</p> <p>Streamline risk-sharing mechanisms</p>	<p>Create an AI-powered climate finance platform to streamline access to de-risking mechanisms, by pairing investors and project developers with suitable risk-mitigation tools.</p>		<p>Scale up climate insurance and guarantee solutions at all points in the value chain.</p>	
	<p>PRIORITY 5</p> <p>Improve policy and regulatory certainty</p>		<p>Translate NDCs into actionable, sector-specific investment roadmaps through early public-private alignment.</p>	<p>Create stable investment policies and country platforms that make NDCs an investable proposition, by embedding developer pipelines into national growth strategies and regulatory frameworks.</p>	
	<p>PRIORITY 6</p> <p>Scale up equity investment structures</p>	<p>Deploy more catalytic equity from donor countries, vertical climate funds, philanthropic capital and MDBs/DFIs.</p>	<p>Use DFI platform-based investments in sustainable infrastructure to attract more local and international equity investments.</p>	<p>Aggregate small and fragmented projects into investable portfolios via YieldCos, DevCos or developer-led vehicles to align with institutional investors' ticket sizes.</p>	

Note: The six sets of priorities and solutions are not listed in a prioritized order.

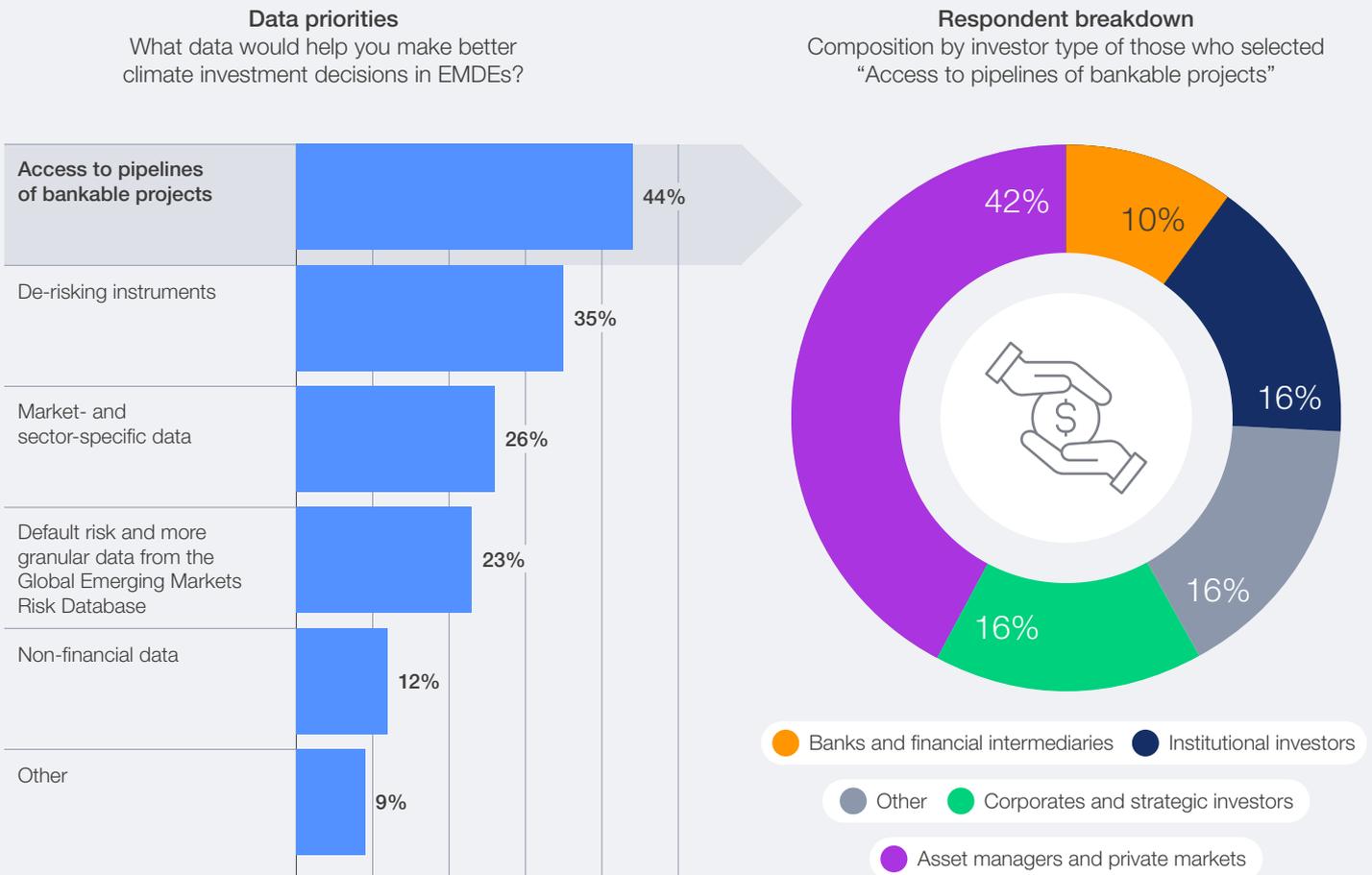
Improve access to bankable project pipelines

A recurring theme in climate finance is the limited visibility of investment-ready mitigation and adaptation projects in EMDEs. Among 45 survey respondents asked to identify the top three barriers to climate investment, 37% cited this as the leading challenge. The second most common barrier was data gaps and lack of transparency, highlighted by 28% of respondents. In low- and middle-income countries, for example, there is an estimated pipeline of \$1.2 trillion worth of sustainable infrastructure projects. However, achieving the sustainable development goals (SDGs) will require an additional \$3.9 trillion annually.³⁷

Limited visibility into projects that meet risk-return expectations

This is not simply a matter of volume; rather, investors cite a pervasive lack of projects that meet the technical, financial and governance standards required for commercial investment. Climate investments in EMDEs are often too small or fragmented to attract institutional investors, who typically require larger ticket sizes to justify due diligence costs and internal resource allocation. This misalignment between capital requirements and projects could explain why some stakeholders argue that there are plenty of projects in the pipeline but not enough equity ready to be deployed.

FIGURE 10 Data priorities for private climate investment decisions in EMDEs (% survey respondents)



Notes: Survey respondents could select multiple data types. Percentages in the bar chart represent the share of total respondents identifying each type as most useful. The pie chart illustrates the composition by investor type of those who selected "Access to pipelines of bankable projects" (n = 19).
Source: KPMG analysis based on World Economic Forum survey.

This sentiment was backed by survey results conducted for this report (see Figure 10), where 44% of respondents identified access to a pipeline of bankable projects as the most critical data needed to support climate investment decisions. The responses were largely in line with the overall survey respondent split, highlighting a consensus on the importance of this requirement. This issue reflects a broader project preparation gap, where promising initiatives fail to reach commercial viability due to underdeveloped feasibility studies, unclear risk allocation and ongoing regulatory uncertainty.

Integrating climate adaptation into infrastructure investments

One underutilized opportunity lies in integrating climate adaptation measures into existing public infrastructure investments. These “add-on” components – such as climate risk assessments or resilience upgrades – can be layered onto already bankable projects, enhancing their durability and attracting climate-first investors. This approach is particularly relevant in EMDEs, where adaptation finance remains limited and standalone projects often lack commercial viability.

SOLUTIONS: SHORT-TERM

Strengthen early-stage pipelines through public-private partnerships

- Asset managers
- Project developers
- Corporates
- MDBs and DFIs
- EMDE governments
- Donor governments

One way to expand and diversify the pool of bankable opportunities is by strengthening the early-stage end of the pipeline, where climate-focused start-ups and micro, small and medium-sized enterprises (MSMEs) operate.

MSMEs are critical to EMDE economies, contributing up to 40% of GDP and 70% of formal jobs.³⁸ Yet the MSME finance gap stood at \$5.7 trillion in 2019, up from \$4.4 trillion in 2015, reflecting persistent underinvestment.³⁹ Without targeted support, many climate MSMEs fail to scale up, limiting their visibility and excluding them from larger investment pipelines.

Public-private MSME and venture platforms can address this by combining concessional capital with

technical support, helping firms reach bankability. Examples include the Equator Fund’s \$55 million for African climate-tech start-ups and the Catalyst Fund’s incubation support, which improved firm survival rates (see Box 2). Importantly, linking these platforms to national project databases and NDC-aligned country platforms would integrate smaller ventures into broader pipelines visible to institutional investors.

Flexible structures such as HoldCos⁴⁰ or tiered share models (e.g. Africa Climate Ventures) also help align long-term climate business growth with investor needs. Together, these mechanisms create more visible, credible pipelines, broadening the spectrum of investable climate projects in EMDEs.



Closed-ended funds which force investors to exit are difficult in Africa where private capital markets can be less liquid; permanent capital vehicles afford investors the patience to harvest holdings both when they are ripe and when the right buyer can be identified.

CJ Fonzi, Co-Founder and Chief Operating Officer, Africa Climate Ventures

BOX 2

Catalyst Fund

The Catalyst Fund is a pre-seed venture capital (VC) fund dedicated to driving climate adaptation and resilience innovations across Africa. It offers a practical example of building a portfolio of investable climate companies from the earliest stages.

Structured as a \$40 million vehicle pairing concessional and commercial capital (including \$8.6 million from FSD Africa Investments, Cisco

Foundation, USAID Prosper Africa and Andrew Bredenkamp) with hands-on venture support, it provides each pre-seed start-up with up to \$200,000 in capital (split between \$100k equity and \$100k of hands-on venture-building support) and offers follow-on financing up to Series A. By aggregating investments and offering follow-on funding, the fund helps overcome size barriers for institutional investors, making small climate companies more attractive and investable.⁴¹



SOLUTIONS:
MEDIUM-TERM

Create demand-aggregation platforms led by corporate buyers

● Asset managers
 ● Project developers
 ● Corporates
 ● EMDE governments

Buyers' clubs and pooled procurement platforms allow corporate buyers to leverage economies of scale, spread transaction costs across more entities and send a strong demand signal to grow

the pipeline of clean energy projects among local developers. This promotes knowledge sharing and capacity building among corporate investors of various sizes and capacities.

BOX 3

First Movers Coalition

Launched at the UN Climate Change Conference in Glasgow in 2021 (COP26) by the World Economic Forum and the US Department of State, the [First Movers Coalition \(FMC\)](#) is a global initiative aimed at harnessing the purchasing power of the world's leading companies to decarbonize heavy-emitting industrial sectors. The coalition brings together over 100 major companies from diverse sectors, including shipping, aviation, steel, aluminium, trucking, chemicals and carbon dioxide removal (CDR), to commit to buying low-carbon products and services which are essential to achieving net-zero emissions by 2050, but are not yet competitive in today's market. FMC has generated \$19 billion of annual clean demand totalling 26 million tonnes of annual emission reductions in 2030 – the world's largest, credible demand signal.

FMC provides a platform for corporate collaboration, pooled procurement and joint market signalling to stimulate innovation and de-risk investments in clean energy and industrial decarbonization technologies. Smaller companies gain access to shared procurement tools and strategies from leaders such as Microsoft and Alphabet (e.g. in carbon removal), lowering market entry barriers and building internal expertise. By committing to purchase low-carbon products – such as sustainable aviation fuels – FMC members create predictable demand, encouraging local developers to invest in new clean energy infrastructure.

Embed climate adaptation layers into public infrastructure

● Project developers ● EMDE governments ● MDBs and DFIs

Climate adaptation finance in EMDEs remains significantly underfunded, with private capital contributing only a small fraction of total flows. One scalable solution is to embed adaptation measures such as climate risk assessments, flood resilience features or heat-resistant materials into large-scale public infrastructure projects that already have established business cases. These “add-on” components typically represent just 5-10% of total project costs but can significantly enhance asset durability and reduce long-term climate risks.

This approach allows climate-first investors to co-finance the adaptation layer without bearing the full cost of the core infrastructure. For example, a government-funded toll highway could include an additional climate risk assessment and design modifications to improve resilience against extreme weather. Since the core project is already bankable, the adaptation layer becomes a low-risk, high-impact investment opportunity.

BOX 4

Climate adaptation in India’s highway PPP projects

India’s National Highways Development Programme (NHDP) has increasingly integrated climate resilience into its public-private partnership (PPP) road projects. Under the National Infrastructure Pipeline and the Bharatmala initiative, several national highway corridors – such as NH-1, NH-2 and NH-8 – have been developed with private sector participation through toll-based PPP models.

In response to rising climate risks, the Ministry of Road Transport and Highways (MoRTH), in collaboration with private concessionaires and multilateral partners, initiated climate risk assessments and adaptation planning for selected

corridors. Measures included improved drainage systems, slope stabilization, heat-resistant materials and flood-resilient design standards. These adaptation components were embedded into the project design and financed as part of the overall PPP structure, representing a small share of total project cost but significantly enhancing asset resilience.

This model demonstrates how climate-first investors and private operators can co-finance adaptation layers within bankable infrastructure, aligning with national transport goals and unlocking private capital for resilience.⁴²

Increase the volume of syndicated climate loans

● Institutional investors ● MDBs and DFIs ● Banks

Syndicated climate loans are a financial arrangement where multiple lenders – such as banks, institutional investors and MDBs – join together to provide funding for large-scale climate-related projects, such as renewable energy infrastructure or climate adaptation efforts. Instead of one bank or investor bearing the entire risk and capital outlay, these loans spread both risk and investment across several parties. This collaboration allows more substantial amounts of capital to be raised than a single lender could manage alone, making it possible to support bigger or riskier ventures that might otherwise struggle to attract financing.

By pooling resources, syndicated climate loans lower the risk for each lender, making participation more attractive, especially in emerging markets where projects may be perceived as higher risk. MDBs add value to these arrangements by providing preferred creditor status, guarantees, political risk insurance and technical expertise, further reducing risk and encouraging private sector involvement. Overall, syndicated climate loans play a crucial role in mobilizing private capital for climate action, enabling investors to participate in impactful projects while managing financial exposure collaboratively.



I prefer using the term ‘risk sharing’ because ‘de-risking’ implies that the private sector expects major risks to be fully absorbed by someone else. In contrast, risk sharing emphasizes a collaborative approach where risks are shared alongside the private sector, which is essential.

Prasad Ananthakrishnan, Advisor Climate Finance, Monetary and Capital Markets Department, International Monetary Fund

BOX 5

Climate Syndication Platform

The Climate Syndication Platform (CSP), announced at COP28 by the European Bank for Reconstruction and Development (EBRD) and Germany’s Federal Ministry for Economic Affairs and Climate Action (BMWK), is designed to mobilize up to €225 million in private climate finance over eight years for mitigation and adaptation projects in EMDEs in, for example, Eastern Europe, Central Asia, Türkiye and North Africa.

While it has not yet been implemented, CSP aims for a 7.5x leverage ratio by using the German government’s funds as a first-loss tranche, which enhances creditworthiness and provides institutional investors with pro rata first-loss risk coverage. Supported further by EBRD capital and German funding for technical assistance, CSP serves as an innovative mobilization model that shares risk, encourages participation in markets that would otherwise struggle to attract private capital and supports project origination and development.^{43,44}



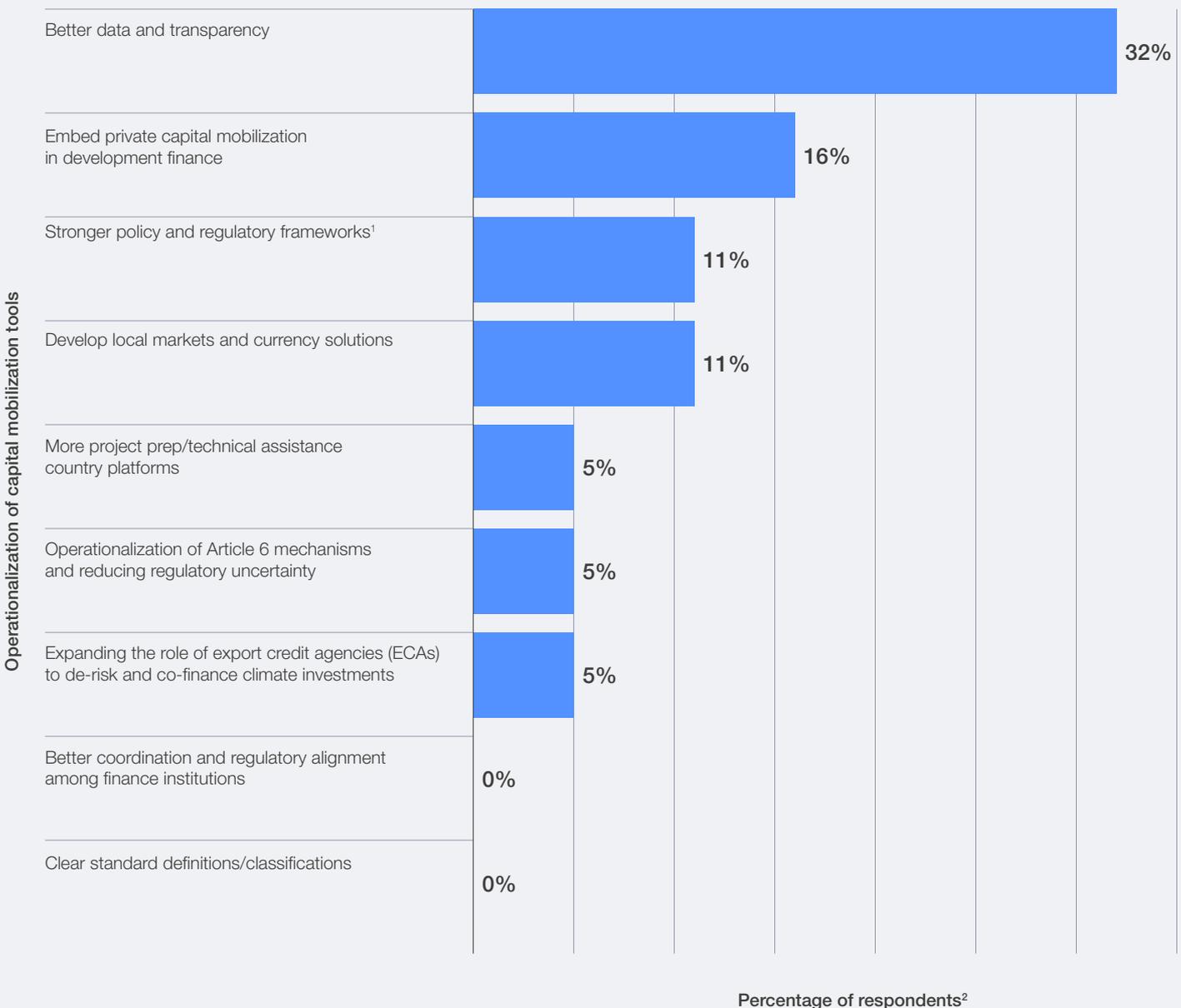
Increase data transparency and local market intelligence

A recurring theme from both the survey and stakeholder interviews is the critical need for reliable, standardized and accessible data to support climate investment decisions in EMDEs. While this barrier is well-known and has been cited in previous climate finance literature, our study

reaffirms its centrality through direct input from a broad range of private capital providers. Better data is needed to more accurately price investment risk and calibrate the cost of capital in EMDEs, as high costs hinder clean energy adoption where it is most critical.⁴⁵

FIGURE 11 Most effective tools to mobilize private climate finance to EMDEs (% survey respondents)

Investors put data quality and transparency ahead of all other capital mobilization tools



Notes: 1. For example, Nationally Determined Contributions (NDCs), sectoral pathways, fiscal incentives, regulatory sandboxes. 2. Respondents were asked to rank the listed capital mobilization tools according to perceived effectiveness. The percentages reflect the share of respondents who identified each option as most effective. Total percentages do not sum to 100%, as participation in this question was optional.

Source: KPMG analysis based on World Economic Forum survey.

Unlocking transparent and reliable data

When asked to identify the most effective tools for mobilizing private capital, nearly one-third of respondents (32%) highlighted better data and transparency as their top priority, well ahead of other options such as embedding private capital mobilization in development finance (16%) or developing local markets and currency solutions (11%). The preference for better data transparency underscores that, while blended finance instruments and risk-sharing tools are valuable, investors view information gaps as the most immediate and binding constraint to scaling-up climate finance in EMDEs.

In practice, this means that, before capital can flow at scale, investors require more reliable pipelines, improved disclosure standards and market intelligence platforms that reduce asymmetry and allow them to make decisions with greater confidence.^{46,47}

Existing platforms – such as Climatescope, the Sustainable Asset Valuation Database (SAVi) of the International Institute for Sustainable Development (IISD), BloombergNEF and Uxolo – track climate projects but often lack real-time accuracy. Political shifts, regulatory delays and financing gaps can alter project status, particularly in frontier markets. Investors therefore rely on local networks and direct intelligence to validate data.



Limited counterparty data on transition plans, adaptation measures and greenhouse gas emissions remains a major challenge to private climate finance in EMDEs.

Inge-Lise Mackaay, Head of ESG Solutions, FIC, Deutsche Bak

SOLUTIONS: SHORT-TERM

Expand access to comparable climate investment data

● Insurance ● Project developers ● Corporates ● MDBs and DFIs ● EMDE governments

Unlocking private capital in EMDEs requires transparent, reliable and comparable climate investment data. Governments should collaborate with MDBs, DFIs, donors and private investors to build open-access registries covering project pipelines, financial performance, market trends and policy environments. These platforms can build on existing initiatives, such as the World Economic Forum's *Playbook of Solutions to Mobilize Clean Energy Investment in EMDEs*, which could expand to other climate sectors.⁴⁸

Although resources such as the World Bank's Climate Change Knowledge Portal exist, investors still find climate data lacking due to inconsistent

methods, limited comparability and precision, and insufficient third-party validation.⁴⁹ Precise, project-level data is needed to demonstrate the impact and returns of adaptation and mitigation measures. Standardizing methodologies and definitions for financeable activities can also accelerate the development of relevant financial products, as the *Guide for Adaptation and Resilience Finance*, published by Standard Chartered Bank, KPMG and the UN, does for adaptation activities.⁵⁰ For example, Impact Earth's Tropical Resilience Fund (TREF) applies CGIAR-modelled impact frameworks to assess resilience outcomes and boost investor confidence (see Box 6).

BOX 6

Tropical Resilience Fund (TREF) – science-based impact tracking

Impact Earth invests in nature-based adaptation solutions in tropical EMDEs. What sets this fund apart is its use of science-based, location-specific impact tracking – integrating ecological metrics into investment decisions to assess resilience, biodiversity and carbon outcomes. TREF employs a science-based and comprehensive approach to impact measurement, tracking over 20 indicators encompassing CO₂ reduction, ecosystem restoration, species protection, food security, climate resilience and socio-economic outcomes, including livelihoods and inclusion in vulnerable communities.

This extensive data collection ensures that investors have access to quantifiable and verifiable metrics, enhancing transparency and investor confidence in a sector traditionally hindered by unclear returns and measurement challenges, which sets this example apart in terms of building investors' trust in the data. TREF demonstrates how robust impact data can de-risk nature-based adaptation investments and help scale up private finance into adaptation.⁵¹

Investors emphasize the need for credible, science-based data, including transition plans and standardized metrics to manage risk, reduce due diligence costs and build trust. The insurance industry serves as an important source of macroeconomic climate risk data. As outlined by Howden and the UN Climate High-Level Champions, quantified climate risk modelling is needed to inform and scale up climate finance.⁵² This involves leveraging data-driven assessments to understand physical and transition risks, which can guide both public and private investment decisions.

To date, catastrophe modelling has relied on historical data rather than predicting future risks.

To address this, some insurers have developed forward-looking climate risk models using geospatial data, analysing various Intergovernmental Panel on Climate Change (IPCC) scenarios up to 2100 and providing asset-level insights. However, many regulations and financial practices fail to incorporate forward-looking price curves for climate risk integrating climate science, actuarial modelling and financial data.

Another challenge is that many investors do physical risk assessments at a high level instead of at an asset level. Without this, risk is mispriced, capital is misallocated and resilience is underfunded.

BOX 7

Zurich Insurance's parametric insurance model builds climate resilience for Indonesian coffee farmers

Zurich Insurance, with Blue Marble, launched a parametric weather index insurance product for over 3,000 smallholder coffee farmers in Aceh, Indonesia, protecting them from income losses due to erratic rainfall or drought. Using satellite data, payouts are triggered automatically based on specific weather measurements, ensuring fast and transparent compensation without onsite assessments.

Covering the full crop cycle, this insurance helps farmers recover quickly and supports financial stability, promoting financial inclusion and climate resilience. The initiative demonstrates how technology-driven insurance can address agricultural risks in emerging markets.⁵³



A lack of transparency in risk assessment – and the resulting imbalance in negotiations between investor types – remains a core barrier to financing climate projects.

Laurence Tubiana, Chief Executive Officer, European Climate Foundation

To address these persistent data challenges, a fit-for-purpose solution designed with users in mind is required. This solution should focus on building robust, standardized and transparent climate finance data architectures, including working with

insurance industry climate models. By integrating open-access project registries, harmonized impact measurement frameworks and systematic third-party validation, stakeholders can bridge information gaps and build trust.

SOLUTIONS: SHORT-TERM

Help global private investors establish local partnerships in EMDEs

● EMDE governments ● MDBs and DFIs ● Donor governments

In the survey, 35% of investors identified local partnerships as their top risk-mitigation strategy, ranking above blended finance, grants and guarantees. Investors emphasized that building strong relationships with local actors – including suppliers, developers, partners, customers and financial institutions – is critical to navigating EMDE markets.

Having boots on the ground helps to unlock many of the relationships needed to deploy climate finance at scale in EMDEs. A few global pension funds have established local offices to support deal sourcing, counterparty relationships and

due diligence. This model allows them to be active owners and build long-term relationships in foreign markets. For example, La Caisse – a global institutional investor and one of Canada's largest pension funds – has offices in Mexico City, São Paulo and New Delhi. Based on stakeholder discussions, local partnership is critical and while permanent offices are valuable, even small, mobile teams of three or four members can be highly effective. These agile teams help measure the real-time pulse on policy, access and market dynamics, accelerating deal flow and enabling deeper engagement. For serious investors, such



direct presence is increasingly seen as a “must-have” to navigate complex local environments and unlock scalable opportunities.

While establishing local offices is one approach, a less capital-intensive alternative is the development of local partnerships. MDBs and DFIs can play a valuable role in this process, not as gatekeepers, but as facilitators by leveraging their country offices’ deep local footprint and networks. These offices often maintain long-standing relationships with vetted local fund managers, developers and institutions and can share due diligence insights, market intelligence and introductions that help global investors navigate unfamiliar environments more efficiently.

However, sourcing local partners should not rely exclusively on MDBs and DFIs. For example, ReNew – a renewable energy company headquartered in India – has developed partnerships with international investors, even before the involvement of MDBs. To enhance accessibility, additional mechanisms such as open-access registries of pre-qualified local entities, investor matchmaking platforms and regional investment forums can help private investors directly identify and engage with credible counterparts. These efforts complement the recommendation of Brazil’s *B2O Finance & Infrastructure Policy Paper* to leverage local expertise throughout the project lifecycle, while also streamlining partnership formation and reducing transaction costs.⁵⁴

SOLUTIONS:
MEDIUM-TERM

Adopt digital tools for credit analytics to cut due diligence costs

● Asset managers ● Institutional investors ● Banks ● MDBs and DFIs

To unlock more private capital for small-ticket and distributed climate investments in EMDEs, investors can consider adopting digital, AI-enabled credit analytics tools. Platforms such as Nithio demonstrate how advanced credit scoring, trained on local repayment, energy usage and socioeconomic data can improve risk assessment, reduce transaction costs and enable scalable co-investment (see Box 8).

In practice, this requires targeted support for R&D, regulatory frameworks that promote privacy-protected data sharing and harmonized data standards across sectors. Such tools benefit local lenders and fintechs by improving borrower targeting, while institutional investors gain access to more reliable risk metrics. By embedding digital risk scoring in blended finance structures, concessional capital can be deployed more efficiently, simplifying risk-sharing and expanding access to finance in underserved markets.

BOX 8 Nithio

Nithio is a data-driven financing platform focused on expanding energy access in Africa through decentralized solar. By using AI-powered credit risk assessment tools, Nithio enables more precise and scalable capital allocation, reducing the perceived risk of off-grid energy investments.

Its blended finance structure – combining concessional and commercial capital – uses this data engine to de-risk portfolios, simplify risk-sharing and attract institutional investors. Nithio offers a replicable model for how digitized risk assessment and structured co-investment can make small-ticket investments in EMDEs more accessible to mainstream capital.⁵⁵

Mobilize local capital

Mobilizing domestic resources at scale is no longer optional, given the risk of relying on external flows. OECD data shows that monthly portfolio flows to EMDEs remain volatile, with sharp outflows during tightening cycles. High foreign currency debt further amplifies vulnerability: in some lower-income EMDEs, 40% of outstanding debt is foreign currency-denominated, raising servicing costs during depreciation episodes.

India's recent experience highlights the potential for domestic capital to stabilize markets and underpin long-term investment. In 2025, India's domestic institutional investors (DIIs) overtook foreign institutional investors (FIIs) in ownership and net inflows.⁵⁶ This structural shift has helped reduce exposure to volatile external flows while creating a more reliable capital base for financing long-term, climate-aligned projects.

However, across most EMDEs, much of the available domestic capital continues to concentrate in sovereign debt markets, with domestic and foreign

investors financing government borrowing rather than directly mobilizing capital into productive climate-aligned sectors. While sovereign issuance plays an important role in building benchmarks, it does not equate to the mobilization of institutional savings into clean energy, infrastructure or resilience projects.

There is potential to unlock greater pools of local capital for climate-aligned investments in Africa. For example, one of Africa's largest asset managers, the Public Investment Corporation (PIC), has recently committed capital to green hydrogen development through a landmark investment partnership (see Box 9). Research by Africa Finance Corporation (AFC) estimates Africa's domestic capital pools at over \$4 trillion, comprising \$1.1 trillion in institutional capital, \$2.5 trillion in commercial banking assets and more than \$435 billion in external reserves.⁵⁷ Of the climate finance tracked within Africa, 87% originates from international sources. Domestic contributions remain limited at just 10% of total investment, with three-quarters of that amount provided by private actors.⁵⁸

FIGURE 12 \$4 trillion opportunity to mobilize African capital

Domestic contributions to climate finance in Africa remain limited at just 10% of total investment



Banking	Institutional/non-banking		Reserves
Commercial banks \$2,500 bn	Pensions, \$455 bn	Insurance, \$320 bn	FX, \$435 bn
	PDBs, \$250 bn	SWFs, \$150 bn	

Notes: PDBs = public development banks, SWFs = sovereign wealth funds, FX = foreign exchange, "non-banking" refers to financial entities that provide banking services but do not hold a full banking licence (e.g. insurance companies, pension funds, hedge funds, private equity firms).

Source: Africa Finance Corporation (AFC).⁵⁹



We underestimate the amount of local capital in Africa. I believe we're in the midst of a transition, where blended finance structures are attracting local capital into intermediaries focused on earlier stage investment. Africa's institutional investors, high net-worth investors and family offices remain largely untapped for climate finance.

CJ Fonzi, Chief Operating Officer, Africa Climate Ventures

Regulatory barriers to climate-aligned investments

In many EMDEs, the barriers to increasing domestic capital flows remain structural, with domestic institutional investors – such as pension funds, insurers and sovereign wealth funds – bound by mandates prioritizing liquidity and capital preservation. Prudential regulations and risk-weighted capital requirements reinforce a preference for sovereign debt and short-term assets. As a result, institutional investors are systematically underrepresented in EMDE equity markets, accounting for only 12% ownership

compared to 47% globally.⁶⁰ This lack of institutional depth means that even where capital exists, it is not channelled effectively into climate-aligned projects.

Local institutions benefit from knowing how to navigate local regulations and markets.⁶¹ They have the potential to leverage domestic resources to de-risk, reduce the cost of capital and crowd-in private sector. In this context, building robust local capital markets, through improved governance, sustainable finance standards and diversified financial instruments is a key lever to scaling-up climate finance in EMDEs.

BOX 9

Scaling-up climate investment in Africa through domestic finance

In June 2025, the Public Investment Corporation (PIC), Africa's largest asset manager with over \$130 billion under management (March 2024), committed \$17 million to the SA-H₂ Fund for green hydrogen development.⁶² Executed in partnership with the Industrial Development Corporation and the Development Bank of Southern Africa,

this investment represents a landmark in African institutional climate finance. The fund is directly supporting the Hive Hydrogen Coega Green Ammonia Project in South Africa's Eastern Cape, which is projected to produce 1 million tonnes of green ammonia annually and create over 20,000 direct and indirect jobs.⁶³

SOLUTIONS: SHORT-TERM

Deploy local credit guarantees to mobilize domestic capital

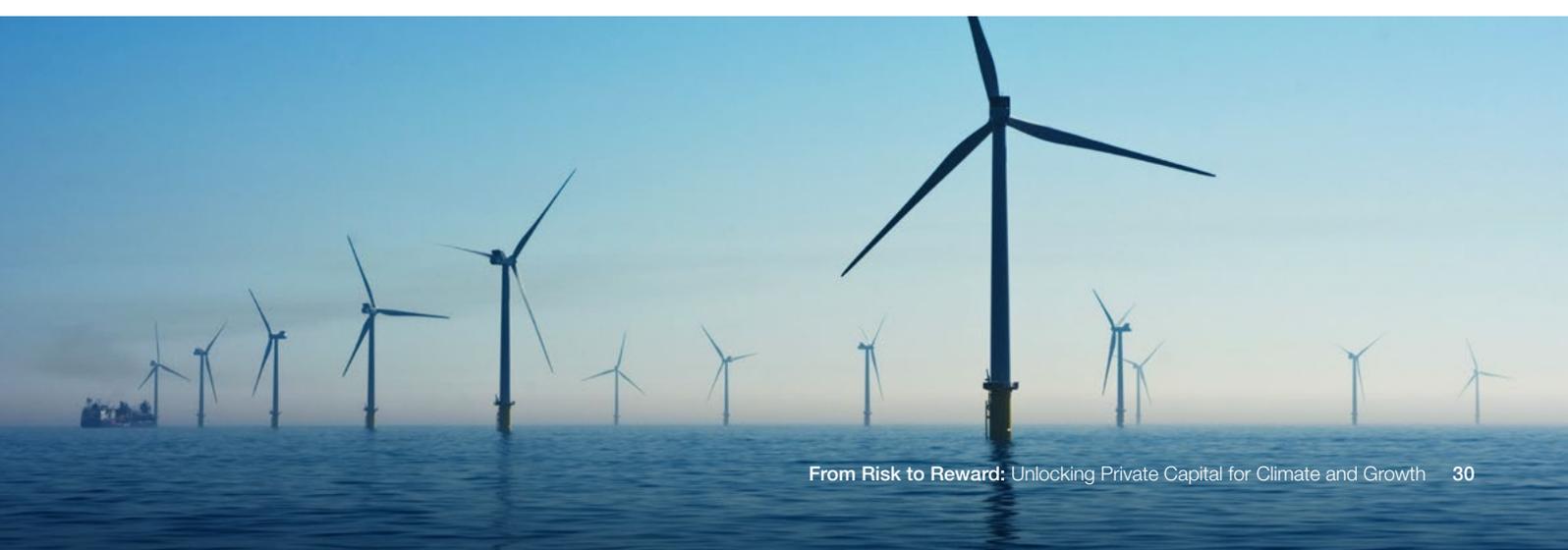


Survey respondents consistently highlighted regulatory misalignment and mandate constraints as major inhibitors of climate investment in EMDEs. Domestic institutional investors, particularly pension funds and insurers are often bound by fiduciary duties and conservative capital rules, favouring low-risk assets such as sovereign debt. As a result, local capital remains underutilized unless opportunities are de-risked.

Credit guarantees tailored to local currency and domestic investors can absorb disproportionate risks and unlock private investment. They mitigate perceived and actual risks, enabling domestic investors to engage in sectors they might otherwise

avoid. Facilities such as InfraCredit in Nigeria have mobilized pension fund capital by improving credit ratings and offering principal and interest protection (see Box 10). These tools help build investor track records in green infrastructure while maintaining portfolio stability.

Instead of relying on rigid capital controls or external flows, EMDEs can integrate credit guarantees with technical assistance to support deal origination and due diligence. Complementary incentives such as tax credits for reinvested dividends, voluntary green investment quotas and streamlined permitting processes, can further create an enabling environment for local capital.



BOX 10 | InfraCredit Nigeria

In Nigeria, the use of credit guarantees has emerged as a transformative tool for unlocking domestic institutional capital for climate-aligned investments. InfraCredit, a local guarantee facility, has mobilized over \$200 million from Nigerian pension funds by providing local currency guarantees that de-risk infrastructure projects and improve their credit profiles.

These guarantees have enabled domestic insurers to extend loan capital to small businesses in the renewable energy sector at interest rates 8-9% lower than those offered by commercial banks. The catalytic effect of InfraCredit's guarantees

has been further amplified by a backstop facility from FSD Africa, which acts as a "guarantee on a guarantee", enhancing investor confidence and expanding the pool of investable projects.

This structure not only reduces perceived risk but also facilitates the development of a track record for green infrastructure as a viable asset class. The example demonstrates how locally tailored credit enhancement mechanisms, especially when denominated in local currency and supported by technical assistance, can crowd-in domestic capital, lower financing costs and accelerate the flow of funds into climate-positive sectors.⁶⁴

SOLUTIONS: MEDIUM-TERM

Increase access to local currency instruments and green lending

● Corporates ● MDBs and DFIs ● Banks

Survey results confirmed that macroeconomic and currency risks are major barriers to climate investment in EMDEs. Many projects earn revenues in local currency but rely on hard-currency financing, exposing them to FX volatility and higher costs. Yet only a quarter of EMDE green bonds are issued in local currency, limiting domestic investor participation.

Two instruments can help:

- Green bonds offer a familiar fixed-income format for domestic institutional investors such as pension funds and insurers. National frameworks that align with the principles of the International Capital Market Association (ICMA) may contribute to increased issuance; currently, cumulative EMDE environmental, social and governance

(ESG)-labelled bond issuance exceeds \$850 billion.⁶⁵ For example, Nigeria's sovereign green bond was followed by corporate bonds such as OneWattSolar's NGN 3 billion bond (\$2 million), which involved support from FMDQ and the Climate Bonds Initiative.⁶⁶

- Green lending facilities such as EBRD's Green Economy Financing Facility (GEFF) channel concessional capital through local intermediaries while embedding credit appraisal and risk disclosure (see Box 11). These tools reduce FX risk, build pricing benchmarks and strengthen institutional capacity. Over time, they can attract more domestic capital and position local financial institutions as anchors of climate finance in EMDEs.



The ability to bring capital in, convert it to local currency for on-the-ground lending and then repatriate returns is absolutely critical.

Dana Barsky, Global Head of Sustainability Strategy and Net Zero, Standard Chartered Bank

BOX 11 | Local currency green lending in Uzbekistan

In 2023, EBRD partnered with Uzbekistan's Ipak Yuli Bank to deliver a \$20 million local currency loan under the Green Economy Financing Facility II (GEFF Uzbekistan II). The programme channels finance to households and SMEs for energy efficiency and climate-resilient technologies, while reducing exposure to foreign exchange risk – a major barrier in EMDEs.⁶⁷

Beyond capital, the facility provided technical assistance to strengthen local banks' capacity

in credit appraisal, monitoring and climate risk management. By working through a domestic intermediary in local currency, the initiative both expanded access to green finance and built institutional expertise.

This example demonstrates how green lending facilities in local currency can address FX volatility, improve financial resilience and position local banks as active drivers of climate finance.

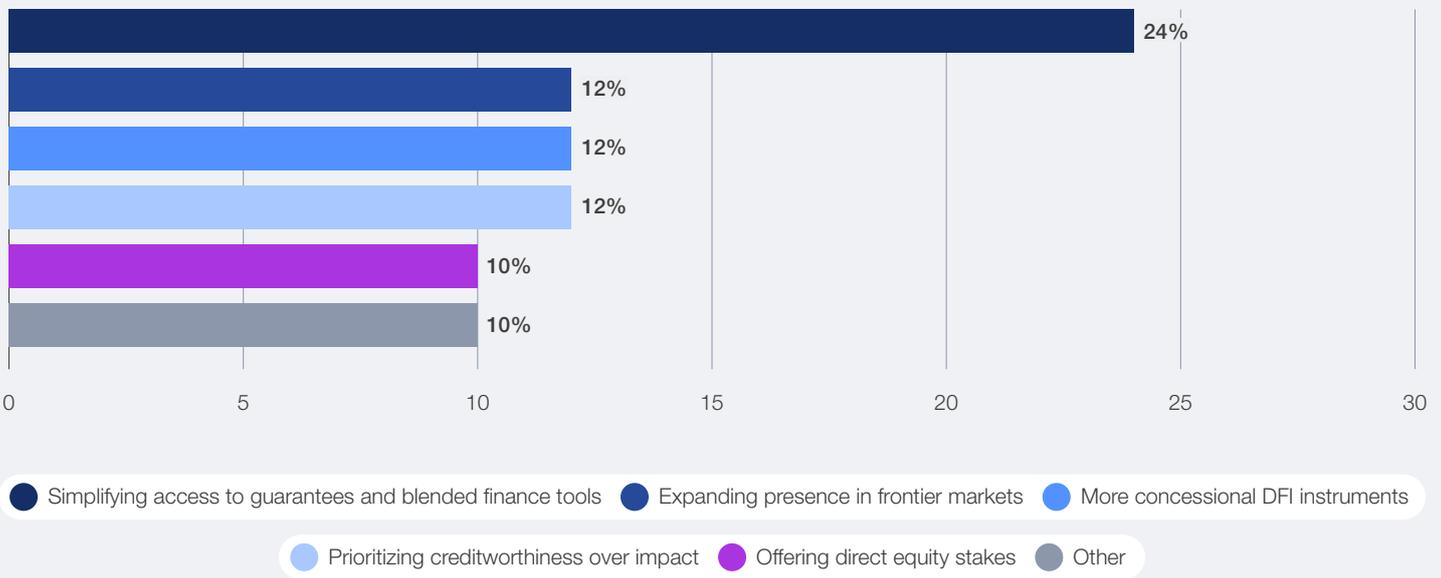
Streamline risk-sharing mechanisms

To address the risks of investing in EMDEs (e.g. related to currency, politics and corruption), effective risk-sharing and mitigation mechanisms are required. While blended finance, guarantees and concessional capital are recognized as effective risk-mitigation mechanisms, many investors reported that these instruments tend to be bespoke, difficult to access and unaligned with

market needs. Tools such as political risk insurance, currency hedging and first-loss capital are known to be effective. However, they are often deployed reactively, on a deal-by-deal basis, rather than as part of a pre-arranged structure. This issue is particularly acute in EMDEs, where such complexity is compounded by macroeconomic volatility and institutional limitations.

FIGURE 13 **Most effective mechanisms to improve mobilization of private finance through DFIs and MDBs (% survey respondents)**

Investors view simplifying access to guarantees and blended finance through DFIs and MDBs as the most important risk-sharing mechanism to mobilize private climate finance to EMDEs



Source: KPMG analysis based on World Economic Forum survey.

Survey results reinforce this barrier. As shown in Figure 13, the most popular recommendation for improving the mobilization of private finance through DFIs and MDBs was to simplify access to guarantees and blended finance tools. This option proved twice as popular as other options, such as expanding frontier market presence or offering direct equity stakes.

Strong calls for speed and standardization

Investor feedback, gathered through surveys and interviews, points to the need for simplified and streamlined de-risking instruments, including insurance. The complexity of existing mechanisms, coupled with a lack of standardized offerings, makes it difficult for many investors to effectively use insurance as part of their risk management strategy.

There is growing expectation that MDBs and DFIs must speed up transactions so that private investors are not spending years on a deal that might end up falling through. This includes establishing clear eligibility criteria and simplifying risk-sharing mechanisms that reduce the time needed for bilateral negotiations. As one respondent noted, expanding access to Multilateral Investment Guarantee Agency (MIGA) guarantees and broadening risk appetite beyond traditional investment-grade assets (e.g. to BBB-) would significantly improve the catalytic role of these institutions. Ultimately, if DFIs and MDBs are to deliver on their mandate to crowd-in private capital, they must lower the friction involved in engaging with their instruments. Complexity is a barrier, not just to efficiency, but to scale-up.



“ **Our approach is about rigorous structuring and diligence to truly de-risk emerging market investments – getting the first projects right so we can replicate and grow the asset class.**

Jamie Fergusson, Global Director, Climate and Nature, International Finance Corporation

Reimagining the role of insurance

There is a direct link between insurability and bankability: if a project cannot be insured, it is unlikely to attract private investment. Insurance plays a vital role in unlocking private climate finance in EMDEs

by absorbing and transferring climate-related and policy risks that often deter investors. Insurance mechanisms such as political risk insurance and pooled facilities can materially improve the bankability of climate projects in EMDEs by stabilizing returns and lowering financing costs.

“ **The role of the insurance industry is important for climate investments in emerging markets, but it is not talked about often enough.**

Linda Freiner, Group Chief Sustainability Officer, Zurich Insurance Group

However, despite its importance, climate insurance remains underdeveloped and underutilized in many EMDEs. Private insurance markets tend to be shallow, especially in sub-investment-grade countries and there is limited awareness of existing risk mitigation tools provided by entities such as MIGA and other multilateral organizations, which limits their overall impact. In practice, securing political risk and export credit cover can take months of negotiation and involve complex legal documentation, which is a barrier especially for smaller investors. This could explain why most survey respondents ranked de-risking

products offered by export credit agencies as among the least effective solutions for private capital mobilization.

The technical know-how and solutions for climate insurance already exist. The real challenges lie in scaling-up these solutions and securing political alignment. For insurance to fulfil its potential, it must shift from being a reactive safety net to a proactive signal of resilience and financial viability. This requires innovation, adopting new technologies and creating tailored insurance products suited to specific sectors, regions and project types.

“ **If an asset or operation is uninsurable, it's likely uninvestable. Insurance today goes beyond protection. It serves as a barometer of climate readiness and long-term asset value. The role of the insurance sector in a changing climate is not merely a technical or market issue; it is a systemic, political challenge that demands collective action.**

Laurence Tubiana, Chief Executive Officer, European Climate Foundation

Create an AI-powered climate finance platform to streamline access to de-risking mechanisms

MDBs and DFIs Donor governments

Nearly 30% of investors surveyed cited lack of standardized risk mitigation mechanisms, including blended finance, as a barrier. Nearly half of all respondents said they have never participated in blended finance transactions. Some MDBs have MoUs to streamline due diligence, but more coordination is needed, aligned with the recommendation on blended finance standardization in Brazil's *B20 Finance & Infrastructure Policy Paper*.⁶⁹

To address the currently high transaction costs of structuring risk-sharing mechanisms, the Scaling Capital for Sustainable Development (SCALED) blended finance initiative was launched to streamline this process (see Box 12). Building on SCALED, governments, private investors and MDBs could also co-fund the development of an AI-enabled platform that aggregates and automates access to risk-sharing instruments from DFIs, MDBs, national governments and guarantee agencies, including clear eligibility criteria, application processes, templates and timelines.

At its core, an AI matching engine would pair investors and project developers with suitable risk-mitigation tools based on project details, risk profiles and financing needs such as guarantees and first-loss tranches. The platform would also feature an interactive due diligence assistant to streamline application preparation, a timeline tracker to coordinate MDB and investor processes and a data hub to share anonymized case studies and identify emerging financing trends.⁶⁵ This can increase transparency, reduce transaction costs and accelerate climate finance flows.

However, participants in the study also noted solutions must be tailored to investor types and country contexts. While parts of transactions can be standardized, they remain subject to operational realities. One investor noted blended finance is not a panacea – it is useful when returns are low and risk is high, but it cannot solve structural or political issues, such as contract enforceability.

BOX 12 SCALED blended finance initiative

The Scaling Capital for Sustainable Development (SCALED) blended finance initiative, launched as a multi-stakeholder effort at the 2024 Hamburg Sustainability Conference, focuses on mobilizing large-scale private investment for climate solutions and SDGs in emerging markets.

By simplifying, standardizing and scaling-up blended finance strategies including project aggregation and streamlining due diligence, SCALED aims to facilitate capital flow into

renewables, nature-based projects and social impact investments. The initiative is supported by the governments of Canada, Denmark, France, Germany, United Kingdom and South Africa, alongside private investors including Allianz SE, AXA SA, La Caisse and Zurich Insurance Group. It targets global markets eligible for Overseas Development Assistance (ODA), multiple SDG-related sectors and is targeting several billion Euros in private capital mobilization within its first decade.⁷⁰

Scale up climate insurance and guarantee solutions

● Insurance
 ● Institutional investors
 ● Donor governments
 ● MDBs and DFIs
 ● Banks

Insurance must be embedded as the “third leg” of climate finance – alongside lending and investment – to crowd-in private capital, expand fiscal space in developing economies and accelerate transition spending. Deploying existing insurance tools

more strategically could boost Paris-aligned investment flows by up to 40%, making insurance a cornerstone of climate finance rather than an afterthought.⁵³



Insurance is often brought in too late in project development; early engagement enables more effective risk assessments and mitigation. Public-private partnerships play an essential role in this process by facilitating early collaboration between governments, insurers, investors, and development finance providers to help build critical infrastructure that is resilience for the future.

Linda Freiner, Group Chief Sustainability Officer, Zurich Insurance Group

Early involvement of insurers in the project lifecycle is critical. By identifying, pricing and managing risks upfront, insurers can transform uncertainty into resilience, making projects more bankable and attractive to investors. Therefore, climate finance strategies must embed insurability as a fundamental component. Early risk assessment and resilience planning can de-risk investments, optimize capital structures, and enable the development of more resilient, climate-aligned projects.

backed by a first-loss guarantee from the International Development Association (IDA) and a second-loss guarantee from African Trade & Investment Development Insurance (ATIDI). This demonstrates how layered insurance can mobilize private capital in frontier markets when structured efficiently.⁷¹

Simplified, standardized and facility-based models can also make insurance more catalytic. For example, under the World Bank’s new guarantee platform, Deutsche Bank provided a €507.5 million loan to Benin

In this way, insurance becomes a key gatekeeper to capital, unlocking greater private finance flows to the regions and sectors that need it most. For example, the Africa Energy Guarantee Facility demonstrates how strategic insurance partnerships can unlock private investment by addressing key risks that typically deter climate finance in challenging markets (see Box 13).

BOX 13

Africa Energy Guarantee Facility (AEGF)

The Africa Energy Guarantee Facility (AEGF) was established to boost private investment in sustainable energy projects across Sub-Saharan Africa by offering insurance and reinsurance solutions to address the key risks that deter private investors. Through a partnership between primary insurers such as the African Trade Insurance Agency, global reinsurer Munich Re and development banks such as the European Investment Bank and KfW (Germany’s state-owned development bank), AEGF provides insurance against risks such as non-payment, expropriation and civil unrest.

These guarantees allow primary insurers to expand their coverage capacity, making it feasible for private lenders and investors to finance energy access, efficiency and renewable energy projects in environments that would otherwise be considered too risky. By leveraging these insurance structures, AEGF has facilitated around \$1.4 billion in private investment, exemplifying how strategic insurance solutions can unlock climate finance in challenging markets.⁷²

Improve policy and regulatory certainty

Regulatory and policy uncertainty remains one of the most persistent and complex barriers to mobilizing private climate finance in EMDEs. Investors frequently cite unclear investment regulations, opaque tax regimes and inconsistent climate policy commitments as key deterrents. These uncertainties elevate perceived risk, inflate due diligence costs and undermine investor confidence, particularly in markets with limited institutional depth and legal recourse.

Insights from the [World Economic Forum's Climate Finance Innovation initiative](#) 2025 dialogue series reinforce this concern. At the Spring Meetings of the World Bank Group (WBG) and the International Monetary Fund (IMF) in Washington in April 2025, participants noted that fewer than 20 countries had submitted updated NDCs, signalling weak national climate strategies. Similarly, at the 4th International

Conference on Financing for Development (FfD4) in Seville, stakeholders stressed the need for sovereign market signals, such as sustainability-linked bonds and transparent governance frameworks, to reduce perceived risks and make transitions financially binding.

Domestic tax policies also pose challenges

Withholding taxes on interest and dividends, and capital gains taxes on foreign equity investments often discourage foreign direct investment. Though these measures are typically designed to protect domestic revenue bases, they can inadvertently deter foreign direct investment. A more nuanced understanding of how tax policies influence investment behaviour is needed, drawing lessons from jurisdictions such as Ireland, Luxembourg and Singapore, which have successfully driven growth in foreign direct investment.

“**Stronger private investor participation requires a willingness to engage with policy and government. Too often, global investors avoid this interface – whether in contracting or investment – citing policy instability as an excuse to stay on the sidelines.**

Ankit Todi, Chief Sustainability Officer, Mahindra Group

SOLUTIONS: MEDIUM-TERM

Translate NDCs into actionable, sector-specific investment roadmaps

- Asset managers
- Project developers
- Corporates
- Institutional investors
- EMDE governments
- Banks

The 2025 updates to NDCs represent a pivotal opportunity to significantly scale up both public and private climate finance. By COP30 in Belém in November 2025, around 190 updated NDCs are expected to be submitted to the United Nations Framework Convention on Climate Change (UNFCCC). These updated commitments are crucial for unlocking the private capital needed to drive climate action at scale. Many of the NDCs currently remain high-level ambitions rather than actionable, finance-ready plans.

Investors do not invest directly in NDCs; they focus on countries, companies and projects operating within stable and credible policy environments. However, to unlock capital, NDCs must move beyond headline targets and become detailed, sector-specific and operational investment roadmaps that align with national infrastructure development and emissions reduction priorities. This requires translating NDCs into medium-to-long-term plans with clear financing strategies and implementation pathways. Achieving this demands stronger collaboration among governments, financial institutions and multilateral development banks to create an enabling environment for investment.

“**There can often be misalignment between the priorities of commercial banks and those of governments. This highlights the critical need for structured dialogue between the public and private sectors to bridge the gap and align investment strategies.**

Dana Barsky, Global Head of Sustainability Strategy and Net Zero, Standard Chartered Bank

To effectively unlock private climate finance through NDCs, governments must prioritize early and strategic alignment with the private sector, ensuring that climate ambitions are translated into investable projects for both mitigation and adaptation. Establishing institutionalized “country platforms” can serve as a bridge between NDC targets, national growth strategies and project pipelines, enhancing transparency and enabling cross-ministerial coordination (see next section).

Decoupling implementation efforts from the political dynamics of UNFCCC negotiations can further accelerate progress by depoliticizing climate finance and focusing on practical delivery. Finally, adopting sector-specific approaches allows for tailored strategies that translate NDCs into actionable investable opportunities, fostering greater engagement from private actors across key industries.

**SOLUTIONS:
LONG-TERM**

Create stable investment policies and country platforms that make NDCs an investable proposition

- Asset managers
- Project developers
- Corporates
- Institutional investors
- EMDE governments
- Banks
- MDBs and DFIs

The concept of country platforms is not a new one. The World Bank has advocated for them since 2017, as did the G20 Eminent Persons Group on Global Financial Governance in 2018 and the G20 Finance Ministers in 2020.⁷³ Initiated by national beneficiary governments, in partnership with MDBs and DFIs, country platforms aim to enhance coordination among development finance stakeholders.

Country platforms encourage donors, DFIs and MDBs to coordinate their efforts rather than compete for the same projects. They propose to direct development finance towards catalytic purposes such as concessional finance, guarantees and technical assistance while creating an enabling environment for private investors to collaborate with project developers during the project preparation phase. Direct engagement with sovereigns not only ensures investor perspectives are reflected in policy-making but also helps reduce the gap between perceived and actual risks. To facilitate greater engagement, the IMF has begun co-convening roundtables with governments and private sector stakeholders to foster greater alignment and collaboration. By doing so, these platforms aim to mobilize private capital at scale, complementing public investments rather than displacing them.

Currently, MDBs and DFIs support individual projects on a fragmented and ad hoc basis, often driven by short-term donor and beneficiary priorities instead of long-term climate policy alignment. Country platforms aim to develop a pipeline of projects by linking long-term investment plans to NDCs. In other words, country platforms aim to make NDCs an investable proposition.



We must use our money to leverage the private sector as effectively as possible. Governments must focus on fixing the enabling environment – that means tackling the debt crisis, aligning MDBs and using tools like credit enhancements to crowd in domestic capital. There are no secrets here; we know what needs to be done.

Rachel Kyte, UK Special Representative for Climate

BOX 14

Indonesia’s Energy Transition Mechanism (ETM) country platform

The Energy Transition Mechanism (ETM) country platform in Indonesia, launched with support from the Asian Development Bank (ADB), the World Bank and the Islamic Development Bank, aims to accelerate coal phase-out and scale up renewable energy investments.

guarantees – to de-risk investments and attract private capital. ADB’s role includes convening stakeholders, structuring bankable deals and supporting policy reform.

Anchored in Indonesia’s national strategy and aligned with its NDC, the platform uses blended finance – including concessional capital and

This initiative exemplifies how country platforms can move beyond fragmented project support to enable long-term, coordinated investment planning while leveraging MDBs’ local presence to reduce perceived risks.⁷⁴



The advantage of country platforms is that governments can develop project pipelines aligned with national needs, allowing private investors to identify what is financeable. This empowers the private sector to actively shape the investment ecosystem.

Dana Barsky, Global Head of Sustainability Strategy and Net Zero, Standard Chartered Bank

In principle, country platforms are promising as they intend to create stable investment environments and provide investors with visibility into a scalable pipeline of opportunities by moving from a project to programmatic approach. However, many private investors, except for the largest institutions, do not recognize this terminology and are unclear on how to engage.

To maximize the impact of country platforms, the secretariat – often led by a dedicated government unit within the country or a national development bank – and supporting MDBs and DFIs should collaborate with private investors via regular forums to align interests early (rather than duplicating efforts or competing for the same projects) and assess project feasibility, drawing from the private sector's expertise.

Stakeholders could pool resources to create a transparent, georeferenced database of bankable projects, including technical specifications, project status, funding needs, financial models, due diligence data, impact measurement and risk assessments. This database could be matched with a menu of risk-sharing mechanisms, including guarantees or blended finance structures to lower investment risks. Simplifying regulatory frameworks, expediting project permitting procedures and reducing bureaucratic delays would help to reduce bottlenecks for investors and project developers, which is aligned with recommendations 2.1 and 2.2 of Brazil's *B20 Finance & Infrastructure Policy Paper*.⁷⁵ Aligning country platforms with broader investment policies, including tax policy reforms, would further reduce barriers to entry for foreign capital providers.



There is a common rhetoric that country platforms should be country-led, but in our experience, some countries lack the capacity to do so independently. Therefore, institutions such as IFIs and MDBs will need to provide essential support in establishing these platforms.

Prasad Ananthkrishnan, Advisor Climate Finance, Monetary and Capital Markets Department, International Monetary Fund

Scale up equity investment structures

EMDEs are grappling with an escalating debt crisis that hampers their capacity to invest in sustainable development and climate resilience. Between 2010 and 2018, EMDEs' debt-to-GDP ratio surged by 54 percentage points to 168%, marking the most rapid and extensive debt accumulation in nearly five decades.⁷⁶ This financial strain is exacerbated by rising borrowing costs and limited access to capital markets, leaving EMDEs vulnerable to economic shocks and impeding their ability to meet climate goals.

Equity remains scarce in EMDEs

Equity capital in EMDEs is significantly scarcer than debt financing, both in climate investments and the broader economy. Pension funds in many EMDEs, especially across Africa, are heavily concentrated in sovereign debt, with limited exposure to equity or infrastructure investments.⁷⁷ In 2023, climate finance from both public and private sources in EMDEs was 65% debt and only 30% equity. This imbalance stems not from a lack of capital, but from structural and operational barriers that make equity less attractive.



Borrowing remains essential for development, but for many developing countries, it is no longer effective. Currently, over two-thirds of low-income countries are either in debt distress or at high risk of becoming so.

Mahmoud Mohieldin, United Nations Special Envoy on Financing the 2030 Agenda for Sustainable Development

Calls for more patient equity capital

One of the most-cited challenges for equity investors is the lack of reliable exit options. Equity investors typically seek liquidity via initial public offerings, mergers or secondary sales. However, many EMDEs have shallow capital markets, low acquisition activity and limited institutional buyers. Without clear exit pathways and fund structures, investors face indefinite holding periods and uncertain returns.

Traditional private equity models favour high-growth, scalable businesses. In contrast, climate projects in EMDEs – such as small-scale renewables or water infrastructure – are asset-heavy, slow-yielding

and localized. These characteristics misalign with investors' expectations for returns and fund timelines, especially where ticket sizes are small and project structuring costs are high.

Currency risk also affects equity. Even with long-term views, FX volatility can erode earnings and exit values. High interest rates further constrain equity by reducing asset valuations and delaying exits.

To address these challenges, there is a growing need for patient equity capital – investors willing to accept longer holding periods and delayed returns. This type of capital is essential to sustain climate investments and navigate extended timelines and market volatility in EMDEs.



Deploy more catalytic equity from donor countries, vertical climate funds, philanthropic capital and MDBs/DFIs

● Donor governments ● MDBs and DFIs ● Philanthropic/concessional providers

Most investors surveyed take a senior equity position within the capital stack. This leaves a critical financing gap for riskier, early-stage or innovative projects that require patient, flexible capital willing to absorb higher risks and longer timelines.

In this context, catalytic equity from multilateral climate funds – such as the Green Climate Fund (GCF), donor countries and philanthropic capital – is essential to bridge that gap. These actors can provide grants, guarantees, first-loss or subordinated equity to de-risk investments for senior equity investors. This approach insulates commercial investors from initial losses, thereby increasing their willingness to commit capital to projects that would otherwise struggle to attract commercial capital, such as climate adaptation projects.

Concessional and philanthropic anchor investors can also send market signals that instil confidence in other investors, such as covering the portion of risk that MDBs are unable to cover due to shareholders' restrictions. Their involvement helps build a more robust pipeline of investable projects, supports market development and fosters innovation ultimately unlocking larger volumes of private capital and accelerating climate action in EMDEs. For example, the Acumen Resilient Agriculture Fund demonstrates how concessional and philanthropic capital can serve as catalytic equity to de-risk private investment and mobilize additional funding in high-risk climate adaptation sectors (see Box 15).



We need to be trilingual. We need to speak the public sector and the private sector language and now we need to add another language: the philanthropies language.

Mahmoud Mohieldin, United Nations Special Envoy on Financing the 2030 Agenda for Sustainable Development

MDBs and DFIs are increasingly being called upon to provide catalytic equity and to focus on higher risk countries instead of allocating resources towards projects that are already attracting private capital. The International Finance Corporation's Frontier Opportunities Fund is designed to fill this gap by providing first-loss, concessional or risk-tolerant equity to climate-related projects in low- and lower-middle-income countries.⁷⁸ By offering equity rather than just loans or guarantees, the fund complements existing instruments and helps shift the financial structure of climate projects towards more sustainable, blended models.

However, examples such as the Frontier Opportunities Fund are uncommon, as MDBs are often limited by their shareholders from taking higher risk to preserve credit ratings. Greater coordination among private investors, MDBs, DFIs and their shareholders is needed to minimize such frictions with capital providers. Nevertheless, within these constraints, MDBs can increase their provision of mezzanine-level catalytic equity, positioned between concessional capital in the junior tranche and private investors in the senior tranche. This layered capital structure helps absorb risk, reduces the risk of crowding-out senior equity providers, improves project bankability and attracts more private investment into EMDE climate projects.

BOX 15

Acumen Resilient Agriculture Fund (ARAF)

The Acumen Resilient Agriculture Fund (ARAF) demonstrates how concessional and philanthropic capital can de-risk private investment in climate adaptation for smallholder farmers in Sub-Saharan Africa.

With the Green Climate Fund providing \$23 million in first-loss equity, the fund reduces downside risk for private investors and sends a market signal encouraging additional investment from

development finance institutions and private actors, including the Dutch entrepreneurial development bank (FMO) and private foundations.

Supported by a technical assistance facility, ARAF invests in early-stage agribusinesses, improving resilience for over 3 million smallholder farmers. This model shows how using concessional capital as catalytic equity can mobilize private equity in high-risk, high-impact sectors.⁷⁹

Use DFI platform-based investments in sustainable infrastructure to attract more equity

● Asset managers ● Project developers ● Institutional investors ● MDBs and DFIs

Climate-related project pipelines in EMDEs exceed current levels of equity investment, resulting in a significant financing gap. Platform-based investments made by DFIs are emerging as a model to attract more equity into climate infrastructure in EMDEs, which has traditionally been dominated by debt.

Box 16 illustrates how platform-based DFI equity vehicles can shift the financing mix in EMDEs from debt-heavy structures to scalable equity deployment that attracts institutional investors and delivers tangible climate infrastructure outcomes.

BOX 16

Platform-based equity vehicles

British International Investment (BII) launched GridWorks in 2019, a company that builds and invests in electricity transmission and distribution across Sub-Saharan Africa.⁸⁰ By taking on development risk that private investors typically avoid – such as regulatory uncertainty, political exposure and long lead times – GridWorks creates bankable projects that can later be financed or acquired by commercial investors.

In 2021, Gridworks partnered with New GX Capital to co-invest \$40 million in Sustainable Power Solutions (SPS), a commercial solar provider operating across Sub-Saharan Africa. The deal led to successful local private capital mobilization, through the absorption of early-stage development risk by GridWorks and the focus of New GX Capital on operational growth.

Similarly, as a co-founder and equity partner in the Ayana Renewable Power platform in India, BII invested alongside NIIF (an alternative asset manager backed by the Indian government) and private sponsors into a scalable renewables portfolio with 4.1 GW capacity. This subsequently attracted a \$2.3 billion acquisition by ONGC NTPC Green (a 50:50 joint venture between India's Oil and Natural Gas Corporation, ONGC, and its renewable energy arm, NTPC Green Energy Limited) and others, demonstrating how platform equity investments can rapidly unlock private capital, create exit opportunities and expand infrastructure at scale.⁸¹



Clean energy developers in Africa have more pipeline than they are able to finance with the equity that they have on their balance sheet.

Martin Nagell, Director, Responsible Investing, Mubadala

Aggregate small and fragmented projects into investable portfolios

● Asset managers ● Project developers ● Corporates ● MDBs and DFIs
● Institutional investors ● Banks

To bridge the equity gap in EMDEs' climate investments, YieldCos⁸² offer a promising solution. Originally developed in mature markets, YieldCos pool small-scale renewable assets to achieve scale and efficiency. They are gaining traction among climate investors, including DFIs, due to their lower risk profile and consistent dividend growth – ideal for risk-averse institutional investors with large minimum ticket sizes. Aggregating assets,

such as off-grid solar receivables or mini-grid portfolios, can meet these thresholds. Effective structuring requires quality assets with adequate sponsorship and dependable long-term revenues. YieldCos also offer liquidity through public listing and portfolio diversification across geographies and technologies. Around 14% of surveyed investors cited lack of exit options as a key barrier; YieldCos can mitigate this.

One emerging model is the DevCo-YieldCo structure. DevCos⁸³ acquire “ready-to-build” projects from developers under performance guarantees, paying via milestones. Once operational, assets transfer to a YieldCo, enabling broader equity participation from investors unwilling to take development risk at the construction phase. For example, Revego Africa Energy illustrates how a YieldCo can aggregate small-scale renewable assets into a single, investable portfolio, delivering scale, revenue stability and inflation-hedged returns for institutional investors (see Box 17).

This model creates an aftermarket for asset sales, allowing developers to reinvest capital into new projects and expand project pipelines. It also accommodates investors with varying risk appetites – those comfortable with construction risk and those willing to invest in operational assets. While DFI and MDB participation may support pilot phases, the goal is to demonstrate that the model can operate with commercial capital alone.



Investors often shy away from opportunities that are overly complex. By creating a portfolio of assets through securitizations led by national banks we can attract more long-term investors, such as pension funds.

Laurence Tubiana, Chief Executive Officer, European Climate Foundation

BOX 17

Revego Africa Energy, South Africa

Revego Africa Energy, Africa’s first renewable-energy YieldCo, manages a 2 billion rand (ZAR) portfolio of operational solar and wind assets – over 650 MW capacity including a 50 MW concentrated solar power (CSP) plant at Bokpoort and 360 MW across three wind farms – all under long-term, inflation-indexed power purchase agreements (PPAs) with Eskom, South Africa’s electricity public utility.

The fund targets an annual dividend yield of consumer price index (CPI) + 5-7% with a long-term yield maturity of around 11% and has delivered an annualized total shareholder return exceeding 15%.⁸⁴ This combination of scale, revenue stability and inflation-hedged returns positions Revego as a model for institutional-grade renewable infrastructure investment in emerging markets.

2.2 Why Article 6 matters

In this constrained financial landscape, innovative mechanisms are urgently needed to mobilize capital at scale for climate action in EMDEs and this is precisely where Article 6 can play a transformative role. Carbon markets harness the power of trade to channel cost-effective capital into climate action, driving progress towards net-zero goals, especially in EMDEs. However, today’s carbon markets, whether voluntary, compliance-based or international remain fragmented, lacking shared standards and trust in credit quality.

Article 6 of the Paris Agreement is an international framework designed to integrate rigorous standards, robust governance and transparent transaction tracking. This framework creates a trusted infrastructure to prevent double counting and facilitate scalable climate finance. Article 6 introduces two core market mechanisms:

- **Article 6.2:** Enables country-to-country trade of carbon credits through bilateral or multilateral agreements (Internationally Transferred Mitigation Outcomes or ITMOs), where an emissions reduction project host nation can transfer credits from the project to a funding nation that can use those credits to meet its NDC.⁸⁵

- **Article 6.4:** enables a centralized carbon market where various organizations – nations, private sector companies and other entities – can register credits from emissions reduction projects to be bought and sold.

Today, Article 6 markets are shifting from concept to reality, especially for private sector investors. While the Article 6 rulebook was only finalized at COP29 in November 2024, early signs of progress are promising:

- **Growing project pipeline:** Over 1,389 Clean Development Mechanism (CDM) projects have applied to transition under Article 6.4, in addition to newly developed projects.⁸⁶
- **National frameworks emerging:** Countries including Zambia and Thailand have begun rolling out eligibility criteria, authorization pathways and monitoring, reporting and verification (MRV) protocols.

While Article 6 markets carry inherent complexity, with multiple stakeholders involved, this is a necessary feature ensuring high-integrity, transparent operations that align with national climate strategies.



Governments can send strong signals to companies about how they view entry into carbon markets, that help build trust and demand. A coalition of governments is needed to push for high-integrity voluntary markets, especially with compliance markets moving too slowly and Article 6 coming online.

Rachel Kyte, UK Special Representative for Climate

What is next for Article 6?

To unlock the full potential of Article 6 and enable a thriving, high-integrity global carbon market, the following priority actions must be taken across policy, finance and implementation:

- Empower the Article 6.4 Supervisory Body (SBM) to continue developing and approving methodologies at speed.
- Provide technical assistance to build and interlink national registries.
- Accelerate national frameworks for clear local interpretation of Article 6: how credits are issued, authorized and counted towards NDCs.
- Ensure early engagement by private investors with policy-makers to synchronize investment cycles with policy development.
- Improve market access and visibility to global demand – especially for African developers who currently lack the same visibility as those in North America or Europe.
- Widely disseminate success stories to demonstrate that high-integrity, investable Article 6 transactions are viable.

- Embed Article 6 projects within blended finance models, integrating carbon revenue streams to bridge viability gaps – particularly for adaptation and early mitigation.
- Foster tripartite agreements between developers, credible buyers and financiers to align interests and create bankable environments.

By integrating results-based carbon revenues, sourced via Article 6 mechanisms, into vehicles such as DevCos and YieldCos, hybrid investment models can bridge the viability gap for high-quality, long-term decarbonization projects. This supports lifecycle financing from development through to mature operation.

These transformations will take time, but over the next 5-10 years the global supply of carbon credits is expected to surge by 20 to 35 times current levels.⁸⁷ Early entrants will have the opportunity to help shape this high-growth market.

Now is the moment for investors to act: to deepen their understanding, forge strategic partnerships and engage constructively with policy-makers in both EMDEs and developed economies. Waiting until the system is fully built risks missing early-mover advantages and the chance to influence market direction.



There is disparity in host-country readiness, but we see notable potential and growth in carbon markets.

Inge-Lise Mackaay, Head of ESG Solutions, FIC, Deutsche Bank

Conclusion: From ambition to execution

Now is the time to translate national climate commitments into investable plans, provide risk-sharing platforms for capital to flow, and align public, private and philanthropic actors behind shared goals.

Urgency demands action

Climate impacts will not wait and neither can the global community. Achieving net-zero goals in EMDEs requires swift action across the six priority areas identified in Chapter 2 to unlock capital and

catalyse bankable projects now, not years from now. Mobilizing private climate finance at scale in EMDEs requires a holistic, systemic approach across the solutions proposed. Building investor confidence hinges on a multi-stakeholder approach rooted in aligned incentives, trusted data, enabling policies and patient capital.



The more innovative financing tools you put out there, the longer investors wait to scale up – because they will wait for the next innovation.

Kavita Sinha, Director, Department of Private Sector Facility, Green Climate Fund

Everyone has a role to play

This means moving from pledges to transactions, from frameworks to deal flows. Scaling-up efficient public-private risk-sharing mechanisms is essential to unlock capital at scale. The following actors each have a critical role to play in deploying the solutions outlined in Chapter 2:

Institutional investors

- Commit a portion of long-term portfolios to blended climate finance vehicles in EMDEs.
- Partner with DFIs and MDBs on syndicated loans and co-investment platforms to gain stable, risk-adjusted returns and early visibility into investable projects/companies, while meeting ESG and fiduciary obligations.

Commercial banks and local financial institutions

- Challenge the traditional banking model and mindset to better connect climate risks with climate opportunities.
- Join syndicated climate loans with global or local co-financiers to enter new markets and grow a climate-conscious customer base.
- De-risk green lending portfolios through partnerships with MDBs (e.g. EBRD's GEFF programme).

Corporate investors

- Invest in enabling infrastructure and supply chains for climate-aligned growth.
- Form buyers' clubs and aggregate demand to support early-stage start-ups and MSMEs, reduce scope 3 emissions and increase supply chain resilience.

Asset managers and impact investors

- Explore public-private equity structures to fund undercapitalized segments, such as climate tech in EMDEs, including patient capital fund structures (e.g. permanent capital vehicles).
- Partner with DFIs and MDBs deploying catalytic capital to scale up high-risk but high-potential ventures.

Policy-makers in EMDEs

- Build investable pipelines and remove unnecessary barriers to private capital.
- Operationalize country platforms to align national development plans with climate finance goals.
- Offer predictable policy environments, engaging private investors earlier in the project development cycle.

Donor governments

- Direct scarce concessional capital to areas less attractive to private finance, such as adaptation.
- Encourage MDBs and DFIs to take on more risk where commercial capital is absent.

MDBs and DFIs

- Avoid crowding out commercial finance. Instead, provide catalytic equity – especially junior and mezzanine capital – in the most vulnerable and underfinanced sectors.
- Coordinate closely with concessional funders and private investors.

Concessional capital providers and philanthropies

- Target non-commercial but high-impact adaptation sectors where revenue models are weak, yet the climate benefits are high.
- Act as early-stage enablers to crowd-in private capital over time.

Project developers

- Engage with country platforms or similar investment frameworks to build early visibility into project pipelines and establish partnerships with global investors.
- Share comparable project-level data to help investors show adaptation and mitigation results to shareholders.

Insurance companies

- Collaborate with investors and developers at early stages of project development to identify, price and manage risks in a forward-looking and streamlined approach.

“The tools are out there, you just have to learn where and how to navigate these, both from an institutional and a human capital point of view.

Christopher Marks, Managing Director and Head of Emerging Markets, MUFG

Path forward

As COP30 in Belém – the “implementation COP” – approaches, the message is clear: execution must take precedence over ambition. Depoliticizing the climate finance conversation will help build the stable political support needed for consistent policy frameworks and long-term investment planning.

Now is the time to focus on:

- **Clarity:** Translate national climate commitments into detailed, investable plans.
- **Confidence:** Provide strong, de-risked platforms for capital to flow.
- **Collaboration:** Align public, private and philanthropic actors behind shared goals.

“Finance isn’t just about numbers and returns, it’s about the assumptions we make and how capital, when deployed with intent, can amplify positive change.

Vaishali Nigam Sinha, Co-Founder, ReNew

Without purpose-driven investments that align with national priorities, attract additional capital and meet real development needs, the world risks failing on both its climate and economic objectives. Climate finance enables EMDEs to realize their potential, create jobs and compete in global markets – while contributing meaningfully to global climate goals.

The World Economic Forum is dedicated to advancing this mission, bringing together public and private sector leaders to transform ambition into real-

world impact. Success depends on the collective ability of all stakeholders to channel resources where they will have the greatest impact, forge purposeful partnerships between local and global actors, and invest with clarity and confidence in projects that drive both climate and economic transformation.

Only by moving from ambitious pledges to decisive execution can the full potential of climate finance be unlocked to ensure a sustainable, equitable future for all.

“Public and private sectors are increasingly speaking the same language – trust is rising, new possibilities are opening and the art of the possible is expanding. That’s a game-changer.

Dana Barsky, Global Head of Sustainability Strategy and Net Zero, Standard Chartered Bank

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85. ITMOs may also be used by private sector entities for “Other International Mitigation Purposes” (OIMP), e.g. for the International Civil Aviation Organization’s Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) or for other voluntary purposes.
86. United Nations Environment Programme Copenhagen Climate Centre. (2025). *Article 6 Pipeline*. <https://unepccc.org/article-6-pipeline/>.
87. BloombergNEF. (2025). *Long-Term Carbon Credit Supply Outlook 2025*. <https://about.bnef.com/insights/commodities/long-term-carbon-credit-supply-outlook-2025/>.



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