

THE POTENTIAL FOR COUNTRY PLATFORMS  
TO MOBILIZE CAPITAL FOR NET-ZERO  
TRANSITION IN EMERGING MARKETS  
AND DEVELOPING ECONOMIES

# Private Sector Statement

DRAFT

**GFANZ**

Glasgow Financial Alliance for Net Zero

# Context

This statement is issued by the Glasgow Financial Alliance for Net Zero (GFANZ). It expresses private sector support for G20 Country Platforms and G7 Just Energy Transition Partnerships (JETPs) as vehicles to support emerging markets and developing economies (EMDEs) pursuing ambitious net-zero transition.<sup>1</sup> The statement provides a draft private sector perspective, for development upon further consultation with GFANZ members and the broader sector, on the elements of Country Platforms that, if adopted, could help create the conditions to crowd in private finance. It also sets out how the private sector could support collective efforts.

GFANZ members have increasing strategic focus on transitioning their financed emissions to net zero. The 500+ members of GFANZ have committed, under the UN's Race to Zero campaign, to take rigorous and immediate action to halve global net-zero carbon emissions by 2030 and achieve net zero by 2050. As such, GFANZ acknowledges that a majority of the financing needed for climate mitigation could be provided by the private sector.

The need for such finance is clear. Estimates indicate that by the end of the decade an additional US\$ 1 trillion per annum will be required for clean energy investment in EMDEs alone to put the world on track to reach net zero by 2050. This reflects a sevenfold increase from today's levels, even before considering climate finance needs in other sectors, such as agriculture, and the requirements for resilience and adaptation.<sup>2</sup>

Unlocking private capital at scale requires an unprecedented level of international public-private collaboration. GFANZ is committed to working with policymakers to create a new financial architecture that, when combined with the right enabling environments in recipient countries and innovative finance blending public and private capital efficiently and effectively, can transform the current billions of financing into the trillions needed to enable countries to deliver on their Paris commitments.

We call on the G20 to take the following considerations into account in an updated G20 Reference Framework for Country Platforms and in the planning and implementation of further Platforms in advance of COP27. We recommend that this framework be reviewed annually to ensure that public-private collaboration is continuously improved and that opportunities are taken to share lessons from work across individual Platforms.

Several of the considerations below will require the piloting of bold reforms in the broader development finance system. Country Platforms provide an ideal testing ground for these reforms.

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1 Country Platforms, as defined in the G20 Reference Framework, are voluntary country level mechanisms, set by governments and designed to foster collaboration among Development Partners, based on a shared strategic vision and priorities. JETP is the term used for such frameworks by the G7. While the G20 Reference Framework is sector agnostic, this statement focuses specifically on the emerging Platforms being contemplated to accelerate net-zero transition in key, high-emitting economies.

2 Financing clean energy transitions in emerging and developing economies, IEA, 2021. Reflects the clean energy investment required by the end of the decade within EMDEs if the world is to meet net-zero by 2050. Estimates exclude China.

# Key Features of a Country Platform Strategy

## COUNTRY-LED WITH CLEAR PRIORITIES FOR AMBITIOUS NET-ZERO TRANSITION

- 1 Country Platforms must be country-led, tailored to the specific priorities and conditions of each lead country, and grounded in ambitious efforts to decarbonize in support of Paris-aligned Nationally Determined Contributions (NDCs).** It will be important for the lead country to set out, early in the process, the scope, targets, and time horizons for decarbonization, alongside any related nature, sustainable development, and just transition considerations. This stated ambition may result in an updated NDC or implementation plan. There will need to be clear articulation of the main ways in which the lead country intends to deliver on these objectives, such as through investment in new climate solutions, ramping up investment in already green activities, the transition of existing sectors, and the managed phaseout of high-emitting assets. There will need to be clear articulation of the broad approaches and policies that will be adopted to turn these objectives into action.
- 2 The lead country should work with its Development Partners and other Platform Participants<sup>3</sup> through the Country Platform governance framework and associated processes to agree that the proposed decarbonization plan has sufficient ambition, in line with Paris commitments, is executable and that it will be pursued and supported through time.** In all countries, net-zero transition presents challenging political, economic, and social issues, but the challenges are particularly acute in EMDEs with significant dependencies on high carbon assets for energy supply and employment. A country-led approach, underpinned by clear support from Development Partners, will help to provide some of political certainty and social license the private sector needs to support complex transitions, pursue necessary, but not risk-free, investments in emerging technologies, and embed just transition considerations for the most impacted and vulnerable communities. Investing in numbers alongside Development Partners and adhering to a common framework can further reassure investors and minimize reputational risk associated with these challenging aspects of the energy transition.

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<sup>3</sup> 'Development Partners' is used in the G20 Reference Framework to refer to the national authorities and the development actors (the broad set of actors providing public, private, or non-profit development assistance and finance) active in the country.

**3 Platform Participants can work with the private sector to develop a baseline Financing Roadmap for net-zero aligned development ‘in-scope’ for the Country Platform.** While these roadmaps will be dynamic and adaptable as the Country Platform develops, early drafts, endorsed by the government led country and its Development Partners, will send a signal on where capital mobilization efforts by public and private finance and across asset classes and investor types will be concentrated. In many countries, Development Partners can and should consider where to concentrate public finance resources to achieve maximum impact. Areas like renewables generation, where capacity building and project preparation may be enough to mobilize private sector lenders and investors at scale without the need for further de-risking. In other words, this includes setting clear boundaries early in the design of a Financing Roadmap for where concessional donor funding and quasi-concessional development finance can be most catalytic and where these actors risk crowding out private finance. Financing roadmaps should also include net-zero stamping of projects as well as collate otherwise obtainable details with respect to investment opportunities and other investor-relevant information such as project size, risk/return profile, and tenor to help identify where different actors, including corporates, commercial banks, venture capital, private equity, and institutional investors, are most likely to play a role. Such essential investor information would help catalyze investment decision-making within large institutions, thereby facilitating the deployment of capital at scale.

**4 Platform Participants can collaborate with an independent process to identify and validate loans, investments, and projects as net-zero aligned and tied to the country’s NDCs to provide additional certainty for Platform Participants and private finance.** Once a clear governance framework and financing roadmap are developed for identifying and tagging net-zero aligned projects, loans and investments encouraged by a Country Platform, private finance would benefit from the added support and credibility of an independent authority to validate net-zero alignment. This is particularly important where private finance interfaces with high-emitting clients in energy and industry, financing their net-zero transition but not necessarily investing in pure green projects. In these circumstances, the objectivity and credibility of an independent authority would provide private finance with added social license to engage on complex just transition themes under the auspices of the Country Platform. Beyond tagging for individual projects, Platform Participants can also consider establishing green and sustainable bond frameworks that domestic treasury bills can be mapped to that will enable more participation by net-zero aligned domestic and international institutional investors.

## UPSTREAM DE-RISKING: CREATE ENABLING CONDITIONS FOR PRIVATE CAPITAL

**5 Platform Participants should concentrate significant Country Platform resources upstream<sup>4</sup>, including strengthening enabling environments and developing local capacity to bring more bankable net-zero projects to market.** Domestic policymakers play one of the most important roles in stimulating private climate finance by ensuring that they undertake any policy reforms needed to attract private investment in the priority areas, and more generally through their work to create investment-friendly business environments. Additionally, there is need for Platform Participants to support the building of pipelines of bankable projects. These efforts, which are almost exclusively publicly-funded, but which the private sector can provide insights into, provide long-term clarity to investors, reduce market risk, and help to mobilize larger pools of private investors. Development Partner capital is therefore well-leveraged by concentrating on technical assistance and project preparation facilities to create the investment conditions and net zero-aligned project pipelines needed to mobilize private capital at scale. Focus should also be given to work with local commercial banks, asset managers, and developers, as well as state-backed green and infrastructure banks, to build local capacity to originate, structure, and deliver bankable net-zero aligned projects. Additionally, country-level work can be greatly assisted by building a global network of project delivery units that connect local development project sponsors with global peers, knowledge partners, and financial organizations.<sup>5</sup>

**6 There should be up-front transparency on project pipelines aligned with the scope of the Country Platform.** Up-front transparency through otherwise obtainable collation of key information on project pipelines, as well as standardized data and documentation on projects as per the above, will allow the private sector to engage at the start of net-zero project development and not after Development Partners have negotiated a transaction and structure that may not be conducive to mobilizing private capital. Platform Participants could also, for example, commit to aligning projects with the FAST-Infra Sustainable Infrastructure Label or a similar sustainable infrastructure label, which would help net-zero aligned investors easily assess sustainability information of projects in the pipeline and drive rapid adoption of globally accepted standards to facilitate the development of deep and liquid asset classes.

**7 Platform Participants should also seek to streamline approaches and products to facilitate decisions and transactions in support of a Country Platform.** Streamlining (and in certain cases, where appropriate, standardizing) approaches by Development Partners will require efforts to navigate differing legal and compliance regimes but can reduce transaction costs for the private sector and improve speed to execution. The current product offering across multilateral development banks (MDBs) and development finance institutions (DFIs) is also complex, often overlapping, and not always investor-friendly. The private sector would be further enabled if

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4 The IFC define 'upstream' activities as those that 'occur before the traditional investment cycle and are necessary precursors to an investment,' and interventions are targeted 'at creating the conditions for a private sector investment that otherwise would not have occurred if left to market forces alone.' [www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/upstream/faqs](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/upstream/faqs)

5 Project Delivery Units refer to organizations that work with project sponsors to plan, guide, and execute sustainable development projects. Examples include Sri Lanka's Board of Investment, the St. Kitts Investment Promotion Agency (SKIPA), and Indonesia's Committee for Acceleration of Priority Infrastructure Delivery (KPIIP).

MDBs and DFIs were able to redesign and streamline product toolkits available for delivering Country Platforms priorities, something that could provide a useful testing ground for a broader reform of these product offerings beyond the boundaries of the Country Platform. Given the diversity of Development Partners likely to be involved in a Country Platform, specifying how these institutions will interact and collaborate will further ease access to the private capital mobilization efforts of the Country Platform.

## DOWNSTREAM DE-RISKING: DEVELOP EFFICIENT CHANNELS FOR BLENDED AND COMMERCIAL CAPITAL

**8 Platform Participants — specifically bilateral donors, MDBs, and other actors with responsibility for deploying catalytic capital — should seek to pool concessional capital resources in a small number of blended finance platforms and vehicles for more efficient direct mobilization of private finance.** Multi-donor Country Packages<sup>6</sup>, such as the proposed US\$ 8.5 billion for South Africa as part of the JETP, are essential to deliver on ambitious net-zero transition. When deploying the concessional capital resources included in these Country Packages, Platform Participants should think wholesale rather than retail, pooling resources and project pipelines where appropriate to drive scale and competition in opportunities for private finance and reduce the cost to the private sector and recipient countries from engaging with a complex web of catalytic donors, development banks, and philanthropic capital providers. Such pooled concessional capital vehicles will require well-qualified, professionally managed investment and governance committees to efficiently determine what projects are appropriate for this model of funding and to quickly mobilize private capital at scale.

**9 Platform Participants should encourage private finance to continue to support existing clients, operating outside the confines of the Country Platform, on their net-zero transition.** Many private sector actors will focus on near-term and transactional opportunities via existing client relationships. Amidst the longer-term public sector negotiations to establish terms and governance of the Country Platform, the private sector can make early progress to generate and execute real net-zero opportunities with domestic industry and financial institutions outside the bounds of a Country Platform. [The Climate Finance Leadership Initiative](#) (CFLI) Country Pilots are an example of private-led efforts to develop, incubate, and advance catalytic financing opportunities through collaboration across domestic and international financial institutions and industry, working alongside development finance, in a way that could provide key learnings and an organized group of private and public sector actors that would benefit an eventual Country Platform entering the market. Many GFANZ Members are already active in-market, working with industry and government to finance a just transition to net zero.

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<sup>6</sup> A Country Package is a large, soft-circled multi-donor commitment to provide and/or mobilize financing for specific development or climate targets in a single country.

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## **Platform Participants should also acknowledge the barriers to private capital flows that lie well-outside the borders of a Country Platform.**

Despite the best efforts of a Country Platform and increasing use of blended finance to mitigate project- and market-level risks, the private sector will continue to face additional constraints when taking risks associated with financing low-carbon and climate resilient business in EMDEs. For example, fragmented standards and regulatory frameworks across regions, rigid capital allocation policies and capital adequacy requirements, and lack of data and transparency on deal flow, project risks, and performance will continue to impede private institutional capital's participation in financing EMDE net-zero aligned projects. Platform Participants can address some of these issues via increased use of guarantees and insurance coverages at a portfolio and vehicle-level, provide clear access points for subordinated capital and local currency financing, adopt innovative structures such as securitization, and provide greater transparency through collation of otherwise obtainable sources on performance data and information. But, ultimately, the efforts at the Country Platform level must be connected to global climate finance efforts to improve the international financial architecture to drive net-zero transitions. Finally, the broader development finance community must continue to seek means of creating markets and bringing local knowledge and presence to international investors. The private sector is committed to collaborating with policymakers to create the financial architecture and enabling environments that will mobilize far more net-zero aligned finance and investment into the countries that are most vulnerable to the impacts of climate change.

# GFANZ Commitment of Support to Country Platforms

GFANZ is committed to collaborating with the G7, G20, and other stakeholders to realize the promise of Country Platforms, including by:

- Working with the lead country, Development Partners, and other Platform Participants, as well as local and international financial institutions, in advance of COP27, to make as much progress on planned and existing JETPs and Platforms as is possible.
- Working to support local and international financial institutions to raise private sector ambition and provide structured support and input to each Platform/JETP and providing a forum for discussion of the issues arising for the private sector, such that we can engage in a collaborative manner on those with the lead country, Development Partners and Platform Participants.
- Developing Private Sector Financing Roadmaps that take the decarbonization and net-zero priorities identified by the lead country and set out the potential sources and uses of private capital, including which priorities may attract commercial financing, and which may require blended finance. Roadmaps would also outline the changes to the local and cross-border regulatory and policy environment that would do most to improve the prospects for private sector investment.
- Helping launch a private finance solutions incubator to originate concrete finance and policy solutions. Establish a dedicated initiative with participation from leading domestic and international financial institutions to develop and propose catalytic financing concepts that accelerate private investment. Example concepts include blended finance facilities, credit enhancement facilities, viability gap funding pool, or transition bonds. Development finance partners will also engage on public-private collaboration. This could build on the work of the Climate Finance Leadership Initiative (CFLI) Country Pilots.
- Working to support the preparation of a pipeline of near-term investment opportunities across sectors, including identification of projects, as well as the technical assistance, (and other support needed). This includes supporting efforts to clearly identify climate solutions, already green investments, transition-aligned assets, as well as those for managed phaseout.
- Encouraging our members and private finance more broadly to consider soft-circling capital in support of Platforms/JETPs, and collaborating on the design of financing mechanisms, including blending public and private finance, to ensure that these funds are used efficiently and effectively, and to maximize the chances of crowding in finance at scale.
- Supporting efforts of GFANZ Members and other private-led climate finance initiatives that are already active in potential Country Platform markets to continue driving public-private collaboration for private capital mobilization, as this ongoing activity to build pipelines of bankable net-zero aligned projects can provide an early foundation for public-private collaboration via Country Platforms once formal mechanisms are launched.
- Providing ongoing, consultative support to those involved in Platforms as well as the wider international community including the G7 and G20, to encourage adoption of the recommendations included in this document, and support knowledge sharing and dissemination of best practices, for example, across development actors and other Country Platforms. This includes collecting and reporting on examples of best practice private capital mobilization activities generated by GFANZ Members and other private-led climate finance initiatives, including examples of high-potential, blended finance facilities that have been launched, to inform and set Country Platforms up for success.

For more information, please visit [gfanzero.com](http://gfanzero.com)