

Investing in Emerging and Frontier Economies

How Blended Finance can make the most of public funding

Combating climate change and achieving the Sustainable Development Goals require vast investment in sustainable projects in developing countries, but the world is falling short.

A crucial reason is that a rich source of funds is not being fully tapped in to: the private sector, which is eager to significantly increase its sustainable investments, but is constrained by avoidable obstacles.

Private investors often face an unattractive risk-return nexus; they may also lack easy access to crucial information: e.g. which projects the public sector is planning that they could take part in, and what they entail.

Exposure to the risks of investing in developing economies, with insufficient insurance available, deterring them as well.

The Investor Leadership Network is a group of 14 global institutional investors who manage over USD 9 trillion in investments. In collaboration with The Rockefeller Foundation, the ILN makes specific proposals it calls credible, implementable and effective.

Our proposals include:

- Creating a rolling pool of funds offering first- or second-loss guarantees so the private sector can cover currently hard-to-insure risks such as those relating to regulatory changes, taxation, and reputational risk;
- Creating a separate facility to help with one of the biggest obstacles, foreign exchange risk;
- Creating a detailed shared database of projects that MDBs are screening so that private investors can express an interest early on;
- Give the private sector full access to emerging market risk data and information;
- Setting up a searchable virtual toolbox so investors can more easily find the plethora of currently little-known risk-hedging instruments that MDBs and philanthropic organizations offer;
- Expanding the ILN Fellowship Program to help emerging-market government officials understand institutional investors' needs and network with potential investors;
- Hosting philanthropic and financial-market participants at The Rockefeller Foundation's Bellagio Center to identify discrete areas of collaboration.



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