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NGFS publishes a document on Scaling up Blended Finance in EMDEs

The Network for Greening the Financial System (NGFS) today published a [Technical Document](#) on *Scaling Up Blended Finance for Climate Mitigation and Adaptation in Emerging Market and Developing Economies (EMDEs)*. The Technical Document, identifies recommendations aimed at addressing key barriers to scaling blended finance in EMDEs, and showcases demonstrative projects from various EMDEs that have successfully crowded in private capital into climate financing projects. This also complements the NGFS' core work of supporting its members in assessing the macroeconomic and financial stability implications of climate change.

Blended finance solutions can play an important role in enhancing investability of climate financing projects in EMDEs. Significant concessional resources will be needed to improve the risk profile of climate investment projects in EMDEs, and make them financially viable for private capital to participate in.

This Technical Document sets out recommendations to address key barriers to scaling blended finance in EMDEs. The recommendations emphasize the need to:

- strengthen the climate information architecture (such as by improving the high quality, comparability, and reliability of climate data) and deepen domestic capital markets;
- develop a pipeline of viable projects with standardised and scalable structures to attract investment capital and reduce information asymmetries between investors and project developers;
- foster effective risk mitigation and diversification, and more effectively harness the role of Multilateral Development Banks and Development Financial Institutions to create an enabling environment for blended finance to succeed; and
- align the practices and products offered by financial and information intermediaries such as credit rating agencies and ESG data and product providers.

The document also highlights the need to adopt an ecosystem-of-solutions approach that brings together partnerships across key stakeholders (where central banks and supervisors can play a role), as well as a project-life-cycle approach to ensure and support viability of these projects. In addition, it recognises that the scaling up of blended finance can only be achieved through a globally coordinated approach to effectively pool upfront catalytic funding from different donors, philanthropies, and other concessional finance providers to effectively de-risk projects.

Ravi Menon, Chair of the NGFS and Managing Director of the Monetary Authority of Singapore:

“Significant investment in mitigation, adaptation and resilience is needed in EMDEs, which are most impacted by the effects of climate change. We need blended finance to effectively utilise public capital, reduce the risks in marginally bankable projects, and thereby mobilise multiples of private capital to bridge the financing gap needed for the world to get to net zero by 2050. The NGFS Blended Finance Technical Document can play a valuable role to help level up our collective knowledge on what is needed to scale the use of blended finance.”

Leong Sing Chiong, Co-Chair of the NGFS Blended Finance Initiative and Deputy Managing Director of the Markets and Development Group, Monetary Authority of Singapore, and
Cindy van Oorschot, Co-Chair of the NGFS Blended Finance Initiative and Director Pension Supervision & Sustainability, De Nederlandsche Bank:

“To achieve the scaling up of blended finance that is needed to meet climate financing needs of EMDEs, it is important to bring about a shift towards a more strategic, agile and coordinated deployment of various sources of capital, including public, concessionary, catalytic and private capital. This Technical Document helps identify important elements needed to create and support the growth of a mature blended finance ecosystem. Catalysing private capital for EMDEs to meet the Paris climate goals demands an urgent and concerted effort by all key stakeholders in the ecosystem.

This publication has truly benefitted from multilateral and public-private collaboration. In putting together this document, we have drawn on a survey of NGFS members, a literature review, bilateral engagements with key stakeholders in the blended finance ecosystem, and demonstrative blended finance projects.”

Fabio Natalucci, Drafting Lead of the NGFS Blended Finance Initiative and Deputy Director, International Monetary Fund:

“The financing challenge confronting emerging markets and developing economies to finance climate mitigation efforts is massive with efforts to mobilize private capital made more difficult with the sharp increase in external financing costs. Blended finance offers an opportunity to close the financing gap faced by EMDEs by bridging public and private capital but requires a proper enabling environment of the right policy, institutional and climate frameworks to be in place. Several innovative blended finance projects have demonstrated that with the right levers in place, scaling private climate finance and ultimately investability of EMDEs can be achieved. However, to harness the full potential that blended finance offers, a globally coordinated effort across various stakeholders is required to provide a range of solutions across the entire blended finance ecosystem.”

In drafting this document, the NGFS derived insights from a survey of NGFS members, literature review of relevant materials, shortlisted submissions of demonstrative blended finance projects, as well as bilateral engagement sessions with key stakeholders in the blended finance ecosystem, including providers of public and private capital, credit rating agencies, intermediaries, think tanks and other thought leaders.

Despite the greater focus on climate mitigation in the publication, the relevance and importance of climate adaptation is becoming increasingly clearer as physical risk events caused by climate change become more commonplace, even as actions are taken to reduce greenhouse gas emissions. In this regard, the NGFS aims to build on this publication and consider further work on adaptation issues where it can possibly value-add or offer complementary views on.

About the NGFS

The Network for Greening the Financial System (NGFS), launched at the Paris One Planet Summit on 12 December 2017, is a group of central banks and supervisors, which on a voluntary basis is willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, and to mobilize mainstream finance to support the transition toward a sustainable economy. The NGFS brings together 129 central banks and supervisors and 21 observers. Together, they represent five continents and more than 88% of global greenhouse gas emissions and are responsible for the supervision of all global systemically important banks and 80% of the internationally active insurance groups. The NGFS is chaired by Ravi Menon, Managing Director of the Monetary Authority of Singapore. The Secretariat, headed by Jean Boissinot, is provided by Banque de France.

For more details, visit the [NGFS website](#) and [Twitter account](#) or contact the NGFS Secretariat at Banque de France sec.ngfs@banque-france.fr

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