

Shifting the trillions

From ambition to action



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Contents

Taking transition plans from ambition to action	3
Key findings	4
Deeper integration needed for Europe to compete in fragmented world	6
Nagel warms to interest rate cuts, stresses differences with US	8
Tokenising assets goes hand in hand with cash on chain	9
Real estate the lone blight on otherwise sunny markets	10
We 'don't need to reinvent the wheel' to bolster sustainable finance in emerging markets	12

Taking transition plans from ambition to action



COP29 must address critical climate finance gaps, writes Frank Scheidig, global head of senior executive banking at DZ BANK AG.

Transition finance is fast becoming a critical tool in the fight against climate change. From Asia's rapid industrialisation to Europe's leadership in green finance and the growing importance of the Brics nations, ensuring a sustainable future is a matter of global economic significance.

To reduce emissions while achieving its development goals, the world needs to accelerate and scale up innovative financing solutions and instruments for its sustainable transformation.

Home to some of the world's fastest growing economies and largest populations, Asia faces significant challenges in transitioning away from carbon-intensive practices towards sustainable development. In the region's climate efforts, transition finance stands to play a major role. Investments in solar, wind and hydroelectric power projects are crucial for not only reducing reliance on fossil fuels and decreasing emissions but also meeting growing energy demands. However, so too is the early coal phaseout, which accounts for nearly 60% of the continent's power generation.

In Europe – which is further along in its journey of phasing out coal and transitioning to renewable energy – green finance has emerged as key to combatting climate change and achieving carbon neutrality. The European Union has been at the forefront of advancing sustainable finance policies, such as the EU taxonomy and Sustainable Finance Disclosure Regulation. These initiatives, among others, channel investments at scale towards environmentally sustainable activities while harnessing the region's renewable energy potential and enhancing energy connectivity.

Similarly, the Brics nations represent a growing share of the global economy and carbon emissions. While these countries face distinct challenges, including resource constraints and socioeconomic disparities, they present immense opportunities for innovation and investment. By embracing transition finance principles and investing in low-carbon solutions, Brics nations can mitigate climate risks and build a more resilient future for generations to come.

However, COP28 showed that there is still a large climate finance gap, an even larger overall

environmental finance gap and a huge sustainable development goals-related finance gap. Hence, the potential for growth in sustainable debt is vast. Although issuance has increased 25-fold over the past decade, the sustainable bond market is still a small but shining light. With only a few years left until 2030, there is confidence that the proportion of sustainable bonds in the new issuance volume of the overall market will further increase beyond 2024.

Leveraging innovation for sustainable transformation

As a means of plugging the finance gap, more innovative ways to enhance financial inclusion, transparency and environmental stewardship are emerging. Through blockchain technology, issuers can provide real-time updates on project progress, financial performance and ESG metrics. This level of transparency fosters trust among investors and stakeholders, ensuring that bond proceeds are used effectively and in accordance with sustainability objectives. Blockchain's immutable ledger also reduces the risk of fraud and corruption, further enhancing the integrity of sustainable finance initiatives.

Moreover, enhancements in digital bonds offer issuers and investors a powerful tool to catalyse positive social and environmental impact and enhance transparency and accountability in the issuance and management of funds. By democratising access to sustainable finance, digital bonds can effectively empower local communities to mobilise capital towards sustainable development.

CBDCs can also play a transformative role in advancing transition finance goals. By integrating ESG principles into CBDC frameworks and fostering collaboration across stakeholders, central banks can harness the power of digital currency to encourage positive impact and sustainability outcomes for society and the planet.

Transition finance is a global imperative that is bound to be high on the agenda at COP29. Many will also be cognisant that 2024 is a year of political reckoning. With key elections taking place across the globe and potential change to be affected in several countries, a sustainable future for all should be front of mind.

The DZ BANK Capital Markets Conference, co-hosted by OMFIF and KfW in Berlin on 22-24 April, brought together policy-makers, international financial market practitioners, sustainable finance experts and global investors. They shared insights into the sustainable transition in the context of monetary and fiscal developments, digital payments, capital markets and prospects for growth in emerging and developing markets. These were the key findings from each day of the conference.



DAY ONE

Geopolitical fragmentation dominated discussions of the global economy, particularly the US' perception of China as a political and military challenge. The outcome of the US presidential election holds significant implications for Europe, with uncertainties surrounding how policies relating to Nato, Russia and China might differ under the Donald Trump administration versus the Joe Biden administration.

Europe has a number of comparative advantages, including a strategic location between US and Asian markets, manufacturing strength and diversity of member states. Structural issues such as capital markets union and a coherent industrial policy were noted as crucial for Europe's future integration and competitiveness, though they require significant political will and reform.

Common challenges across European countries, such as demographic changes and productivity growth, necessitate a more unified approach to policy-making and economic reform. But panellists also noted that the divergent economic developments within Europe, particularly between southern and northern economies, raise questions about the European Central Bank's reaction function and the need for coordinated policy responses.



DAY TWO

Monetary policy divergence is likely to be a key driver of markets going forward. The European Central Bank is eager to cut but the Federal Reserve is more hesitant since US demand-side inflation is proving sticky. This will support the dollar and make the US an attractive investment destination, but there is value available in Europe, particularly at the long end.

Discernment is becoming increasingly important. With higher rates, sustainable businesses are showing their quality but deep research is key to differentiating these assets.

Capital markets have provided a great deal of funding at competitive levels for primary markets. A clearly communicated and well-defined strategic approach is necessary across asset classes, but investors have the capacity to absorb high levels of issuance, if well-flagged.

Real estate markets have been struggling for obvious reasons but, with innovation at the level both of construction and financing, the industry can adapt to a new and challenging environment.



DAY THREE

Deutsche Bundesbank President Joachim Nagel's keynote speech suggested that he is warming to the possibility of European interest rate cuts starting in June. But he warned against expectations that a series of monetary easing moves is under way. He is 'not fully convinced' yet that inflation is returning to the European Central Bank's 2% target in a 'timely and sustained manner'.

Discussions on digital payments underscored the urgency of establishing standards for trusted infrastructure. While emerging technologies like artificial intelligence and distributed ledgers are promising, regulatory oversight remains crucial for security and compliance. Cash on chain and assets on chain go hand in hand – realising the full value of a digital ecosystem will require cash on chain. Speakers hope to see a wholesale central bank digital currency issued in euros soon.

There is a need to address the shortfall in climate and transition finance, especially for developing countries. A range of new financial products, instruments and schemes are being developed to increase the financing opportunities available to countries and companies for their decarbonisation efforts. However, some speakers noted that we 'do not need to reinvent the wheel' with new products and schemes, but should focus instead on hedging against traditional challenges like currency fluctuations and foreign exchange risk to ramp up private investment in emerging markets.

Deeper integration needed for Europe to compete in fragmented world

Global crises present opportunity for enlargement and reform



GEOPOLITICS IS shaping the global economic agenda, and to compete in an increasingly fragmented world, Europe needs to come together. This was the key takeaway from the macro discussions of the DZ BANK International Capital Markets Conference in Berlin, hosted in collaboration with KfW and OMFIF.

Developments in the US pose risks for Europe

Following the International Monetary Fund's spring meetings in Washington, the economic and political outlook in the US was a key topic of discussion at the Berlin conference. The outcome of the presidential election in the US holds significant implications for Europe, with uncertainties surrounding Nato, Russia and China policies under either Donald Trump or Joe Biden administrations. A Trump presidency would be 'very unpredictable', noted one panellist, as

**'You have
Factory US
and Factory
China – we
need Factory
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compete.'**

A speaker

Trump's comments have raised questions about his commitment to Nato. Many have expressed concern about Trump's 'pro-Russian tendencies'. One speaker noted, 'Trump would be a much bigger challenge for Europe than the Biden team would be.'

'The possibility of a second Trump term increases the pressure on us... People are a long way from realising the size of the economic challenges in front of us,' reflected Florian Toncar, parliamentary state secretary at Germany's ministry of finance. 'We [Europe] must look to other priorities, including paying more for defence.'

Presenting another challenge, the last mile of reining inflation into target range has proved more difficult to complete in the US than in Europe. As supply-side pressures ease in Europe, goods inflation is coming down quickly (although

services inflation is somewhat stickier). Meanwhile in the US, strong demand is keeping prices elevated. This, coupled with strong economic growth, has delayed rate cuts by the Federal Reserve System.

As one panellist mentioned, 'Six months ago, markets were pricing in five to six rate cuts by the Fed in 2024. Now it is down to two to three.' If the European Central Bank cuts before the Fed – the most likely outcome according to the speakers – it could depress the euro against the dollar.

Finally, concerns were raised over US fiscal policy and debt sustainability, along with questions surrounding Europe's economic strategy and response to US policies. Commenting on the US Inflation Reduction Act, Toncar noted that Europe spends a similar amount on the green transition via the NextGenerationEU, emphasising the need for European policy-makers to act and move forward with plans for reinvigorating the economy.

'I think we should stop complaining about the American strategy... We probably should rather focus on quality [public expenditures] and setting the conditions that can keep the European economy competitive.' He noted that the €800bn NGEU fund is of a similar order of magnitude to the IRA and that funds are still in the process of implementation.

Opportunities to enhance competitiveness – given political will

Speakers noted that Europe boasts several comparative advantages, including its strategic location between US and Asian markets, its manufacturing power and the diversity of its member states. The openness of European economies was also identified as a strength.

However, structural issues such as fragmentation, demographic challenges and a lack of coherent industrial policy are eroding the competitiveness of Europe compared to the US and China, which have more interventionist and protectionist economic policies in comparison.

'EU enlargement in some shape or form is indispensable,' explained one panellist, pointing specifically at the Western Balkans, Ukraine and Georgia as potential new EU member states. One speaker also noted: 'Competition is about scale.

You have Factory US and Factory China – we need Factory Europe to compete.' They emphasised Europe's historical comparative advantage in manufacturing, but noted the scale needed to produce at a good price.

In terms of reforms, Toncar reiterated the challenges and priorities for European competitiveness. This would require addressing bottlenecks in finance and human capital, incentivising full-time work and higher participation rates, reducing red tape and mobilising private investment. 'Capital Markets Union must be one of the top three priorities of the next European Commission,' he warned, stating that at present, European capital markets do not currently match the financing needs in Europe and more work needs to be done to mobilise private capital.

While common challenges across European countries necessitate a more unified approach to policy-making and economic reform – such as demographic changes and productivity growth – there are divergent economic developments within Europe, particularly between southern and northern economies. Panellists mentioned that these discrepancies raise questions about the ECB's reaction function and the need for coordinated policy responses.

Some speakers were fearful that a coherent policy response will remain elusive. With far-right parties expected to make gains in the upcoming European Parliamentary elections, it seems less likely that the European electorate will be willing to grant more power to Brussels.

But perhaps global shocks are the wake-up call Europe needs. Some panellists were optimistic that the challenging environment can spur the political will needed to introduce much needed reforms. 'In area of defence and industrial policy, those are two big areas where we can make significant progress in 10 years,' one speaker stated.

Historically, the most meaningful EU reforms have come about during times of crisis. In a volatile, unpredictable and fragmented world, European policy-makers should closely examine how they can improve their countries' performance and competitiveness – and drive on further with European integration.

'We [Europe] must look to other priorities, including paying more for defence.'

A speaker

Nagel warms to interest rate cuts, stresses differences with US

Bundesbank president underlines strategic importance of digital payments

JOACHIM NAGEL, president of Deutsche Bundesbank, is warming to the possibility of European interest rate cuts starting in June. But he warned against expectations that a series of monetary easing moves is under way.

Speaking at the DZ BANK Capital Market Conference in Berlin, held in co-operation with OMFIF and German state project financing bank KfW, Nagel said he was still 'not fully convinced' that inflation was returning to the European Central Bank's 2% target in a 'timely and sustained manner'.

However, assuming that monetary easing is backed by wage inflation and other data available in the next few weeks, he said he would be 'definitely' in favour of an ECB rate cut at the governing council meeting on 6 June.

The insertion of the word 'definitely' – not present in the published speech on the Bundesbank website – was significant. It suggests Nagel is moving firmly in the direction of a strong group of governing council members opining that lower interest rates are necessary to help kickstart the faltering European economy.

In favour of a digital euro

In his remarks opening the third day of the DZ BANK conference, much of it dedicated to digital finance, Nagel launched a robust plea in favour of a digital euro for retail payments by underlining its strategic importance for Europe's 'critical infrastructure'. Pointing out that Europe had been lagging other parts of the world in areas like cloud technology, Nagel said a digital euro could be a vehicle for innovation as well as helping secure Europe's independence in the crucial field of payments.

All these questions have gained in importance because of the challenges facing Europe after the Russian invasion of Ukraine, Nagel said. Similar principles applied to the European Union's long-running efforts to complete banking union and accelerate the painfully slow process of capital markets union.

Mindful of public scepticism about the digital euro, especially in Germany, Nagel repeated the standard Bundesbank mantra that a digital euro would complement but would not replace cash. Although the digital euro project entered the preparation phase in November 2023, this did not mean that an issuance decision had been taken.

The ECB governing council would decide only after conclusion of the European legislative process. 'The

introduction of a digital euro needs political backing and a solid legal framework,' he said. Implementation might take 'another four or five years'.

Differences between Europe and US

On interest rates, Nagel affirmed the ECB's 'meeting by meeting' approach to monetary policy decisions. He said he had an open mind on whether inflation and equilibrium real interest rates would necessarily be higher in future because of issues like decarbonisation and ageing societies.

Asked whether European interest rate policies could diverge too strongly from those in the US, Nagel said the 'official answer' was that the ECB was setting monetary policies solely from the vantage point of the euro area. However higher-than-expected inflation and interest rates in the US would feed through into the ECB's own models for euro area economic trends and inflation. 'It is clear that if there is a certain development in the US, there are some spillovers.'

Nagel underlined the limitations of comparisons between Europe and the US. 'The situation in US is different because it's a demand-driven inflation story in the US, supply-driven in the Eurosystem.' The US economy is 'booming' while, in the euro area, 'we're really lagging behind'.

He added that, for Germany, 'the numbers are getting a little better. The first quarter [of 2024] was weak, but there's some momentum now'. His conclusion was that the Federal Reserve's reluctance to cut interest rates was 'different from the ECB.'

'A digital euro would complement but would not replace cash.'



Tokenising assets goes hand in hand with cash on chain

Creating a global network of interoperable CBDCs will be no small feat

TOKENISATION IS an area of great promise for capital markets. Many participants are working hard to create blockchain tokens that represents ownership of a broad spectrum of financial and tangible assets. But to deliver the benefits of tokenisation require a tokenised means of representing cash as well.

Of the many benefits that tokenising assets could deliver, the most important is that it enables transactions to take place on a delivery-versus-payment basis. This ensures that one leg of a transaction cannot be sent without the other, thus eliminating counterparty risk.

This counterparty risk is a costly and inefficient feature of many markets, since it requires participants to hold collateral against the possibility of a failed settlement. However, this can only exist if both legs of the transaction – the asset and the cash – are both represented on chain.

Overhauling market infrastructure

Stablecoins – cryptoassets that maintain a stable peg to a given currency – are emerging as one potential solution from the private sector that delivers a representation of on-ledger cash.

However, the Bank for International Settlements' principles for financial market infrastructures stipulates that, where available, settlement should be carried out in central bank money. At present, most central banks do not offer a tokenised form of their currency for use in capital markets. This tokenised central bank cash, or wholesale central bank digital currency, may prove to be the key to overhauling capital markets infrastructure.

While much of the public debate around the digital euro has centred around retail CBDC – due to the political implications of the state providing a digital payments' solution for individuals – some representatives of the Eurosystem of central banks believe that a wholesale version may arrive first.

Yet, it is important to note that blockchain systems are not monolithic. Tokenisation of both assets and cash will likely take place on a variety of different blockchain protocols. This might risk fragmenting market liquidity by limiting the ability of different investors to trade assets.

Capital markets bodies will have to establish a set of shared principles to ensure that this does not happen and that tokenisation does not lock assets into specific protocols.

Beyond domestic interoperability, one must also consider the fact that many capital markets operate



internationally. If one central bank were to issue a wholesale CBDC, it would not be sufficient to fully deliver the improvements to market infrastructure that proponents of tokenisation hope for.

Central bank projects in development

But creating a global network of interoperable CBDCs is no easy task. Several consortia of central banks have projects in progress that are pursuing this goal. Among the most advanced of these is project mBridge: a collaborative endeavour between the People's Bank of China, the Hong Kong Monetary Authority, the Bank of Thailand and the Central Bank of the United Arab Emirates.

The European Central Bank is also pursuing trials and experiments, including with the Swiss National Bank, looking to solve the same problems.

However, achieving this kind of system requires central banks from disparate regulatory regimes to come to agreement on a number of points – anti-money laundering, know-your-customer, liquidity arrangements – which will not be easy. The incentive to harmonise these standards has been present for many years, but agreement is difficult to come to, no matter the underlying plumbing.

Nevertheless, as we move towards a tokenised ecosystem, central banks face the possibility of the mechanics of payment and asset settlement moving out of their direct oversight. They will have to adapt to the changing realities to ensure they can continue to secure financial stability.

If the private sector leads the way on digital asset development, competition – though it spurs innovation – may harm adoption and risk the issues of fragmentation alluded to earlier. Central banks might be able to remove this risk by establishing new rails of capital markets on infrastructure designed and maintained by them.

'Wholesale central bank digital currency may prove to be the key to overhauling capital markets infrastructure.'

Real estate the lone blight on otherwise sunny markets

Investors face both challenges and opportunities in a rising rate environment, varying market performances and geopolitical uncertainty



DESPITE GEOPOLITICAL risks and impending monetary policy divergence, market sentiment is broadly positive, thanks to persistently high yields. The outlier, however, is real estate markets.

Rising rates have spelled trouble for some industries and are proving particularly alarming to real estate markets at a time when the surge in remote working is resulting in a structural change to demand.

While the return to positive rates is, for many investors, a welcome restoration of normality, it inevitably causes some pain for the real estate sector. Developers face particularly stiff challenges – the business is presently unprofitable and many will face bankruptcies.

Strategic disposal of assets or structured equity raising will be important tools for developers to deleverage their balance sheets, survive the downturn and husband some dry powder to take

'The prevailing opinion is that 2024 is likely to remain fairly stable.'

advantage of opportunities when they present themselves.

It is important to remember that not all real estate assets are equally affected. Occupancy rates in well-connected and well-amenitised offices are proving more stable, with the average commute time being a significant factor.

Sustainability is also key in determining the desirability of a property, but some market participants warn that sustainable buildings tend to command higher rents than many of their clients wish to pay. Regulations encouraging environmentally-friendly development is pushing up costs and resulting in developers struggling to serve the cheaper sectors of the market.

Despite the downturn, the possibility that exposure to commercial real estate poses a systemic threat to banks' balance sheets may have been overstated. Banks have reduced the loan-to-

value threshold on which they are willing to lend, so their exposure tends to be limited in scale and secured by the underlying assets such as single buildings – some of which still have a persistent appeal.

Sunnier mood

In other areas within capital markets, higher rates have proved more of a boon. In primary markets, new issue premiums have steadily fallen after an extremely busy start to 2024 and subscription ratios have climbed, reflecting strong and consistent demand.

A majority of high subscription ratios come from hedge funds – who knowingly put in large orders to receive small allocations because they are traditionally regarded as ‘fast money’ accounts – looking to flip the bonds quickly in the secondary market to book a profit. However, borrowers are increasingly comfortable with the role hedge funds play in providing secondary market liquidity.

Demand in euros is particularly strong at the long end of the curve. With rate cuts expected, investors are keen to lock in the highest rates available for the longest possible time. While the dollar market is accessible to European issuers, it can be difficult to motivate investors to assume extra risk or compromise on liquidity when high yields are available in the Treasury markets.

US capital markets have been enjoying a period of extremely strong performance. Technology stocks in particular have done well and, unlike previous tech stock booms, the gains come on the back of strong revenue growth and reinvestment in capital expenditure and research and development, rather than stock buybacks and low rates.

Rising rates have begun to expose business models that were predicated on low or negative interest rates. This sees more widely varying performances within sectors, increasing the importance of deep investment research and potentially raising the value of active management relative to passive.

While the economy is booming, inflation – having been driven primarily by demand-based factors – is proving sticky. As a result, the Federal Reserve System is still hesitant to cut rates. With Europe’s more supply-driven inflation fading, the European Central Bank is likely to cut ahead of the Fed. This



divergence in monetary policy is likely to strengthen the dollar and make US investments more attractive.

Exceptions to optimistic outlook

The mood is not entirely relaxed, however. Serious geopolitical threats are still making many nervous, but the prevailing opinion is that 2024 is likely to remain fairly stable. European politics are shifting to the right, which investors are concerned will result in a derailment of the green transition agenda and harm European competitiveness. Although 2024 is an election year for many relevant jurisdictions, the actual effects on policy will take longer to be felt.

Still, the war in Ukraine remains a serious threat with regards to disruption of supply chains, particularly around energy costs. However, the US’ latest funding package is likely to keep it stable for the near future.

The war against Hamas also represents another potential vector of instability. Thus far, the region has avoided falling into more widespread conflict.

Finally, investors are eyeing the prospect of the re-election of former US President Donald Trump and the possibility that this would herald a period of greater geopolitical uncertainty. Again, it will be difficult to assess what the impact will be until 2025, although it seems likely that, as in Europe, it will hinder the green transition agenda.

While the geopolitical threats are not imminent, the strong outperformance of commodities, particularly gold, suggests that investors are taking the threats seriously.

‘Although 2024 is an election year for many relevant jurisdictions, the actual effects on policy will take longer to be felt.’

We 'don't need to reinvent the wheel' to bolster sustainable finance in emerging markets

Many of the tools needed to incentivise private sector investment already exist, just not at scale



MITIGATING CLIMATE change demands a colossal financial commitment. Estimates suggest the developing world requires a staggering \$2.4tn annually in climate finance to avert ecological catastrophe. Current foreign aid disbursements – totalling \$200bn annually – pale in comparison.

Discussions in this space often highlight how bridging the financing gap in emerging markets necessitates innovative products, frameworks and schemes. But experts at the conference noted that many of the tools needed to shift the trillions already exist – they are just not yet scaled up.

Panellists also addressed the challenges of climate change and explored strategies for sustainable investment, with particular focus on ramping up sustainable investment in emerging markets.

A myriad of new financial products, instruments and schemes have been developed to increase financing opportunities for decarbonisation efforts.

'Currency risk is perhaps the most fundamental risk to investing in emerging markets.'

But some experts have stressed the importance of leveraging existing frameworks and confronting traditional challenges. In particular, addressing currency fluctuations and hedging against foreign exchange risk could substantially increase private investment in emerging markets.

The need for private investment in emerging markets

A common obstacle in climate financing is the exorbitant cost of capital, particularly in emerging markets. Comparatively weaker legal institutions and rule of law make investments in many emerging markets more uncertain and riskier, therefore increasing costs. But despite comparable project risks, developing nations grapple with disproportionately high capital expenses.

Speakers at the conference reiterated the need for new sources of investment for climate finance.

'Government aid spending is not going up', as 'budgets are being reclassified, redrawn and diverted away' in the face of more acute crises like defence. Even if this were not the case, concessionary finance is not even close to meeting the enormous financing needs to facilitate the decarbonisation agenda.

Private financing will be particularly important for mitigation efforts. Due to the associated revenue streams, mitigation efforts like renewable energy production already boast substantial private sector involvement in advanced economies.

Addressing the private investment gap in EM sustainable financing requires lowering the barrier to entry for international investors and private capital. This, explained one panellist, has less to do with the risks concerned with climate financing, and more to do with 'traditional' macroeconomic risks of investing in emerging markets, which deter private sector investment.

Attracting private capital by mitigating FX risk

Currency risk is perhaps the most fundamental risk to investing in emerging markets, noted multiple speakers. 'The cost of hedging foreign exchange risks in emerging markets is a big problem,' noted one speaker. Realising a steady stream of return of investment is more volatile, 'if you're being paid back in rand, riyad or pesos', they explained.

At present, many of these projects are financed via bank lending. Given the nature of bank lending as short-term and procyclical, this makes financing long-term and countercyclical projects difficult and costly. 'They're not overcharging, because they don't have the capacity to offer long-term, countercyclical hedging and guarantees.'

Here, there is scope for intervention to hedge FX risk. For example, The Currency Exchange Fund was established in 2007 with the primary objective to mitigate currency risk in emerging and frontier markets. Through the provision of financial instruments like swaps and forward contracts, TCX shields its investors and clients from currency volatility. By hedging currency risk, TCX facilitates local currency financing for borrowers. This process fosters more sustainable development in these markets, while safeguarding shareholder investments.

An approach of this kind can be used by

public sector financing bodies to help develop the necessary framework for private investors in emerging markets. One such example is the Inter-American Development Bank's partnership with Banco Central do Brasil, which, by reducing FX hedging costs, aims to attract private sector investment to sustainable financing projects.

Expanding the TCX model to multilateral development banks in other markets could significantly reduce the risk associated with investing in emerging markets. Leveraging institutional expertise and countercyclical measures, these initiatives seek to unlock private capital, allowing it to flow into emerging markets for much-needed sustainable project financing.

Discussions at the conference underscored the crucial role of financial markets in addressing climate change and sustainability challenges. Concerted efforts in both innovative financing mechanisms and strategic investments are imperative to navigate the complexities of climate finance and pave the way for a more sustainable future.

The private sector has a critical role to play here. By recalibrating financial incentives, the public sector – via local governments in emerging markets, advanced economies' governments and MDBs – can ensure that capital is allocated where it is needed most.

'Budgets are being reclassified, redrawn and diverted away in the face of more acute crises like defence.'

A speaker



