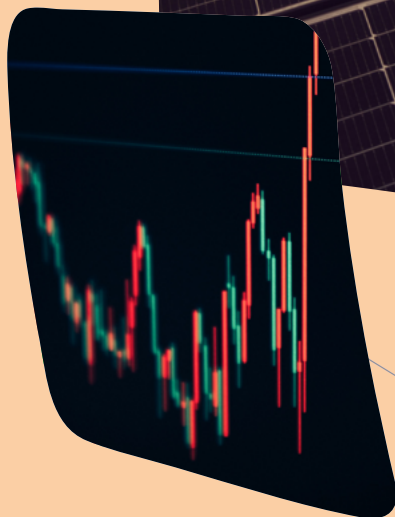
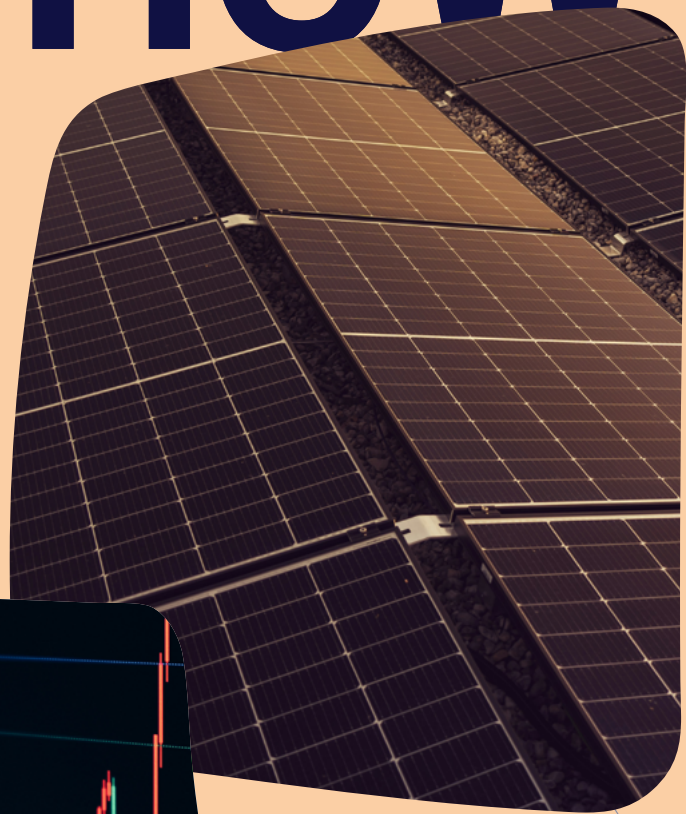


# WHO INVESTS AND HOW?

Unlocking and  
mainstreaming  
institutional  
investment flows  
to EMDEs



# ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of sustainability and governance-related issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating sustainability and governance-related issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

## ABOUT THIS BRIEFING

**This briefing sets out how institutional investors allocate to emerging markets and developing economies (EMDEs) based on investor interviews and roundtables.**

It is designed to illustrate different types of institutional investors and outlines five archetypes, their characteristics, the challenges they face and the capital solutions they can provide. It also touches on the themes and sectors most appealing to investors and their experience working with Multilateral Development Banks (MDBs) and blended finance.

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for more  
information



It provides deeper insights and strategic actions to support policy makers to take a more targeted and intentional approach to mobilising capital to EMDEs to meet global climate and development goals. It also aims to support stronger peer learning between investors and a well-informed dialogue across wider stakeholders in finance.

With a global signatory base, the PRI is well positioned to add value to the global conversation. We're seeking to break down silos and offer actionable solutions, supporting institutional investors to play to their strengths in accelerating finance for low-carbon, climate-resilient development, in line with their duties.

The companion briefing – [Investment Flows to the Net Zero Transition: Progress and Policy Needs](#) – provides an update on the current needs and scope of investment, trends and pathway forwards.

## METHOD AND APPROACH

To understand EMDE investing in our signatory base, the PRI conducted a range of signatory interviews with institutional investors across every continent in July/August 2025. To supplement this, we engaged in a series of investor/policy maker roundtables in September 2025 – in partnership with GSG Impact and Alança pelo Impacto – on the Baku to Belem

Roadmap to US\$1.3trn, with additional lenses on key issues around nature and adaptation and the enabling environment in Brazil. We also convened a roundtable with representatives of several multilateral climate funds and the Net Zero Asset Owners Alliance in June 2025 to discuss the interface between investors and the multilateral funds.

In total, the PRI engaged with over 50 institutional investors, representing a diverse mix of asset owners, investment managers, pension funds, insurers, and sovereign wealth funds across advanced capital markets and in emerging markets. These discussions took place under Chatham House Rules. No insights are attributable to any organisation. We selected participants for their size, expertise and either for their experience in, or appetite for, EMDE investment.

We have supplemented the insights where relevant with existing PRI research, the policy positions of the UN-convened Net Zero Asset Owners Alliance, and dialogue with signatories in our Global Reference Groups.

We also acknowledge that this terminology does not always align with the classifications used by international organisations such as the World Bank or in UNFCCC processes, which may group countries by income level (e.g. low-income, lower-middle-income) or into developed and developing parties, geopolitical groupings etc. While there is overlap, especially in the context of climate finance and vulnerability, the distinctions are important for understanding investment flows. This report aims to navigate these differences transparently.

**For more information, contact:**

**Gina Hanrahan**

Senior Specialist, Climate Policy  
[gina.hanrahan@unpri.org](mailto:gina.hanrahan@unpri.org)

**Rebecca Chapman**

Head, Climate and Environment  
[rebecca.chapman@unpri.org](mailto:rebecca.chapman@unpri.org)

## A NOTE ON TERMINOLOGY

Throughout this report, we use the terms emerging markets (EMs) and frontier markets (FMs) in line with conventional usage in global portfolio allocation. These classifications are typically based on market accessibility, liquidity, and institutional development. Frontier markets typically refer to economies that are less developed than emerging markets but are still investable, and they are often characterised by smaller market capitalisation and lower trading volumes. We acknowledge nuance on how and where these classifications are used by investors.

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# EXECUTIVE SUMMARY

**Scaling from billions to trillions of dollars to close the financing gap to emerging markets and developing economies (EMDEs) means reaching beyond public finance and philanthropic support to mainstream financial markets.**<sup>1</sup> Raising private finance to the levels required in the countries where it is needed will require a step-change in targeted, coordinated efforts from policy makers, public finance institutions and investors.

It is critical to understand different institutional investor profiles, where and how they invest, and build dialogue and co-design accordingly to develop and scale more effective models and solutions.

Scaling private finance is possible but will take time. **Stimulating the right action from the right investors is vital.**<sup>2</sup>

## Five institutional investor archetypes

Institutional investors are not a homogenous group. The report introduces five investor archetypes based on their characteristics, investment style and barriers:

1. **Domestically focused**
2. **Commercially global**
3. **State-aligned large-scale**
4. **Highly regulated retail-focused**
5. **Nimble entrepreneurial**

Whilst not capturing all the nuance and complexity of legal structures, investment mandates or asset allocation strategies, **the five archetypes help to simplify the diverse investor landscape for those working to improve the system.** It can also support those working in different silos of finance to piece together the motives and actions of different pools of capital, as well as their interdependencies.

The PRI will continue to work with signatories, public finance institutions and policy makers to develop understanding of the needs and approaches of institutional investors to sustainable EMDE finance.

### In this report: five solution areas

1. Better map and match institutional investors with EMDE capital needs
2. Clearly signal and support EMDE domestic financial market development
3. Champion the innovation and use of new instruments and asset classes globally
4. Prioritise economic and investment incentives within a whole-of-government approach to attract investors
5. Improve access of EMDE-operated companies to the global financial system.

The report suggests specific actions which are summarised by actor below.

<sup>1</sup> In this context, by mainstream investment we refer to the majority of global institutional capital, guided principally by financial risk/return objectives in the exercise of fiduciary duty rather than solely impact or sustainability outcomes ; <sup>2</sup> For instance, ODI (2024), [Trillions or billions? Reassessing the potential for European institutional investment in emerging markets and developing economies](#) emphasises that not all investors have capacity to invest and that the addressable market is smaller than often assumed

## Key action for governments and regulators

Addressing the system-level needs of EMDE capital mobilisation requires a strong enabling environment domestically and internationally, supported by a whole-of-government approach, robust governance, financial regulation and clear economic and sectoral policy. Governments should expand the use of concessionary capital but ensure it is used effectively by mobilising and increasing private capital allocation. Collaboration and co-design with investors can ensure this is channelled most effectively to achieve transformational scale and quality of finance for the transition.<sup>3</sup>

### Governments and regulators can:

- map the right types of institutional investor to each economy and financial system and build out investable pathways to attract them;
- engage with domestic and state-backed institutions – and make sure EMDE investment is on everyone's radar. Identify, align and signal where portfolios can invest;
- review market practices and create conditions for domestic and international businesses and investors to collaborate and thrive to expand investment in EMDE markets. Work regionally to create scale;
- understand the incentive mechanisms that inform businesses, markets, companies, investors and clients to invest in EMDEs. Collaborate with peers and stakeholders to find the right incentives to crowd in private finance;
- support global initiatives, frameworks and standards to smooth EMDE pathways to international financial markets and institutions, avoiding unintentional exclusion.

### Developed market policy makers have a responsibility to:

- provide technical assistance, capacity-building and financial support to EMDE governments;
- show policy leadership and signal support to EMDEs to financial markets and practitioners;
- accelerate progress on developed market policy barriers and financial architecture reform.

**3)** The PRI supports the work of the Transformational Finance for Climate Group (previously Making Finance Work for Climate), which brings together public and private finance to advance dialogue on transformational finance, including a focus on the quality as well as quantity of finance, channelling finance to underserved regions and sectors, and on identifying actionable levers to support transformational flows. The group will shortly publish a new position paper for COP30

## Key actions for multilateral organisations and multilateral development banks (MDBs)

MDB shareholders need to renew their efforts to ensure clarity of MDB mandates on attracting private finance. MDBs need to increase the amount and effectiveness of concessionary capital for blended finance, with more shared learning and improved efficiency of time and costs to help attract investors. Their focus needs to sharpen on project origination whilst moving assets off balance sheet to private finance.

### Multilateral organisations and MDBs can:

- increase technical support and convening for domestic economic and financial market development and international market access;
- optimise crowding in private finance by mapping investors to EMDE needs, matching not just risk/return but also structure, complexity, cost allocation and investor regulatory environment at the earliest point by engaging in co-design;
- actively support the standardisation of blended finance structures. Work closely with domestic banks to repackage assets for international investors and stimulate domestic pipelines;
- ensure reporting frameworks are sensitive to domestic development priorities and are not adding extra complexity compared to international frameworks.

## Key actions for institutional investors

Institutional investors need to offer their intellectual as well as financial capital to overcome barriers and co-design solutions. Whilst different types of investors have different contributions to bring, which are explained in this report, there are overarching themes.

### Institutional investors can:

- actively engage with underlying investors, members and clients to review the long-term fiduciary case within portfolios and co-design mandates accordingly to invest in EMDEs;
- actively engage in the design and adoption of innovative instruments and asset classes;
- build out investment teams, local knowledge and relationships. All investors can engage on industry education and capacity-building in terms of EMDEs;
- address the lack of EMDE representation in indices and benchmarks by actively adopting, creating or championing alternatives to boost EMDE allocations;
- recognise their role in incentivising EMDE investment, both externally and internally, be it crowding-in international investors, new market development or internal policies.



# WHY SHOULD INSTITUTIONAL INVESTORS CONSIDER EMDE INVESTMENT?

Investment in EMDEs has received increased focus and momentum over the past year. In part, this is a response to two significant global developments – the new climate finance goal agreed at COP29 to scale financial flows to EMDEs to US\$1.3trn annually within a decade, and the Fourth International Finance Conference for Development (FfD4), which concluded with the July 2025 Sevilla Commitment, focusing on actions to reform the finance system.<sup>4</sup>

Both outcomes recognise that public finance alone cannot achieve the required scale. There is a critical need to leverage private investment to achieve global net zero and resilient development, and to close the yawning EMDE financing gaps.

**Financial flows supporting the transition are highly relevant to investor duties to generate long-term returns for beneficiaries and to manage risk.**<sup>5</sup> The Net Zero Asset Owner Alliance clearly addressed this in [A Call to Action to Governments to Respond with Urgency on Systemic Climate Risk](#).

**A successful transition in EMDEs is essential for a successful transition globally and to reducing systemic risk.**<sup>6</sup> EMDEs are engines of economic growth, but with the potential to leapfrog emissions-intensive pathways with the right support and finance for clean and resilient development. These markets offer investors significant growth opportunities.<sup>7</sup> From a social perspective, fostering an inclusive transition in EMDEs can support vulnerable communities, enable secure and affordable clean energy access, have positive impacts for nature and people, and help build societal buy-in to the transition, enhancing economic and social stability.

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<sup>4</sup>) United Nations. (2025) [Sevilla Commitment](#); <sup>5</sup>) For a discussion of the relevance of climate-related risk to investors and approaches to addressing this, see PRI (2025), [Institutional Investor Action on Climate Risk as the World Approaches the 1.5C limit of the Paris Agreement](#); <sup>6</sup>) IMF (2023), [Global Financial Stability Report, October 2023: Financial and Climate Policies for a High-Interest-Rate Era](#); <sup>7</sup>) [ODI](#) finds that EM bonds have outperformed DM bonds since 2010 and that EM equity returns have matched and even outperformed developed markets (ex US);



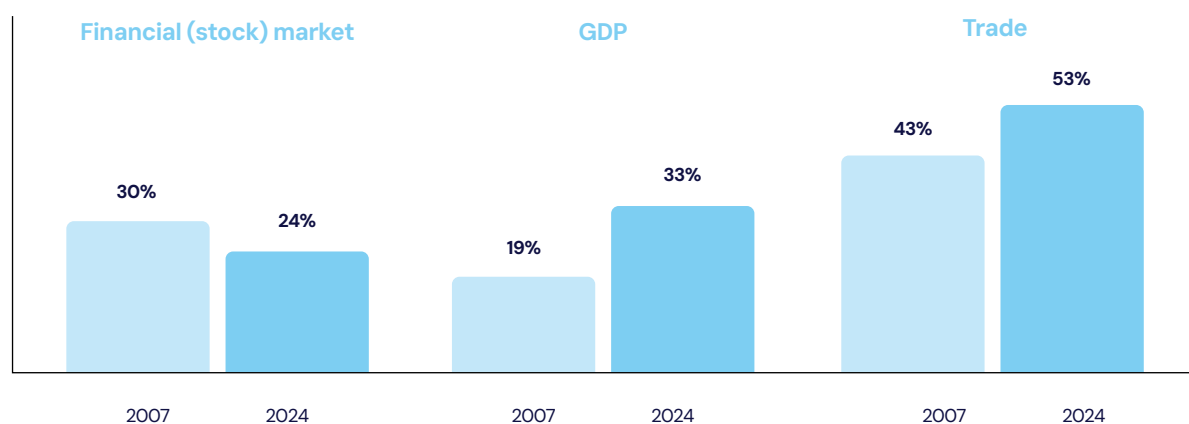
**While flows are accelerating to EMDEs, progress is still too slow.** For instance, only 15% of global clean energy capital flowed to EMDEs (outside of China) in 2024 despite the increasing need to finance clean economic development<sup>8</sup> EMDE exposure within institutional investor portfolios has declined and remains exceptionally low. Their share of the financial stock market has shrunk.<sup>9</sup>

**“I was asked by someone in government why don’t we just move money to support the energy transition – if only it were that simple.”**

Commercially global institutional investor

**Figure 1:** The South and the global economy: An uneven rise (UNCTAD)

The share of the global South in world trade, production and financial markets, 2007 and 2024



Source: UNCTAD based on UNCTADstat and LSEG Datastream

The system-level challenges and barriers to attracting private finance are well known and often cited; ranging from prudential and regulatory barriers to country-level risks and lack of knowledge and lack of investable pipelines, to cultural and behavioural barriers within the investor community.<sup>10</sup> The PRI has previously identified some persistent regulatory barriers through, for instance, its work on multilateral financial architecture reform and blended finance.<sup>11</sup>

**One persistent challenge is that private investors and policy makers have not always spoken the same language and understood each other’s perspectives, roles and mandates.** Collaboration and dialogue are bearing fruit in pockets – for instance the UK EMDE Investor Taskforce is supporting investor–policy maker engagement – but there is a need for more dialogue, collaboration and co-design of solutions. The PRI aims to support this on an ongoing basis.

<sup>8</sup> PRI (2025), ‘Investor Action on Climate: 2025 Progress and the Pivotal Role of Policy to Scale Transition Investments’ cites IEA data from the World Energy Outlook 2024. It also cites the Independent High Level Expert Group (IHLEG) on Climate Finance which “shows that EMDEs will not be able to finance the long-term investment programmes necessary to meet their climate and development goals without mobilising additional private capital of at least US\$1trn a year by 2030. This would represent a seven-fold increase on the US\$135bn of private finance reported by the IEA and IFC in their 2023 analysis of clean energy investment in EMDEs outside of China. The IHLEG estimates that cross-border private investment has the potential to provide half of these needs”; <sup>9</sup> UNCTAD (2025), [On the brink: trade, finance and the reshaping of the global economy](#) <sup>10</sup> The 2025 COP30 [Circle of Finance Ministers](#) report documents many of these; <sup>11</sup> See for instance PRI (2023), [Reforming the multi-lateral financial architecture, why, how and the case for acting now](#) and NZAOA (2022), [Call to policymakers to support Scaling Blended Finance](#). The PRI supports the UN-convened NZAOA as Secretariat

# NO ONE-SIZE-FITS-ALL: UNDERSTANDING INSTITUTIONAL INVESTORS

**Similar to EMDEs, private finance is a hugely diverse landscape.** Financial actors vary from banks, insurers, venture capital and private equity firms to service providers (such as investment consultants or ratings agencies), to larger institutional investors.

Those tasked with scaling finance to EMDEs – negotiating global agreements, building investable pipelines, designing investment vehicles and removing barriers in the enabling environment – are faced with navigating this complexity. Recognising and understanding the different mandates, roles and capacities of different actors in the financial system, including the institutional investors that are uniquely positioned to bring investment scale, can be highly beneficial. **A step-change in collaboration and co-design is essential to support greater understanding of this diversity.**

Institutional investors are often described as owning or managing large pools of capital over longer-term horizons, seeking stable returns, usually across diversified portfolios. These investors, especially asset owners, have enormous potential to scale the transition, including in EMDEs.

But even within asset owners there is huge diversity – from highly risk-averse domestic investors in both developed and emerging markets to agile, impact-focused investors. Each has their own underlying drivers and levers that affect how they fulfil their duties to beneficiaries and clients.

**“Finance isn’t homogeneous and although institutional investors can bring scale, you need to speak to the right parts of finance.”**

Domestically focused institutional investor

**The PRI has therefore suggested five archetypes of institutional investor.**

**These proposed archetypes offer guidance for policy makers to better understand different types of institutional investors, what impacts their decision-making and how they could increase investment in EMDEs.** They are focused primarily on the underlying decision-maker in terms of the investment mandate, not necessarily the investment manager who executes the portfolio. Whilst there is a blurred line in some instances, the generalisation is for ease of understanding.

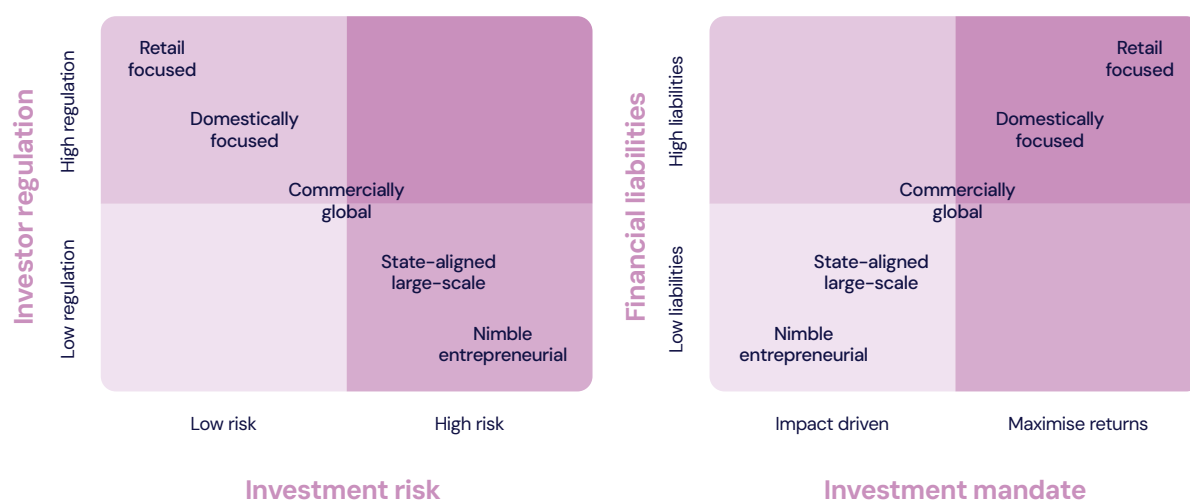
This segmentation can support policy makers, agencies and public development banks to understand how to design frameworks, levers and structures that attract specific investor groups and identify where to focus efforts.

These archetypes are geography-agnostic. Generalisations have been made in the interest of having a manageable list of archetypes to engage with. Some institutional investors are also likely to fit across multiple descriptions, with business sub-divisions falling into different categories, especially for the large commercial entities.

We have not sized the archetypes globally or across our signatory base. This is something the PRI will explore in future, to illustrate the scale of the opportunity and how to target policy reforms.

## UNDERLYING INFLUENCES ON INVESTOR ARCHETYPES

**Figure 2:** The major drivers of investment decision-making across the five investor archetypes



**Whilst there is considerable nuance in real life, there are strong underlying themes that affect the decision-making of institutional investors and in turn their exposure to EMDEs.**

Beyond Figure 1, there are many other factors that affect investment decision-making.

**These include:**

- different types of financial institution (e.g. bank, asset manager, insurer, pension fund);
- the underlying source of capital or asset owner, purpose and/or drivers;
- locations and size (these influence regulation, resources, bureaucracy and culture);
- investment mandates (institution-level objectives, liabilities and responsibilities).

## THE FIVE INVESTOR ARCHETYPES

1.

### Domestically focused institutional investors

**Institutions whose main business is in their home domestic market, or where they collect and manage assets from members and clients in a domestic market.**

#### Examples:

- Local pension funds
- Local insurance companies
- Local banks

#### Characteristics:

- Reflects domestic investment attitudes, often following historical investment norms and preferring lower risk.
- Limited internal due diligence resources beyond traditional bond, equity and traded investments.
- Decision-making by committees that are strongly affected by relationships or is based on member/client preferences.

- Prefers well tested, widely used investment strategies, often with a strong emphasis on cost effectiveness. Not inclined to adopt new approaches unless specifically mandated to do so.

#### Investment style:

- Mandates are typically traditional strategies using bonds, listed equities and mainstream funds and, in some instances, real estate.
- High portfolio allocation to EMDEs only if that is their home market. If based outside of an EMDE country, allocation is either low or absent.
- Strong emphasis on investments linked to indices, generic exchange-traded funds<sup>12</sup> and passive investing.
- Reliance on external managers and consultants for asset allocation and/or complex strategies to meet regulatory and fiduciary duties.
- Capital preservation, 'no-surprises' investment grade growth or income-orientated investing are often prioritised.

## 2.

### Commercially global institutional investors

**Institutions with a broad international client and operational footprint with a global mindset.**

#### Examples:

- Global insurers
- Global asset managers
- Asset managers linked to global banks

#### Characteristics:

- Strong in-house expertise and due diligence capability.
- Precise investment decision-making that balances opportunity and efficiency, aligning with global regulation and industry norms.
- Underlying motivation is commercially driven activities that attract assets, fee revenue and meet shareholder expectations.

#### Investment style:

- Typically invest across all asset classes, organised regionally, plus specialist teams for non-listed assets and complex strategies.
- Investment decision-making typically aligns with their client base and the rules and conditions of where they do business.
- Portfolios reflect the risk/return needs, liabilities and demands of the markets they operate in and their underlying client or member base.
- Innovative if the incentive is compelling; indeed, the larger institutions often have an important role in creating and developing new markets.



Whilst commercially global institutional investors claim one of the largest pools of assets, they are heavily affected by other investors' investment decision-making, particularly domestically focused and retail-focused investors who are drawn to the perceived safety of large global institutions.

<sup>12</sup> An Exchange Traded Fund (ETF) is a pool of investments usually made up of shares and/or bonds which is traded on a stock exchange, usually tracking the performance of an index. Passive investing is an investment strategy that aims to replicate the performance of a specific market index or benchmark, rather than actively selecting individual securities to outperform the market, usually implemented through index funds or ETFs

### 3. State-aligned large-scale institutional investors

**Institutions that manage substantial public or national institutional capital, with a global investment reach.**

#### Examples:

- Large sovereign wealth funds
- Public worker pension funds
- State-backed insurers

#### Characteristics:

- Often categorised as a universal owner due to their size and market influence.
- Generally well-resourced with strong internal due diligence expertise.
- Direct or indirect political and social influence on investment decisions.
- Reliant on strong rules-based, hierarchical, risk-adverse decision-making process.
- Higher levels of public scrutiny increase career and political risk, so decision-making precedents are deeply entrenched.
- Typically more sensitive to system-level considerations.
- Risk and innovation within portfolios often reflect home political backdrop.

#### Investment style:

- Portfolios are aligned more to policy/members than pure commercial drivers.
- Portfolios are generally traditionally constructed albeit at a very large scale.
- Significant capital to allocate but often unable to invest in smaller, ad hoc deals or projects.
- Major investor in infrastructure and real assets
- Investment innovation aligned with public/member sentiment.

### 4. Highly regulated retail-focused institutional investors

**Institutions that are usually nationally or regionally focused. Their operating model services and reflects the needs of retail investors.**

#### Examples:

- Providers offering personal savings and pension plans
- Providers of defined contribution pensions
- Traditionally insurance companies or asset managers

#### Characteristics:

- They and their distribution channels are highly regulated to protect unsophisticated retail investors.
- Limited range of investment structures to meet regulatory requirements.
- Inherently conservative due to rules, resources and price competitiveness.
- Sensitive to the economic cycle and short-term market conditions.

#### Investment style:

- Strong focus on liquidity, low fees and simplicity.
- High use of passive, ETF and index investing.
- Traditional managed portfolios of mainstream assets.
- Use of external investment managers, particularly big brands which retail clients recognise.
- Exposure to EMDEs will typically reflect where their retail investors are based.



State-aligned institutional investors bring size and scale, often acting as an anchor investor and giving confidence for others to follow. This is particularly important when the viability of a commercial investment is dependent on scale and costs are borne proportionally. They also represent strong signals of government approval to projects and therefore reduce political risk for investors.

## 5.

**Nimble entrepreneurial institutional investors**

**Bespoke investors with the strongest risk and illiquidity tolerance. They have a strong service and values-orientated approach.**

**Examples:**

- Family offices
- Endowments and foundations
- Private banks

**Characteristics:**

- Highly sophisticated, typically compact investment teams handling specialist due diligence with minimal red tape.
- An innovative and entrepreneurial mindset.

**Investment style:**

- Portfolios often align thematically rather than traditionally.
- Investments reflect the source and location of capital being invested.
- Test new ideas that align with their investment thesis and values.
- Heavily attracted to multi-generational wealth protection and inflation-proof assets.
- Innovative and incubator industry strategies or strategies that reflect personal values.
- Impact-driven investors typically fall into this category.



Although they represent one of the smaller pools of capital, entrepreneurial investors are often able to invest where others cannot. Their investments can help seed new ideas and provide a testing ground for new markets and mechanisms. Pockets of assets from the other groups may support them to show a path forward for larger investors and policy makers.

## INVESTMENT HORIZONS OF DIFFERENT INVESTORS

**Different types of institutional investors have varying investment time horizons, shaped by financial liabilities, sources of capital, the types of investment vehicle and the regulatory environment. Policy makers should match their approach to each investor with the time horizon in mind.**

Pension funds illustrate this variance well. Many policy makers often assume that pension funds have a long time horizon, allowing them to address systemic risk and seek opportunities in EMDEs. This is often true of many state-aligned pension funds with final salary benefits, which typically do have long time horizons so they can take on more risk. However, this depends on the demographic make-up of their members and the regulations they are subject to. By contrast, because contribution-based pension funds often give investors the choice on where they invest and the ability to change their portfolio, they need more liquid investments. They are also often subject to the regulatory environment for retail investors – including around risk, liquidity and cost, which can often mean a shorter time horizon and more limited investments to EMDEs.

Insurance companies offering pensions and savings plans or investment-linked life assurance face similar constraints. Consequently, commercially global institutions that manage money for contribution-based pension funds, life insurers and underlying institutions that serve retail investors often have shorter time horizons than is often assumed. Insurance companies have different 'books' of assets with different time horizons.

# INVESTOR ARCHETYPES MAPPED TO EMDE INVESTMENT BARRIERS

**Whilst there are common barriers across institutional investors, not all barriers hinder all investors.**

Indeed, the different characteristics of each archetype means that some investors can navigate the unique dynamics of EMDE investing and show a path forward for other institutional

investors to allocate capital to EMDEs.

Mapping investment barriers to different investor archetypes can help policy makers to prioritise and focus resources where they will attract maximum private finance. It can also help guide collaboration and assign responsibility to specific actors.

**Table 1:** Archetype investors' specific barriers to EMDE investments

Archetype investor	Specific barriers to EMDE investments
Domestically focused	<ul style="list-style-type: none"> <li>Domestically focused mandate.</li> <li>Limited resources for complex, individual overseas projects.</li> <li>Requirement for investment grade instruments.</li> <li>FX risks for international investments.</li> <li>Better risk/return alternatives available in advanced economies and lower investment management cost.</li> <li>Lack of tangible incentives to consider EMDE investments.</li> </ul>
Commercially global	<ul style="list-style-type: none"> <li>Restrained by client mandates or client demand.</li> <li>Lack of tangible incentives to consider risk and resource allocation.</li> <li>Insufficient EMDE business opportunity that aligns with commercial strategy.</li> <li>Insufficient pipeline of deals to match commercial needs (i.e. risk/return profile demanded by clients).</li> <li>No licence to operate or unable to compete against local investors on tenders within EMDEs.</li> </ul>
State-aligned large-scale	<ul style="list-style-type: none"> <li>Investment size too small to justify time and resources.</li> <li>Political and social headwinds influencing investment decisions.</li> <li>Lack of top-down incentives to invest differently.</li> </ul>
Highly regulated retail-focused	<ul style="list-style-type: none"> <li>Risk/return profile does not match retail investor demand.</li> <li>Investment structures do not meet retail regulatory requirements.</li> <li>FX risks.</li> <li>Complex and hard to explain to retail investors.</li> <li>Lack of tangible incentives to expand into EMDE markets.</li> </ul>
Nimble entrepreneurial	<ul style="list-style-type: none"> <li>Competition from other innovative investments (AI and tech).</li> <li>Lack of tangible incentives to focus time on EMDEs.</li> <li>Separation of investment portfolios and philanthropic catalytic capital.</li> <li>Reputational risk.</li> </ul>



# INSTITUTIONAL INVESTORS: KEY INSIGHTS

## Our PRI signatories provided insights across the following five areas:

1. Institutional investors' exposure in EMDEs
2. EMDE investment fundamentals
3. Sectors and investment themes attracting investors
4. Working with multilaterals and blended finance
5. Solutions

## INSTITUTIONAL INVESTORS' EXPOSURE IN EMDES

This section outlines how institutional investors typically allocate to EMDEs.

**EMDE allocations and strategies vary by geography and asset class, and barriers for some investors are surmountable for others.**

### Overview of EMDE exposure

- **As is well established, large institutional investors favour investment grade assets, concentrated in a few large, stable EMs<sup>13</sup>**—especially investors subject to high regulatory oversight or where financial liabilities are high. This is particularly true for retail-focused, domestically focused (depending on their location), commercially global investors – depending on the underlying business – and many state-aligned investors.
- The scope of EM investment is often linked to the institution's operational footprint, or it being an institution's domestic or regional market. This applies to all investor types.
- FM asset allocation is challenging and often modelled by investment teams separately to EM allocations. FM allocation is not widely evident beyond home markets or investors with impact mandates. The right partnerships and co-designing of mandates and

investment structures is therefore essential to scale FM allocation.

- Although seen as long-term pools of capital, most pension funds are fundamentally not impact-driven investors, therefore investments need to be matched to the type of investor archetype as pension profiles differ significantly. Contribution-based pension funds are often retail-focused so bound by stronger investment parameters and suitability regulation.
- Those with significant EMDE allocations (i.e. beyond 10%) generally have stronger local knowledge and capacity. This is seen as particularly vital for any FM allocation, but many institutional investors do not have the internal capacity or expertise that would enable this should investment mandates include them. Building local knowledge, partnerships and capacity are vital, but this has a cost implication to institutional investors and underlying clients. Incentives are needed to justify this added cost.

**"We invest in our own domestic frontier markets but not others. Outside those we invest in investment grade assets."**

Domestically focused institutional investor

### Typical EMDE portfolio assets

- Listed assets are by far the largest pools of capital held by institutional investors. Innovation and policy are needed to bring EMDEs into listed markets.
- **Aside from domestic investors based in EMDEs, the main exposure to EMDEs is through global allocation to passive indices and benchmarked ETFs** (the MSCI All Country World Index was most cited which, excluding China and India, has less than 5% EMDE exposure).

<sup>13</sup> ODI (2024), [Trillions or billions? Reassessing the potential for European institutional investment in emerging markets and developing economies](#)

- Passive or benchmarked investments are low fee and need lower internal resources compared to active asset selection. This is a major barrier to EMDE capital flows which are generally better suited to active management.
- The use of passive and index-linked benchmark strategies risks exacerbating the concentration of EMDE allocation in a few markets. Benchmarking is systemically entrenched across the mainstream finance system, with low EM exposure and virtually no FM exposure. These are fundamental barriers to mainstreaming EMDE investment for investors without impact mandates. A renewed effort by all actors is needed to find solutions.
- MDB-guaranteed bonds were cited by investors who had no direct EMDE exposure. These are used by institutions that only allocate to investment grade debt.
- New investments in EMDEs face more in-house legal and compliance barriers, as internal legal and compliance teams are often risk-averse and unfamiliar with EMDE markets and processes. This can be caused by a lack of knowledge, different common practices and even nomenclature.

## EMDE ENABLING ENVIRONMENTS

**The enabling environment at a country level is critical to attracting capital. Institutional investors across all groups, especially during Chatham House Rule interviews, emphasised the importance of governance fundamentals when investing in EMDEs.** Whilst there is a considerable need to attract climate finance, addressing these governance fundamentals is essential to scale finance to EMDEs. A well-developed policy environment across financial regulation and economic policy is also vital.

**“Putting a sustainability label on a bond does not change the investment fundamentals.”**

Commercially global institutional investor

**“Our public and private equity portfolios are benchmarked to the MSCI ACWI index.”**

State-aligned large-scale institutional investor

- Many institutional investors have exposure in EMDEs through sovereign or corporate bonds. These are more limited in supply in many FMs and FM corporate bond issuances do not often meet investor standards. More technical resources, assistance and relevant frameworks are essential to attract bond issuers and structure investments for institutional investors.
- For those that do invest in FMs, project finance is the main entry point, which is mostly uninvestable for retail-focused and many domestically focused assets. This is due to the type of investment vehicles used, regulation and the underlying demands of clients and beneficiaries. It is usually more suitable for state-aligned and entrepreneurial investors and some sections of commercially global assets.
- Institutional investors in EMDEs, especially those with impact in their mandates or with unique competitive characteristics, invest in private market debt.

## Policy environment for sustainable finance

- **Finance naturally flows to profit, and real economy incentives are critical to attract investors and transform risk/return equations.** This is why countries with a coherent whole-of-government approach to the net-zero transition are well placed to attract long-term institutional investors.
- The PRI's recent analysis echoes investor insights on the importance of economic

policy, highlighting the misalignment between capital flows and the net zero transition (with US\$1.1trn still going annually to fossil fuel infrastructure) and the importance of policy to address this.

- A robust sustainability focused policy framework<sup>14</sup> – for instance on sustainability disclosure, taxonomies, and prudential regulation – helps create an enabling environment for responsible investment.

## Country-level investment fundamentals

- **Respect for the rule of law and robust corporate governance are fundamental factors.** Investors place high value on legal clarity and mechanisms in the case of financial misconduct and default.
- Similarly, clear and enforceable ownership, property, and shareholder rights are foundational elements to build investor confidence. In their absence, greater de-risking of investments is needed or else raising capital through sustainability mandates will face significant challenges. Supporting progress in these areas – while respecting national sovereignty and development priorities – can help foster more inclusive and sustainable capital flows.
- Capital controls that restrict the ability of investors to get their money out of a country will deter some institutional investors, especially those with commercial obligations or serving retail investors.
- Where institutional investors' licence to operate in a domestic market is dependent on domestic assets remaining in-country, it can be difficult finding investible solutions that meet the risk/return needs of their domestic clients and regulatory requirements. Greater attention, dialogue and collaboration are needed to ensure in-country assets are mobilised to support climate finance.
- Institutional investors need the financial infrastructure in place to enable them to invest – from payment systems and accounting through to governance and transparency. Without the necessary financial infrastructure, investors prefer global and reputable third parties who can truncate the process for them.
- The risk to investors from EMDE defaults are greater than the pure credit risk. The complex nature of how defaults are managed, including IMF processes and assumptions, timescales, and the sheer volume of counterparties, are factors also considered by institutional investors.
- **A healthy capital market with active domestic investors is a strong signal for international investors.** They tend not to go where domestic investors will not (unless there is a strong de-risking mechanism). Domestically focused and state-aligned institutional investors have a critical role to play in influencing inward flows.
- Enabling international investors to compete with domestic institutions is important to attract commercial project finance bids. Attracting international investors should increase the total investment pool rather than limit it. Domestic policy makers' review of regulations, levies and practices towards foreign entities can help.
- Commercially global investors are particularly well placed to give confidence to others if they have operations in local markets. Government licences, joint ventures and incentives to enter markets domestically can support this.

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<sup>14</sup>) PRI (2025) [Investment Flows to the Net Zero Transition: Progress and Policy Needs](#)

## SECTORS AND INVESTMENT THEMES ATTRACTING INVESTORS

**Mainstream institutional investors typically view investments through a sector/thematic or industry lens – such as energy, utilities, transport or agriculture, food and forestry – rather than through the lens of an issue to be solved. Understanding what investors are attracted to can help better translate policy issues into identifiable portfolio allocations for institutional investors.**

The differing focus of institutional investors means mapping and targeting projects and sectors to the right investors to increase scaling of capital flows.

**“We see new opportunities investing in the extraction of rare metals from mining waste, green steel and the agri-sector switching from synthetic to natural inputs.”**

Commercially global institutional investor

### Investor insights

- **Investments in finance for the climate transition predictably focus on energy, infrastructure, transport and utilities in EMDEs, as in developed markets, but with additional barriers.** Overall, the dominance of mature energy sector transition investments compared to other sectors is reflected in a recent review by the PRI.<sup>15</sup>
- Impact-driven investors are more likely to

look at their investment universe through an SDG-focused lens than mainstream investors – including, for instance, investment in education or gender equality. Domestically focused and state-aligned institutional investors often have a secondary lens of returns with positive outcomes.

- Socially orientated investments, other than MDB-guaranteed bonds, are not mentioned by returns-driven investors other than in an engagement and stewardship capacity.
- Institutional investors recognise that nature is both financially material and commercially relevant. Returns-driven investors look at this at a sector level (e.g. agriculture, food, forestry, water) or via carbon credit markets (e.g. restoration) whereas impact-driven investors are more likely to look through a biodiversity crisis lens, leading to financial innovation. Overall, finance for land use, agriculture and forestry is neglected, representing just 3% of overall transition flows. This is particularly challenging in EMDEs where two thirds of global flows for these sectors are needed.<sup>16</sup>
- Adaptation and resilience issues are perceived more as risk management issues than major investment opportunities. As capital flows away from risk and towards opportunity this presents challenges in EMDEs that are most exposed to adaptation and resilience needs. A greater focus on the opportunity set by sector, industry and theme, and on enabling policies to incentivise investors, can support more capital to flow to adaptation and resilience.
- Large-scale single projects, especially infrastructure and energy, depend on support services, resources and agency to operate. A stable, cohesive and targeted whole-of-government approach underpins this.

<sup>15, 16</sup> PRI (2025) [Investment Flows to the Net Zero Transition: Progress and Policy Needs](#)

### Africa300: Targeted co-design in the energy sector

This large-scale initiative is co-designed by multiple stakeholders. It supports the construction of renewable energy infrastructure across Africa, fitting to investor thematic mandates, with strong cross-regional government support and with MDB and philanthropic collaboration. All stakeholders support the project's agency, including the public, governments and businesses, which in turn gives them licence to operate and underpins long-term financial viability.

## WORKING WITH MULTILATERALS AND BLENDED FINANCE

### Investor insights

**Blended finance is an important part of the puzzle and needs to be deployed more efficiently. There are some exciting examples of good practice – for instance, around standardisation, enhancing guarantees and first loss structures and securitisation.<sup>17</sup> But it is not the largest source of finance and not a silver bullet. Overcoming fundamental barriers to commercial capital will achieve more scale.**

**“If getting money into blended finance is a struggle at home, then it is unlikely investors will do so outside their own markets. You need the right type of investor.”**

Domestically focused institutional investor

- Many of the investment projects and instruments pitched to institutional investors are not suitable for the investment structures and regulations certain institutional investors operate within. This is particularly true for retail-focused, domestically focused and for a significant section of the assets of commercially global investors who are subject to strong regulation; be it prudence asset categories or rules limiting which investment structures are available to certain underlying investors. Co-design at outset would ensure better matching of structures to target investors.
- The most successful investments take place when there is early and sustained co-creation between MDBs and institutional investors. Building an investment project without early involvement reduces the likelihood of bringing in private finance.
- Those with impact-driven mandates are more likely to explore blended finance structures than those with commercial mandates. Short-term, concessionary investments need to be matched to impact-driven mandates. To scale, a greater emphasis is needed on bringing blended finance into mainstream mandates. This is especially relevant to more state-aligned large-scale investors and domestically focused investor mandates.

<sup>17</sup> In this context, guarantees are designed to cover loss in the event of a failure to meet obligations, while first loss structures absorb initial losses and reduce risk for other investors

- It is important to differentiate at the outset between investible and nearly-investible projects (i.e. those that are intended to be commercially viable longer term) versus those that are not designed to be investible (i.e. those that will never be commercially viable), and to prioritise mobilising private capital for the first two categories.
- Over-complexity of investment structures and too many intermediaries involved in an investment transaction reduce the attractiveness to institutional investors. Aside from adding time and cost, it reduces transparency and control, increasing governance concerns and reputational risk for institutional investors. This is particularly true for commercially global investors who are strongly regulated and have commercial considerations.
- Innovation is needed to improve investment access to EMDEs through public-private finance for more institutional investors. Innovation and scaling successful approaches through, for instance, standardisation, securitisation, amalgamation platforms, country investment platforms and peer-sharing, needs to be championed by all actors.
- Higher costs incurred during public-private finance are cited, and the need to better balance which party is incurring the fees and which party is liable. Unintended consequences of the mismatch create a disincentive to collaborate and misbalance rigour versus efficiency, creating additional cost barriers.
- Local EMDE and impact investment managers are finding workarounds to MDB barriers by exploring alternative blended finance models such as sourcing concessionary capital from corporates with a business interest in sectors and projects. Increasing policy mechanisms to support this could increase the pool of concessionary capital.
- Institutional investors see benefits in more cross-border instrument structures between DMs and EMDEs. This would incentivise cooperation and reduce costs.

### Singapore's FAST-P initiative

FAST-P is a collaboration between the Monetary Authority of Singapore, Singapore SWF Temasek and a consortium of other government Development Finance Institutions (DFIs) working with institutional investors, including HSBC and BlackRock, to fund Asia's transition. Partnerships focus on green and sustainable infrastructure opportunities, decarbonising businesses, including projects in hard-to-abate sectors. It is a blended finance model using development, philanthropic and private capital to target US\$5 billion in investment. Crucially, regional cooperation and co-design of the project with the industry regulator, public finance and private finance has created investible structures accessible to private finance and crowded in over US\$500 million for its first close.



## FIVE SOLUTIONS

### **PRI signatories identified the following areas as having the biggest effect on scaling capital:**

1. Better map and match institutional investors to EMDE capital needs
2. Clearly signal and support EMDE domestic financial market development
3. Champion the innovation and use of new instruments and asset classes globally
4. Prioritise economic and investment incentives within a whole-of-government approach to attract investors
5. Improve access to EMDE-operated companies in global financial systems

We have assigned actions to different actors under each category to clarify how to accelerate progress.

## BETTER MAP AND MATCH INSTITUTIONAL INVESTORS TO EMDE CAPITAL NEEDS

### **The differentiated roles, mandates and investment approaches of institutional investors means that a more strategic approach is needed to policy development and to concessionary capital deployment.**

The right investors need to be activated in the right place. Deploying and mobilising climate finance that recognises the diverse and complex landscape of private finance will help accelerate and scale capital to EMDEs. Instruments, geographies and asset classes can all be mapped and matched through enhanced collaboration and co-design.

### **This work can:**

- identify where commercial capital can move without, or with less, concessionary capital;
- improve the ratio of concessionary capital to private capital by identifying where commercial capital could flow when matched to the right investor and policy levers;
- enable more effective prioritisation of scarce concessional finance – for instance in least developed countries, FMs and in underserved sectoral areas with adaptation needs;
- identify solutions to move countries' financial markets through the maturity curve to bring them within investor risk/return tolerance.

## ACTIONS

### **Policy makers**

- Review investment policies of state-aligned institutional investors and ensure alignment with global and country commitments to support EMDEs, where governance allows.
- Support multilateral efforts and taskforces and empower domestic financial institutions and governments to collaborate with global initiatives.
- Design multilateral and national frameworks based on the mapping of investors to markets to maximise the efficient use of scarce concessional and blended capital.
- Identify the incentive levers available to attract private finance, focusing on sectors and industries in EMDEs that are appropriate for target institutional investors.
- Review the role of relevant institutional investors in domestic financial market development and how to incentivise their involvement.



## Multilaterals, MDBs and public development banks (PDBs)

- Existing and new initiatives should clearly identify and verify the types of institutional investors they are targeting, matching resources to the maximum institutional investor reach, reflecting a solid foundation that builds from a domestic investor base to a global one.
- Co-design financing mandates and structures to ensure at the outset that they are investable for private finance. This needs to address risk/return, structure and complexity, cost allocation and the regulatory environment that different investors can operate in.

## Investors and industry initiatives

- Expand internal capacity across key functions to review opportunities and support investment in EMDEs.
- Actively engage with underlying investors, members and clients to review the long-term fiduciary case within portfolios and co-design mandates accordingly.
- State-aligned large-scale investors in EMDEs can actively support domestic country investment, ensuring they are crowding-in – not crowding-out – commercially global investors who are forced into limited domestic investment structures.
- Address the lack of EMDE representation in indices and benchmarks by actively adopting or creating other alternative benchmarks with higher EMDE allocations. Also call on benchmark providers to create benchmarks that support allocations to close the US\$1.3trn funding gap.

## ILX Funds – US\$1.7bn

These emerging market SDG-aligned private credit funds created an entry point for institutional investors restricted to investment grade assets as they are packaged by a consortium of MDBs and DFIs. The lifting of the rating of the underlying emerging market investments means it fits into more investment mandates. With a state-aligned large-scale investor as the anchor, it crowded in other commercially global and domestically focused investors. Whilst not guaranteed, the target return and lower volatility make it investible. The historically low default rate and high recovery rates are also reassuring signals for institutional investors. This is not appropriate for retail-focused institutional investors, or commercially global institutional investors serving these clients, due to the investment structure.

## CLEARLY SIGNAL AND SUPPORT EMDE DOMESTIC FINANCIAL MARKET DEVELOPMENT

**Creating confidence in domestic financial markets, and conditions that attract domestic investors, will in turn create a favourable environment to attract international institutional investors.** Whilst the financial market maturities of countries create nuance, policies to attract institutional capital must include domestically focused investors as well as those international investors who can support market development.

**Advancing progress on corporate governance and the rule of law, property rights and capital controls are key foundational blocks to attract international capital. These must come alongside progress in the wider financial regulatory environment and the enabling environment for responsible investment.**

## ACTIONS

### Policy makers

- Work with local investors to build deeper domestic capital markets and mobilise domestic capital. Capacity-building and technical assistance remain vital from investors, multilateral and developed country parties, particularly for many frontier markets.
- Uphold good governance, including on the rule of law, ownership rights, regulatory reporting and managing capital controls according to the national context.
- Develop the regulatory environment for responsible investment – including around disclosure, investor duties, taxonomies, transition planning and prudential regulation. The PRI's recent [Policy Toolkit](#) offers insight into the key building blocks of a sustainable financial system that are critical to mobilise private finance. Taxonomies and transition plans have an important role to play. ISSB standards, specifying guidance on transition plans, are in place or being implemented in 26 jurisdictions, while progress is also being made to address taxonomy interoperability.<sup>18</sup>
- Engage with the initiative on the implementation of Paragraph 34 under the Sevilla Platform for Action that was launched at the Fourth International Conference on Financing for Development (FfD4). This

Paragraph gives the UN the mandate to support countries in developing their national sustainable business and finance frameworks and the Initiative is being pursued in a collaborative way to build capacity.<sup>19</sup>

- Review how licences are granted to global financial institutions to operate in their countries to support domestic financial markets. The presence of international FIs can build domestic investor confidence, raise market knowledge and build capacity. In time, larger pools of domestic capital can help attract more international institutions and investors.
- Incentivise investment and savings, particularly with regards to pension provision, to help attract commercially global institutions to domestic markets.
- Ensure domestic bank purchase of local sovereign debt is not crowding out international investors and likewise not reducing their balance sheet availability to purchase local private bond issuance.

### Multilaterals, MDBs and PDBs

- Continue to build and scale technical assistance and capacity-building support for EMDE governments on all aspects of the domestic enabling environment.
- Take a more strategic and coordinated approach at the outset to matchmaking and targeting pipelines and products to the right institutional investors. Engage in co-design where possible at an early stage.
- Promote engagement with the Paragraph 34 initiative under the Sevilla Commitment to build capacity on sustainable finance regulation as above.

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<sup>18</sup> The COP29 Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies, to which the PRI is actively contributing, has provided an essential platform for advancing these discussions; <sup>19</sup> PRI (2025), [The Compromiso de Sevilla: A milestone in the growth of sustainable finance policy](#)

## Investors

- Commercially global investors with a clear licence/operational footprint in EMDEs can engage with the relevant regulators to articulate and overcome barriers to domestic/regional allocation.
- Domestic, commercial and state-aligned investors can all build out investment teams and local knowledge and relationships – either directly or via well-equipped third-party expertise to better identify and support opportunities. This can help to overcome risk misperceptions, build knowledge and expertise and help navigate cultural and business norms.
- All investors have a valuable contribution to make in actively supporting industry education, peer learning (including global to local matchmaking) to support mutual capacity and confidence-building on EMDE investment, looking at the upsides, what works and understanding the landscape better.

## CHAMPION THE INNOVATION AND USE OF NEW INSTRUMENTS AND ASSET CLASSES GLOBALLY

**Many of the traditional investment strategies used by institutional investors do not favour large-scale allocations to emerging markets. There is a mismatch between what institutional investors typically seek and the capital needs of EMDEs. Innovation is needed at a portfolio, asset class, investment vehicle and instrument level to overcome this.**

Understanding the key requirements at an investment portfolio level across these different groups of institutional investors will help identify where scaling can be maximised.

Green shoots of innovation are visible. However, a targeted, cross-actor approach will help accelerate action. Importantly, making sure innovation is mapped to EMDEs and targeting institutional investors is important to co-design for maximum adoption.

Investors cite key initiatives underway to standardise blended finance approaches, enhance de-risking and to securitise assets. Global processes can learn from successful regional and local examples, just as national policy makers and financial authorities can replicate best practice globally.

## ACTIONS

### Policy makers

- Strengthen support and signalling to all financial system actors and regulators to support public-private finance innovation.
- As shareholders of the MDBs, give them strong support on cross-border instrument innovation and on the deployment of more efficient blended finance and de-risking approaches.
- Set out innovative financial instruments and de-risking mechanisms in an investment plan, linked to national or wider priorities and showcased through country and international platforms.
- Ensure the regulators of investment products are tasked with accelerating adoption of innovation and standardised instruments into existing regulations.
- Review policies that shape the investment policies of state-aligned institutional investors to incorporate adoption of innovation into investment mandates and actively participate in co-design, where governance allows.
- Review use of global benchmarks by state-aligned institutional investor mandates, whether they imbed allocation to EMDEs and review alternatives.

## Multilaterals, MDBs and PDBs

- Bring multilateral focus to successful national or international examples and cooperate to accelerate adoption.
- Based on the mapping and matching process, with input from existing initiatives, clearly identify the target investors for market and instrument innovation and positively engage to accelerate the process.
- Drive efficiencies and scale in blended finance and de-risking approaches through standardisation as opposed to one-off project-based structures.
- Increase the use of standard form guarantees and first loss structures which can also have a multiplier effect and require less public budget provisioning.
- Standardisation can support efforts to securitise existing performing assets for international institutional investors and recycle finance for further project origination and early-stage lending, for instance through the [Reinvest+ model](#). This will increase the pool of capital and signal to business pipeline capacity.
- Strengthen focus on working with domestic banks to securitise their green-financing book, de-risk and bring them into global financial systems as investment grade for institutional investors. Work with governments and local banks to signal availability to local businesses and entrepreneurs of domestic finance to increase the pipeline of projects. Help overcome language, cultural and local knowledge barriers.

- Increase data transparency on risk to avoid unnecessary costs on capital and incentivise risk-sharing. Recent efforts to enhance data-sharing through the Global Emerging Markets Database are welcome and this can continue to be enhanced to include more holistic historical loss and recovery data in a timely way. Confidentiality should be ensured through data aggregation as needed.

## Investors

- Engage at C-suite level on innovation to support long-term financial system stability through the creation of new markets and mechanisms, with strong external and internal signalling to governments and other market influencers.
- Actively support global, regional and national initiative alignment on the innovation of markets and assets in EMDEs.
- Build internal knowledge, resources and processes to enable allocation to new markets and mandates and new instruments.
- Domestic and state-aligned investors have an important role to play in developing bankable pipelines and supporting local and regional project origination, which can help to attract international investors.

### REINVEST+ : Securitising local loans for global investors

Reinvest+'s model aims to convert early-stage, unrated climate projects in local currencies into investment grade, hard currency securities. The underlying loans, already vetted by local banks, are diversified and insured against political and foreign exchange risks to attract institutional investors. Local banks must reinvest proceeds into climate-aligned sectors per national plans and NDCs, creating a continuous capital cycle and stimulating pipeline development. Local banks lead in identifying and financing new projects, aligning stakeholders like governments and investors.

By making local loans globally investable, Reinvest+ overcomes risk barriers, unlocking vast private capital. The reinvestment loop ensures sustained funding for sustainable projects, aligning with the US\$1.3trn Baku to Belém Roadmap.

## PRIORITISE ECONOMIC AND INVESTMENT INCENTIVES WITHIN A WHOLE-OF-GOVERNMENT APPROACH TO ATTRACT INVESTORS

**Investors pay attention to decisions in the real economy. Therefore, providing clear economic incentives backed by stable sectoral transitions can attract investors, shape markets and lead to fundamental shifts.** A whole-of-government, nationally determined approach to the transition is vital,

with stable and predictable policy environments, strong institutions and governance, strong market conditions and clear technical and capacity-building frameworks. The benefits of this approach are detailed in a recent [OECD/UNDP](#) report, which shows that ambitious national transition strategies and targets can deliver improved economic growth compared to BAU even over the short to medium term.<sup>20</sup>

### ACTIONS

#### Policy makers

- Take a whole-of-government approach to the transition. This should provide stable and coordinated signals about the national transition strategy and implementation approach. The PRI's framework for a whole-of-government approach to attract and align responsible investment with the transition details how it can be designed and implemented. This should include clear consideration of the macro-economic implications of the transition as well as social considerations, skills and just transition planning.
- Develop strong economic incentives to attract local and global investors, especially those with a stronger commercial focus. Governments should craft the right mix for their specific needs and partners, prioritising industries to which institutional investors can move money.
- Implement a mix of policy tools, including fiscal tools (such as tax incentives and subsidies – including the removal of harmful subsidies), market-based policy tools (such as carbon markets and pricing), and regulatory approaches (such as performance limits, standards). Link these to the national strategy, NDC delivery and the Global Stocktake outcomes on energy and land use transition to maximise signals to global investors.

<sup>20</sup> PRI (2024), [Climate policy roadmap 2024/25](#)

- Develop ambitious, credible NDCs backed by strategic national transition planning, policies and pipeline development to mobilise investment.<sup>21</sup>
- Develop and implement sectoral roadmaps backed by detailed policy tools which are seen as essential steps by many investors.
- Find ways to articulate the country's competitive advantage to global investors and use tools that speak to them, such as [climate investment prospectuses](#).<sup>22</sup> Over the last six months, the PRI has worked extensively with the Brazilian government, which has a well-articulated pitch to investors and a coordinated approach to overcoming barriers.
- Package up pipelines and investment instruments in clear country-level platforms, engaging in co-design with domestic investors particularly, and matching investment prospectuses with investors who meet the right profile.
- Engage with investors to drive a greater focus on industry capacity-building and development.

## Multilaterals, MDBs and PDBs

- Support and amplify good practice and evidence of policy effectiveness.
- Provide technical assistance and capacity-building for the development of country platforms and national transition strategies, including narrative and communication support to international investors.

## Investors

- More clearly articulate to governments the key features of the economic architecture needed at a national level to change risk/return equations. Commercially global investors are well placed to do this.
- State-aligned large-scale investors in EMDEs to take a stronger leading role as anchor investors to support domestic market development.
- Commercially global investors have a particular role to play in bringing market-building expertise to EMDE governments and collaborating on instrument co-design.
- Entrepreneurial investors to actively seek alternative sources of concessionary capital, especially from corporates with relevant business interests. Leverage active ownership to make introductions and support collaboration.

### SCALED : Scaling Capital for Sustainable Development

One of the barriers for investors accessing new blended finance innovation is lack of in-house expertise, with the cost of projects also linked to the time needed to review them. The SCALED platform (formerly called the Hamburg Sustainability Platform) aims to provide an entry point for institutional investors by simplifying and speeding up finding and researching investible projects. The standardisation and shared due diligence lower costs and improves matchmaking to mandates. The knock-on effect of this platform should help projects seeking funding have more clarity on requirements and a clear connection point to global investors.

<sup>21</sup> PRI (2024), [Climate policy roadmap 2024/25](#); <sup>22</sup> WSP, with support from Aviva Investors (2025) [Bridging the Gap: NDCs 3.0, National Transition Plans and Climate Investment Prospectuses](#)

This project is a multi-stakeholder collaboration including governments, institutional investors, public development banks and knowledge partners.

## IMPROVE ACCESS OF EMDE-OPERATED COMPANIES IN GLOBAL FINANCIAL SYSTEMS

**Whilst there has been much debate on 'connecting global to local', there is also a need for 'local to go global'. Existing pathways that connect the global financial markets need to ensure they work for EMDEs, especially within the systems and processes that control investment flows.**

### Policy makers

- Focus specifically on the needs and incentives to bring larger EMDE-based companies into developed markets through listings on relevant exchanges. This will increase investor confidence in governance and applicable rule of law and deepen the pool of potential investors.
- Maximise the adoption of international standards domestically to help companies to passport requirements across jurisdictions.
- Support the creation and adoption of cross-border international investment vehicles that allow companies to appeal to a wider investment base.

### Multilaterals, MDBs and PDBs

- Ensure standards and frameworks for international adoption include pathways appropriate for EMDE-operated companies.
- Bring EMDE-operated companies into relevant international private finance investment forums.

### Investors

- Actively contribute to consultations with policy makers and multilaterals on cross-border investment vehicles that passport domestic investments into global markets.
- Proactively request and support the inclusion of EMDE companies in capital-raising roadshows and initiatives.
- Service providers, especially those fundamentally integrated in the financial system, to proactively ensure the inclusion of EMDEs in their services, identifying and removing any bias or barriers.
- Service providers to proactively flag where institutional investor support and action is needed to remove barriers and prevent unintended consequences of business practices on EMDEs.
- Provide mentoring and networking support to EMDE companies, especially by entrepreneurial investors and commercially global investors, on their narrative, financing and opportunities for raising capital.



# HOW THE PRI WILL SUPPORT SIGNATORIES

Building on this work, the PRI will continue to advance dialogue and capacity-building on EMDE investment. We believe the following areas would be of value to signatories and will explore with signatories where best we can support across these:

1. Support PRI signatories to consider the policy incentives and investment solutions that are being developed by governments, MDBs and catalytic finance, to attract private finance.
2. Advance discussion between policy makers, public finance providers and private finance on investor types and their investment needs.
3. Support and encourage examination of the different private capital pools and the specific needs of their trustees and managers so that policy interventions and investment solutions can be better mapped to realistic opportunities to support increased flows.
4. Support dialogue between institutional investors in developed markets and in EMDEs – on a global/local and a regional basis – so they can share experience and build confidence on investment opportunities and instruments.
5. Support investors to interrogate their own judgements on barriers and constraints with data and case studies, and support more specific solution development.
6. Support development and progress across a range of EMDE markets on financial regulation and wider tools to develop a functioning enabling environment for sustainable investment, which is key for attracting both domestic and international investors.

## CREDITS

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Authors: **Gina Hanrahan** and **Andrea Webster**

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To inform this paper, the following group has been consulted: PRI Climate Reference Group and the Global Policy Reference Group.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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