

The Paris Financial Centre supports the G7's priority on financing development

On the occasion of the *G7 Finance Ministerial Meeting*, the Paris Financial Centre reaffirms its commitment to increasing the mobilisation of private capital in support of climate action, biodiversity, social well-being and sustainable development in emerging markets and developing economies (EMDEs).

Increasing private capital mobilisation has been at the top of the international agenda over the past few years. At COP29 in Baku, developed countries agreed to mobilise USD 300 billion annually for developing countries by 2035, with a broader goal of USD 1.3 trillion from all sources. The 4th International Conference on Financing for Development (FfD4), held in Seville in 2025, also placed private sector mobilisation at the core of its outcome framework. Blended finance volumes have grown, and the toolkit of mobilisation instruments has expanded.

Yet current efforts remain far below what is needed. OECD data show that official development finance interventions mobilised USD 70 billion of private finance in 2023¹, a level that remains very limited when compared with the scale of EMDE investment needs. This gap is also reflected in mobilisation performance: for every dollar of MDB climate finance committed in EMDEs, only around fifty cents of private capital is mobilised on average, compared with levels close to one-to-one in high-income countries². Global financial assets exceed USD 480 trillion, yet less than one-fifth of these are held in EMDEs. The issue, therefore, is not a lack of capital at the global level³. What continues to prevent that capital from flowing to EMDEs at scale is the persistence of structural barriers. Based on feedback from private investors, persistent structural biases in their assessment of risk-adjusted returns remain a major obstacle to accelerating capital flows to EMDEs, particularly by reinforcing perceptions of excessive risk in emerging markets.

Three years ago, at the Summit for a New Global Financial Pact in Paris, the French financial community issued a [declaration](#) outlining concrete proposals to turn ambition into action. In line with this declaration, the Paris Financial Centre calls for the implementation of tools and governance adjustments, without requiring deep systemic reforms, to help overcome three structural barriers:

- Prudential and regulatory frameworks do not adequately account for the risk-mitigating role played by public instruments.
- Fragmented risk data and the limited availability of independent credit ratings for EMDE assets together perpetuate a persistent gap between perceived and measured risk, leading to higher capital requirements under prudential regulations.
- Limited transparency on catalytic instruments significantly constrains private investors' ability to identify, compare, and effectively access them.

¹ OECD, Increasing development finance efforts to scale private finance mobilised and its impact, 2025.

² IIF, Lifting Prudential Barriers to Mobilizing Private Capital for Development Finance, March 2025.

³ OECD, Mobilising Private Finance for Development, Climate and Biodiversity in Emerging Markets and Developing Economies, 2025.

I. Implementing quick fixes to the regulatory and prudential framework

Prudential frameworks are designed to support the safety and soundness of individual financial institutions and protect financial stability. The post-crisis reform package has delivered significantly increased levels of resilience across the global financial system. However, in recent years, industry practice and enhanced data availability have illustrated that the calibration and implementation of these frameworks do not consistently reflect the risk profile of EMDE exposures, particularly where public risk-sharing mechanisms are in place.

The result is that investors face higher capital charges for EMDE exposures than their underlying risk warrants, even when those exposures are backed by credible public support. This has the unintended effect of sidelining banks, pricing regulated institutional capital out of transactions that would otherwise meet commercial viability thresholds.

In this context, and in line with a recent IIF policy paper⁴, the Paris Financial Centre calls on G7 governments, the Basel Committee on Banking Supervision (BCBS) and relevant jurisdictional authorities to:

- Undertake analytical work to assess the gap between perceived and actual risks of projects in EMDEs, drawing on increasingly available data in GEMs and private data from financial institutions.
- Subsequently, consider implementing targeted and light-touch adjustments that would allow better capture the risk-reducing impact of MDBs' and DFIs' participation in investment projects. See in that respect the following relevant near-term recommendations proposed by the IIF:
 - BCBS/Jurisdictional authorities should expand the range of MDBs and DFIs eligible for 0% capital risk weight (or otherwise appropriately lower capital charges) and periodically review the list of eligible institutions.
 - BCBS/Jurisdictional authorities could provide specific guidance on the eligibility of certain MDB/DFI products and guarantees, including PRI, for regulatory credit risk mitigation (CRM) purposes.
 - BCBS/Jurisdictional authorities could clarify the criteria for a project to qualify as “high-quality” under the Standardized Approach (SA) for credit risk and consider expanding the criteria to recognize domestic and bilateral development organizations' or MDBs' support for projects.

II. Disclosing risk information necessary for investments in EMDEs

The quality of the information needed for investment decisions in EMDEs remains inadequate. The Global Emerging Markets Risk Database (GEMs) represents the most valuable existing dataset on EMDE credit performance. However, its current level of disclosure does not align with the needs of private

⁴ See “IIF, Lifting Prudential Barriers to Mobilizing Private Capital for Development Finance, March 2025.”

investors and credit rating agencies: aggregate default statistics are published, whereas the granular data required for pricing, capital allocation and rating methodology calibration remains largely out of reach. Perceived risk consequently exceeds measured risk, with direct effects on pricing and portfolio construction.

Two data gaps stand out. First, more granular recovery rate data by instrument type, sector and country, which is central to expected loss assessment and rating methodology calibration. Second, the performance of private sector exposures in EMDE jurisdictions during episodes of sovereign stress: while GEMs aggregate statistics already show that EMDE corporate defaults do not track sovereign credit ratings, country-specific evidence at episode level remains insufficient to displace the prevailing assumption that domestic corporates default in line with their sovereign. This structural bias has direct consequences for pricing.

These gaps also constrain the production of independent credit ratings more broadly, limiting investors' participation. For institutional capital whose mandates, fiduciary obligations or regulatory capital frameworks preclude investment in unrated assets, the EMDE universe therefore remains largely inaccessible and prevents investors from diversifying into new high-growth markets.

The Paris Financial Centre calls on MDBs, DFIs and the private financial institutions that hold complementary credit performance data on EMDE exposures to accelerate the development of a shared, open and comparable risk data infrastructure for EMDE exposure:

- the publication of disaggregated default and recovery rate statistics by instrument type, sector, country and credit rating band, with a clear separation between project finance and corporate finance;
- the disclosure of transaction-level performance data after an appropriate post-transaction period, including the behaviour of private sector exposures during episodes of sovereign stress, where evidence remains particularly limited;
- the alignment of complementary initiatives, including the [UK Taskforce on EMDE private sector credit performance data](#), towards a coherent and open risk data infrastructure.

III. Improving information on available catalytic capital

Catalytic capital (public and philanthropic funds whose purpose is to increase private capital mobilisation), is today dispersed across a wide range of instruments, institutions and vehicles, with no consolidated interface through which private investors can identify the capital and instruments currently available, on what terms, and how to access them at the origination stage. Existing market resources provide useful data on past transactions and structures, but they do not offer a forward-looking view. For the teams responsible for structuring transactions within banks, asset managers and other private investors, locating appropriate catalytic capital at the design phase remains a slow and uncertain process, which can delay transactions and, in some cases, prevent otherwise viable operations from materialising.

A practical response: the catalytic capital repository

In direct response to this gap, the Institut de la Finance Durable and BCG have initiated a project precisely dedicated to addressing the transparency gap in catalytic resources. Together with partners led by GFANZ and the Global Capacity Building Coalition, we are developing [the Catalytic Capital Repository](#) (CCR). The CCR is a shared, open-access platform designed to provide private investors with clear, comparable and actionable information on the catalytic instruments available across the multilateral and development finance system: what exists, where it is available, how it can be accessed, and on what terms.

The CCR is being developed as shared market infrastructure, not as a proprietary tool. The development of the platform has been guided by input from an initial cohort of financial institutions, multilateral institutions, development finance institutions, multilateral funds and philanthropic providers. A public pilot launch is expected in the second half of 2026.

The CCR is complementary to, and distinct from, the GEMs database. GEMs provides ex-post information on the historical credit performance of MDB and DFI operations. The CCR provides ex-ante information on the catalytic instruments available today to originate and structure new transactions. The two are mutually reinforcing: GEMs helps investors price risk on past exposures; the CCR helps them build new ones. Similarly, the CCR is complementary to the SCALED Initiative, which helps to make the structure of existing funding more efficient, whereas the CCR makes access to existing funding more efficient.

The Paris Financial Centre calls on G7 governments to encourage the MDBs, DFIs and other public financial institutions in which they are shareholders to share information on their catalytic instruments through the Catalytic Capital Repository, and to treat transparency on catalytic instruments as a mobilisation priority. A clear signal of support from G7 shareholders would materially strengthen the case for sustained institutional engagement and accelerate data contributions to the platform.