**Finance and Central Bank Deputies' Meeting**
**25 February 2025 | Cape Town, South Africa**

**Side Event - Promoting interoperability among public development banks, multilateral development banks, vertical climate and environmental funds, and the private sector.**

## PRESIDENCY SUMMARY

The Group of Twenty (G20) South African Presidency hosted a side event during the G20 Finance and Central Bank Deputies (FCBD) meetings in Cape Town on 25 February 2025. The side event focused on Priority 1 of the Sustainable Finance Working Group, under the South African G20 Presidency. Priority 1 aims to strengthen the global sustainable finance architecture through the promotion of co-financing among vertical climate and environmental funds (VCEFs), multilateral development banks (MDBs), and national development banks (NDBs). Co-financing mechanisms play a crucial role in scaling up finance by leveraging resources and comparative advantage from multiple partners to achieve greater impact. In addition, transaction costs decrease by streamlining processes and reducing administrative burdens.

Reducing inefficiencies in the global sustainable finance architecture is imperative amid substantial climate funding gaps. The Climate Policy Initiative estimates that US$7.4 trillion is needed annually until 2030 to limit global warming to 1.5°C. The largest investment gaps exist in the transport sector (requiring up to 50% of total estimated finance needs) as well agriculture, forestry, land use, infrastructure, and adaptation. These gaps are particularly large in emerging economies where fiscal constraints remain tight and advancing private sector engagement is critical.

The discussions reflected growing consensus that enhancing the global sustainable finance architecture requires both systemic changes and practical innovations. The following were key highlights of the event:

- Panellists identified several significant barriers to effective collaboration, and finance as a consequence. Geopolitical fragmentation and coordination failures between public and private sectors result in policy inconsistencies and unclear programme outcomes. To improve coordination, panellists made the following key points regarding public development banks (PDBs):

– To stabilise investments and ensure alignment with Sustainable Development Goals and climate goals, PDBs may need to reaffirm and clarify their collective mandates.

– The G20 MDB Roadmap[1] should be expanded to include national PDBs.

– PDBs should be encouraged to issue bonds, with a goal of doubling the number of such banks issuing bonds in the next five years.

- Expanding the Global Emerging Markets Risk Database initiative to local actors would improve data sharing. Meanwhile helping the private sector to better assess risks in frontier markets and establishing key performance indicators for mobilising private finance would help measure institutional effectiveness beyond individual actors' balance sheets. For example, implementing a digital co-financing portal would serve as a centralised platform for collaboration, real-time data sharing, project matching, and transparency among MDBs, NDBs, VCEFs and the private sector.
- Developing multi-currency solutions for lending, particularly for energy transition projects across Africa. Creating dedicated windows for processing private sector projects would help differentiate between public and private sector approval processes, enabling faster decision-making. Finally, building capacity and technical skills would maximise benefits from innovative financing tools.

Panellists also highlighted several achievements and emerging solutions. Development institutions have created unified frameworks for Paris Agreement alignment,[2] ensuring consistency and transparency in climate reporting. The Mission 300 initiative aims to provide electricity and clean cooking fuels to 300 million Africans by 2030, showcasing effective cooperation across the international sustainable finance architecture. Carbon credit markets present a significant opportunity for Africa, necessitating regulatory frameworks and coordination across government departments. Additionally, regulatory support for innovative financial structures, such as first-loss mechanisms, has enabled private investments in electricity generation, exemplified by the electricity regulation reforms in South Africa.

Watch a recording of the discussion below:

*[1] The G20 Roadmap towards Better, Bigger and More Effective MDBs can be accessed here.*
*[2] These frameworks provide structured approaches for aligning financial and operational activities with the Paris Agreement's Operationalisation Framework by IDFC and MDBs*