F20

For a transformation that leaves no one behind.

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## Fourth International Conference on Financing for Development

# From Sevilla to the Grid: What FfD4 means for Energy Access and Finance


## About the Foundations Platform F20

The Foundations Platform F20 is an international network of around 80 foundations and philanthropic organisations, calling for joint transnational action towards sustainable development. We are an independent engagement group to the G20 with a concrete focus on aligning the G20 agenda with the implementation of the Sustainable Development Goals and the Paris Climate Agreement. Our aim is to provide solutions for today's most pressing challenges – climate change and a just transition based on renewable energy and sustainable development.

Acting as an international catalyst for change, F20 further shapes the dialogue among G20 countries, which have significant influence in guiding the global community towards the Paris Agreement's 1.5- degree limit. We know that philanthropy is uniquely placed to make a significant additional impact in that regard.

## About Germanwatch

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## Sustainable Finance Working Group

In collaboration with the civil society organisation Germanwatch, Foundations Platform F20 leads an international Sustainable Finance Working Group (SFWG). The working group seeks to enable F20 partners to advance sustainable finance discussions and positively influence the G20's sustainable finance agenda.

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# Content




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# Executive Summary

The Fourth International Conference on Financing for Development (FfD4) in Seville marked a pivotal moment for linking international financial architecture (IFA) reform with the urgent need for equitable energy access. While energy was not a headline issue, the Sevilla Commitment and its Sevilla Platform for Action (SPA) provide concrete entry points to reduce the cost of capital, expand concessional finance, reform debt frameworks, and enhance the role of multilateral and national development banks in driving clean energy investment.

This policy brief shows how these outcomes can help close the financing gap that leaves Africa and other low-income regions far behind in the global energy transition. It argues that turning commitments into impact requires stronger mandates for DFIs, scaled-up blended finance, local currency lending, and streamlined climate funds, alongside sustained political will from finance ministries and donor governments. Without ambitious implementation, shrinking ODA budgets and weak accountability risk turning FfD4 into another missed opportunity. With coordinated follow-through, however, FfD4 can lay the foundations for a just and inclusive clean energy future that leaves no one behind.

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# Introduction

The Fourth International Conference on Financing for Development (FfD4), held in Seville between 30 June and 4 July 2025, came at a moment of both historic opportunity and deepening global strain. Taking place nearly a decade after the last major summit in Addis Ababa (2015), and following earlier landmark conferences in Monterrey (2002) and Doha (2008), FfD4 sought to respond to an urgent need: to reshape the international financial architecture (IFA) in order to meet today's intertwined development and climate goals.

The urgency is obvious. The world faces a mounting polycrisis that destabilises economies, especially in low- and middle-income countries (LMICs). Official development assistance (ODA) is stagnating or falling, and international climate finance commitments are increasingly under threat. At the same time, however, new momentum has emerged. Middle powers such as Brazil, India, and South Africa are asserting themselves within global economic debates while African countries have increasingly joined forces as vocal champions for reform. Thus, the landscape for IFA reform is more dynamic than it has been in years, although decisive, transformative action remains elusive.

In this context, a global energy revolution is underway. Renewable energy – led by solar and wind – has become the cheapest source of power in many regions. However, access to its benefits remains deeply unequal. Many countries in Sub-Saharan Africa and Southeast Asia face both the highest energy deficits and the highest energy costs, making it difficult to invest in modern, clean energy systems. As of 2025, around 675 million people worldwide still live without access to electricity, most of them in Africa. Achieving Sustainable Development Goal 7 (SDG 7) – ensuring affordable and clean energy for all – is crucial not only for climate action, but for enabling health, livelihoods, and climate resilience.

Yet, the current IFA is far from providing the capital required for universal energy access and energy transitions. According to the International Energy Agency (IEA, 2025), global public and private investment in clean energy is projected to reach $2 trillion in 2025, more than twice the amount flowing to fossil fuels. However, 85 percent of this investment remains concentrated in China and advanced economies, 15 percent reaching emerging and developing economies (EMDEs) excluding China. Africa, despite its vast potential and urgent needs, receives just 2.4 percent of energy investments.

This stark imbalance reflects systemic barriers: perceived high risks, currency volatility, shallow local capital markets, weak project pipelines, and mandates of multilateral development banks (MDBs) that remain overly conservative or even biased toward fossil fuels. Even leading development institutions such as the World Bank Group often struggle to mobilise private capital for clean energy in low-income contexts, with investment flows skewed toward larger-scale projects in more commercially viable markets (IDOS, 2024).

Initiatives such as the recently launched Mission 300, which aims to deploy 300 gigawatts of renewable capacity in developing countries by 2030, signal growing international commitment. That amount of clean energy could power hundreds of millions of homes, showing the scale of ambition needed to close the energy access gap. However, significant financing gaps remain. In this context, FfD4 was more than a political moment: it offered a rare opportunity to reaffirm multilateral

cooperation, rethink development and climate finance, and put in place the conditions for just energy transitions, particularly in countries that have not yet benefited from the dramatic drop in technology costs.

While energy access was not a headline item at FfD4, it is deeply interwoven with the conference's broader agenda. The outcome – the Compromiso de Sevilla, or Sevilla Commitment – alongside the Sevilla Platform for Action (SPA), offers multiple entry points to address the investment and policy barriers that impede energy access. The conference outcomes also align with the Bridgetown Initiative , a reform agenda led by Barbados and other vulnerable countries, and the work of the Independent High-Level Expert Group on Climate Finance, convened by the UN Secretary-General to provide guidance on scaling and aligning finance, both of which have called for finance to be made more accessible, affordable, and supportive of just transitions.. These converging efforts treat energy access not as a narrow sectoral issue, but as a linchpin of development that is essential for adaptation, productivity, and economic transformation. If implemented with ambition, FfD4 may help reshape financial systems to close the energy gap and enable just transitions in EMDEs.

This brief explores how the FfD4 results can serve as a catalyst for equitable energy access, focusing on key reforms such as MDB mandate evolution, blended finance, local currency lending, and debt relief mechanisms. It concludes with policy recommendations for aligning IFA reform with inclusive clean energy transitions.

# The FfD4 Outcome on Energy Finance Reform

The Sevilla Commitment reflects the recognition that the contemporary financial system is no longer fit to meet the scale or complexity of intertwined global challenges. It reaffirms an ambition to close the SDG financing gap by rechannelling and reforming both public and private flows. The structural barriers that hinder clean energy investment in EMDEs, such as high cost of capital, fiscal constraints, and limited concessional finance, are directly addressed in the Compromiso.

The outcome document explicitly links all forms of finance to the SDGs and the Paris Agreement (§5, §13), signalling a pivot away from solely mobilising funding and toward aligning existing flows with sustainability goals. This could open the door for redirecting capital away from fossil fuel investments toward inclusive energy transitions. The document also reaffirms a commitment to multilateralism, placing a specific emphasis on development cooperation and South-South Cooperation (§35) as vital for achieving the SDGs.

The document calls for a new, equitable, and inclusive global development finance framework (§6, §25), one that reduces the cost of capital and enables access to finance for underserved markets. This is particularly relevant for clean energy access in low-income countries, where high interest rates and currency risks remain core impediments.

Infrastructure emerges as a central pillar of the agenda: energy, water, and transport are acknowledged as development enablers, and public and private sectors are urged to increase their investment, especially in sustainable infrastructure (§22). In addition, strong emphasis was placed on reforming key areas of the global development finance framework, all of which play a crucial role in accelerating the energy transition. These include a push for public development banks (PDBs) to adjust their mandates and toolkits (§30–35), the reform of the sovereign debt architecture (§47–51), and a call to engage credit rating agencies (§55). This brief explores these critical reforms and their specific relevance to energy access in detail in its fourth section.

The SPA complements these systemic reforms by launching more than 130 voluntary commitments. These initiatives, backed by coalitions of governments, development banks, and civil society, aim to catalyse immediate progress while institutional reforms take root. Importantly, the SPA underscores that transformative change can be bottom-up and multi-actor, and that coalitions of the willing can drive innovation in the absence of consensus. It also demonstrates that the Sevilla Commitment is already being operationalised. This is crucial in times of pushback by some actors, cutbacks in support, and unfulfilled promises. In fact, the proliferation of initiatives alone does not guarantee impact. Evidently, the international community, in the climate space in particular, has seen many high-level announcements fall short of implementation. Accountability, coordination, and inclusivity will be crucial to make sure the FfD4 outcomes deliver.

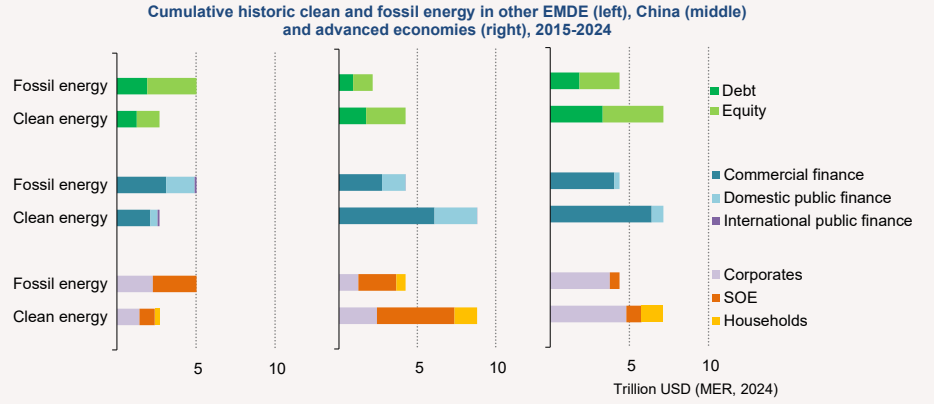
While many SPA initiatives are not explicitly about energy, several of them are designed to address barriers to deploying clean energy in underserved markets. These include mechanisms to manage foreign exchange (FX) risk, develop local capital markets, and enhance the role of local financial institutions.

Together, the Sevilla Commitment and SPA offer a blueprint to shift financial incentives, reduce investment risk, and create the conditions that enable universal energy access. While they lay a foundation, realising their potential will require sustained commitment and pressure to turn these words into action.

# Energy Access and Finance: A Two-Track Energy Transition

Sustainable energy access lies at the intersection of development justice, climate ambition, and international financial reform. While technological solutions for universal energy access exist, especially distributed solar and mini-grid systems, the challenge remains one of financing. The current global energy investment landscape is skewed toward mature, capital-rich markets, and large-scale infrastructure, leaving behind those countries and communities that need investment most. The global energy transition is thus essentially running on two tracks (see e.g., Figure 1): a fast-moving, well-funded track in advanced economies and China, and a slow, undercapitalised one in most LMICs. Addressing this imbalance requires reforms across the public and private financial ecosystem.

**The energy transition is reshaping who is making investments into the energy system and how these investments are financed**




Through purchases such as home solar and battery systems, households are becoming a more important driver of energy investment over time. In general, clean energy also depends more on debt finance than fossil fuels, which typically are financed using more equity.

*Figure 1, source: IEA (2025)*

## The Uneven Landscape of Clean Energy Investment

The global energy transition has been accelerating, with record numbers in new capacity being installed worldwide. Yet, clean energy investment growth is deeply unequal, being highly concentrated in China and advanced economies. This disparity underscores a fundamental paradox: even as solar and wind power become the cheapest sources of electricity in many places, the cost of capital and lack of 'bankable' projects prevent many countries from reaping these benefits.

The uneven flow of capital also reflects the preferences of institutional investors. As shown by BloombergNEF (2024), fund managers currently channel twice as much finance into fossil fuel projects as into clean energy. Most private capital that does flow to clean energy is concentrated in a small number of higher-income EMDEs, where perceived risks are lower and financial markets are more developed.

## Barriers to Finance in Underserved Markets

The reasons for underinvestment in clean energy in LMICs are structural and systemic. As underscored by the G20 African Expert Panel on the Cost of Capital (2025) and prioritised under the South African G20 Presidency, the high cost of capital remains the single biggest barrier to clean energy finance in many developing countries. Interest rates for energy investments in low-income countries can be two to three times higher than in advanced economies. This is due to a combination of real and perceived risks, including macroeconomic instability, political volatility, and weak regulatory frameworks (World Bank, 2023). In addition, many projects generate revenue in local currencies but require loans denominated in foreign currency, creating significant FX risks. These risks, in turn, are priced into loans, further increasing financing costs and limiting project viability (World Economic Forum, 2023).

Furthermore, distributed energy solutions, such as mini-grids and off-grid solar, which are often crucial for reaching rural populations, are far too small to attract large institutional investors due to high transaction costs relative to project size (Chatham House,

2024). Governments and project developers in these contexts also frequently lack the technical capacity as well as institutional support needed to develop robust, 'bankable' project pipelines (EY, 2024). Commercial lenders are hesitant to finance projects in places with low credit ratings or underdeveloped markets due to their risk perception and lack of guarantees (Fasesin, et al., 2024).

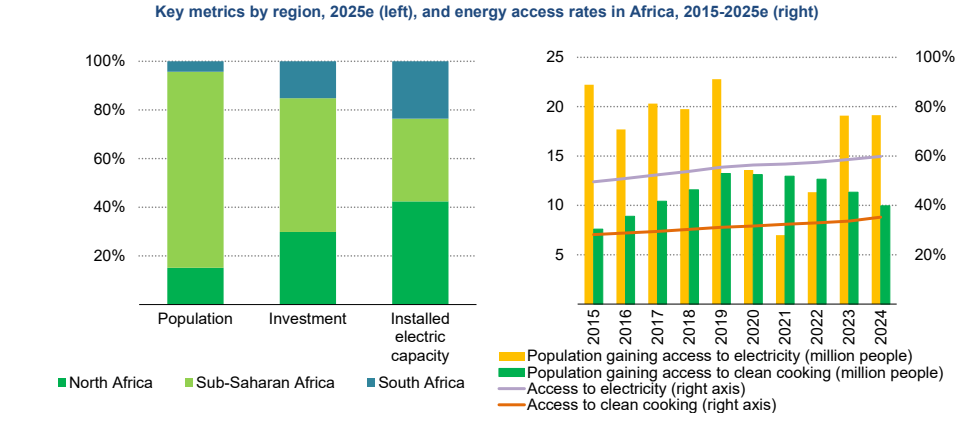
## Navigating the 'Solar Paradox' to Overcome Barriers to Africa's Energy Transition

Africa presents a 'Solar Paradox' where abundant renewable energy potential coexists with some of the world's most severe energy deficits. Over 600 million people on the continent, primarily in Sub-Saharan Africa, lack access to electricity, yet the region has the globe's most cost-effective solar potential. This disparity is not due to a lack of resources, but rather to financial and infrastructural barriers that create risk for investors (IEA, 2023; SolarVision, 2025).

The primary challenge is the high cost of capital, which is driven by perceived and real risks and a lack of mechanisms to mitigate them. For example, the cost of capital for a solar project in South Africa can be much higher than a similar project in Germany, even if inherent project risks are the same (World Economic Forum, 2023). This financial risk premium is a major deterrent to private investment and makes large-scale projects less financially viable without substantial subsidies. Inadequate domestic financial systems further compound the problem. Local banks often lack the capacity or tools to finance energy infrastructure, creating a reliance on external funding. This is particularly problematic as many African governments face high public debt levels, which limits their ability to invest in climate-related projects and can even make external borrowing for such initiatives unsustainable.

Beyond finance, inadequate transmission and distribution systems create critical bottlenecks, limiting the reach and impact of new energy projects. Countries like Nigeria, which suffer from frequent grid collapses, demonstrate how a weak grid can undermine the benefits of new generation capacity (CSIS, 2024). The paradox is also fuelled by a low demand for electricity in many households due to poverty and a lack of appliances, making large-scale investment less financially viable without significant subsidies (Regnerfu, 2024). While initiatives like the World Bank's Scaling Solar program have shown promise, they have also contributed, at times, to unrealistic price expectations. This can discourage private sector participation and distort price signals (Center for Global Development, 2023).

**Regional imbalances in the continent's energy sector remain, with 600 million people lacking access to electricity and nearly one billion people without clean cooking in sub-Saharan Africa**

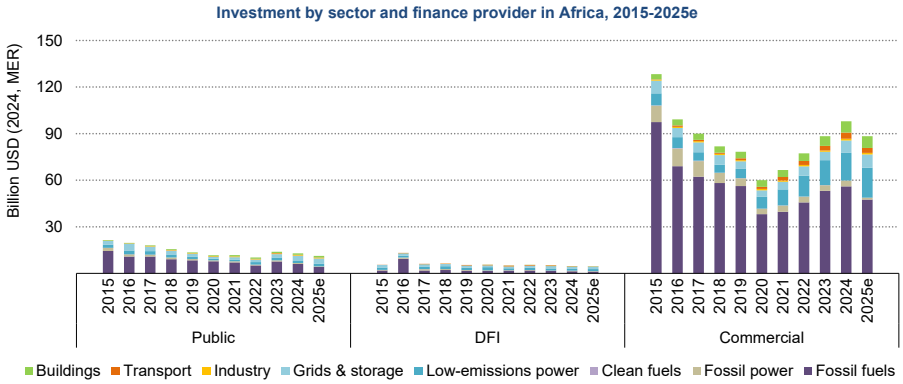





Installed capacity and investment flows in sub-Saharan Africa are still comparatively low given the region's size. New connection rates have steadily increased over the past decade but remain well below the universal access target set for 2030.



**Lower investment levels are linked to a slowdown in both fossil fuel and Chinese DFI spending, but private clean energy investment has more than doubled over the last five years**






While fossil fuels account for 70% of total spending, private sector interest in renewable power, supported by derisking capital from DFIs, has helped drive up clean energy investment.

*Figure 2 & 3, source: IEA (2025)*

Despite these challenges, many African countries are at a critical crossroads. They must choose between carbon-intensive fossil fuel pathways and clean energy transitions to meet their growing energy demand. While there is a strong push to scale up renewables, there is also a parallel, and often better funded, push for fossil gas projects. Ultimately, unlocking Africa's vast solar potential requires a comprehensive approach. This includes not only attracting targeted early-stage funding and technical assistance but also creating a supportive financial and infrastructural ecosystem that makes clean energy a viable and attractive investment.

## The Role and Limitations of Public Finance

Public finance is critical for driving the energy transition in countries with limited access to private capital, particularly in regions that struggle with high debt burdens. Its role is to de-risk projects, provide demonstration success stories, mobilise private investment, and ensure clean energy transitions are inclusive and aligned with development goals. The primary providers of this finance are development finance institutions (DFIs) and various bilateral and multilateral climate funds.

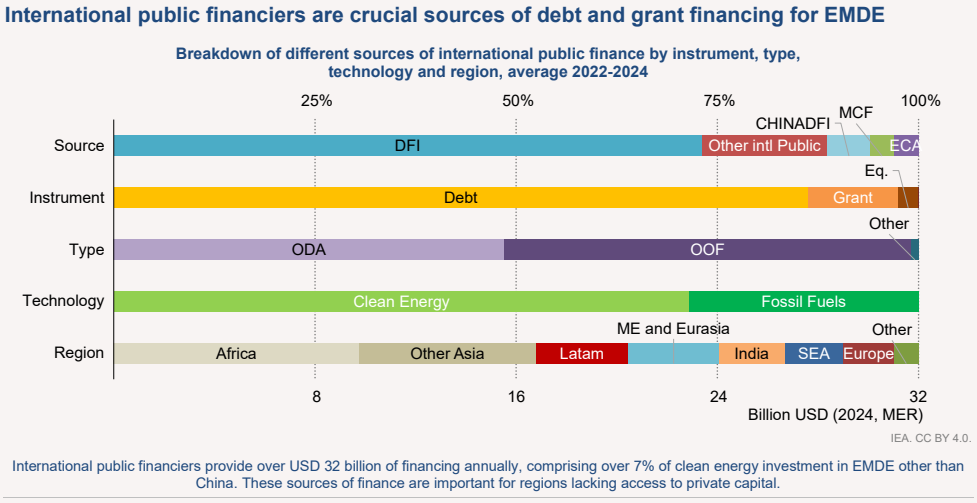



*Figure 4, source: IEA (2025)*

## Development Finance Institutions

DFIs, including MDBs such as the World Bank and regional banks, are major players in energy finance. In 2024, they were involved in approximately one third of all clean energy investments in EMDEs (IDOS, 2024). They provide a range of financial instruments, including guarantees, equity investments, and policy-based lending. These help to lower the perceived risk for private investors, thus making projects in challenging markets more attractive. However, DFIs face limitations. Their tendency to prioritise commercially viable projects in less risky environments often sidelines countries with the greatest need for energy finance (IDOS, 2024). This can be driven by incentive structures that favour high-volume transactions and financial returns over development impact (Gebel, forthcoming).

DFIs must evolve by:

- Adjusting mandates to prioritise energy efficiency and just transition outcomes over financial return, and agreeing on joint criteria and metrics for tracking their support.
- Systematically reporting on grid investments and providing support for grid expansion and integration of renewables in developing countries.
- Prioritising concessional finance to low-income and highly indebted countries to avoid worsening debt burdens.
- Facilitating the early retirement of existing fossil fuel infrastructure, including gas, and scaling up support for long-term climate strategies
- Enhancing transparency by publicly disclosing how concessional finance is allocated to ensure accountability and maximise developmental impact

## Public Bilateral and Multilateral Climate Finance

Bilateral and multilateral climate finance plays a critical role in bridging the gap between capital flows and energy finance needs. Multilateral funds, including the Green Climate Fund (GCF), alongside bilateral programs from donor governments, provide concessional resources that can absorb risk and crowd in private investment. These resources are particularly crucial for projects often deemed commercially unviable, such as mini-grids, off-grid solar, and clean cooking solutions in rural and fragile contexts. By de-risking investments, they can lower the cost of capital in LMICs and open pathways for scaling distributed renewable energy solutions. The effectiveness of these funds, however, has been questioned due to bureaucratic obstacles caused by their stringent safeguarding standards as well as shortfalls in donor contributions (Guardian, 2024).
To be transformative, bilateral, and multilateral, climate finance must evolve beyond ad hoc project support and become structural enablers of inclusive energy transitions. This requires faster and more predictable disbursement cycles, replenishments that match the scale of needs, and a stronger focus on underserved geographies and technologies. While some progress has been achieved by funds such as the GCF, they must further strengthen their complementarity with MDBs and DFIs by strategically targeting high-risk and high-impact areas, particularly at the national level and for programmes that private investors typically avoid (Chatham House, 2024; CGD, 2023). Finally, by continuing to embed just transition safeguards such as social protection, gender, and community participation, climate funds can maximise their development impact alongside decarbonisation goals.

## The Potential and Underperformance of Blended Finance

Blended finance, which strategically uses public and philanthropic funds to attract private capital, holds significant potential for scaling clean energy in emerging markets. Deploying tools such as first-loss capital and guarantees can absorb initial risks and make projects attractive to investors who might otherwise be hesitant due to perceived risks.

However, blended finance has so far underperformed relative to its promise. While it has successfully mobilised some private capital, the volume and geographic reach have

been limited. A reason is its narrow focus on maximising its leverage ratio – the amount of private capital mobilised – rather than on achieving tangible development outcomes, such as household electrification or poverty reduction (CPI, 2025). Blended finance has often concentrated on larger, less risky projects in middle-income countries, with few projects reaching the poorest and most vulnerable regions, particularly in Africa (Convergence, 2023). This limited scope fails to address the two-track energy transition problem.

To unlock its true potential, blended finance must be reformed to:

- Prioritise projects that deliver on specific developmental outcomes and social co-benefits, rather than simply financial returns.
- Tailor financing instruments to local contexts and diverse technologies, such as off-grid solar or mini-grids, which are essential for last-mile electrification.
- Incorporate and standardise a broader range of risk mitigation mechanisms, including currency hedging, long-term guarantees, and political risk insurance, to make a wider array of projects bankable for private capital.

## Green Bonds and Local Capital Markets

Green bonds and other sustainability-linked debt instruments, issued by MDBs among others, are a rapidly growing source of finance but remain nascent in most EMDEs (IFC, 2024). These financial tools can be directly leveraged for clean energy projects, such as solar and wind farms. Yet, significant barriers to their adoption persist. These include a lack of green taxonomies and credible standards to define what qualifies as a 'green' energy project, limited domestic institutional investors, and persistent currency and liquidity risks. Local capital markets in EMDEs are often shallow, with few long-term savings vehicles, limited pension or insurance funds, and weak secondary markets for trading. As a result, domestic investors are reluctant to purchase green bonds, leaving countries heavily reliant on foreign capital that is often volatile and costly. This lack of depth in local markets reinforces the currency mismatch problem, as projects are funded in hard currency while revenues are generated in local currencies.

By providing technical assistance for structuring, rating, and marketing local currency green bonds, actors like DFIs can help unlock domestic savings and create sustainable investment vehicles tailored to local energy access needs. This approach not only provides new sources of capital for renewable energy but also helps build self-sufficient local financial markets (UNDP, 2021). Efforts to harmonise green taxonomies across regions, establish guarantee mechanisms for first-time issuances, and build credit enhancement facilities are also critical. MDBs and DFIs can further support by anchoring green bond issuances, acting as cornerstone investors, to provide confidence to local pension funds and banks.

Deep and liquid local capital markets facilitate broader energy access and finance by enabling banks, microfinance institutions, and other financial intermediaries to lend to small-scale renewable energy providers, off-grid solutions, and energy efficiency projects. Strong local markets also help develop risk-sharing instruments, allow for innovative financing structures like blended finance, and provide long-term funding for distributed energy systems, which are essential for reaching underserved communities.

Strengthening local financial markets is not only about mobilising capital but also about building resilience. Well-functioning domestic bond markets can reduce dependence on external debt, lower exposure to exchange rate shocks, and enable governments and local firms to finance infrastructure in their own currencies. Over time, this helps build a virtuous cycle in which domestic savings are channelled into clean energy investments, creating a sustainable and inclusive foundation for the energy transition.

# Leveraging the FfD4 Outcome to Accelerate Renewable Energy Access and Finance

The commitments outlined in the Sevilla Commitment and the accompanying SPA create an enabling framework that can be strategically leveraged to accelerate clean energy finance and universal access. This section synthesises how the reforms agreed upon in Seville can directly support just and inclusive energy transitions in underserved regions. The FfD4 outcomes, if implemented with ambition, can help reduce the cost of capital, build robust project pipelines, and address the systemic barriers highlighted previously. These commitments can be grouped into three reform levels: structural, institutional, and project-level.

## Structural Reforms to Reduce the Cost of Capital

Several FfD4 commitments target systemic issues that make financing clean energy prohibitively expensive in LMICs, aiming to reduce both real and perceived risks.

**Enabling conditions:** The FfD4 outcome underscores the importance of creating enabling environments for private investment in sustainable infrastructure (§32, §33). This includes reforming policy and regulatory frameworks, offering de-risking instruments such as first-loss capital, FX hedging, and political risk insurance, and strengthening governance and transparency mechanisms. These are critical to scaling blended finance and lowering perceived risk for EMDEs investors. Regulatory reform must occur across the entire energy sector. Outdated utility monopolies, import duties on clean energy components, and a lack of clear licensing frameworks can stifle investment in utility-scale and distributed energy solutions (IEA, 2021). Therefore, support from actors such as PDBs and philanthropies must extend to helping governments develop enabling environments for a diverse energy mix. This includes creating robust regulations for distributed energy providers, such as mini-grids and off-grid solutions, as well as establishing feed-in tariffs, power purchase agreements, and technical standards for large-scale renewable projects to satisfy the fast-growing demand of population centres and industries.

**Green taxation and domestic resource mobilisation:** The Sevilla Commitment encourages governments to implement green

budgeting frameworks and pollution taxes, measures that can strengthen the fiscal space for climate-aligned investments (§27h). A crucial aspect is that green taxation helps create a level playing field by internalising the environmental costs of fossil fuels, which are often competing with unsubsidised renewables. Thereby, these measures provide a win-win opportunity by mobilising domestic resources and enabling the energy transition by improving the economic case for renewables. As the IMF (2021) highlights (a point that was ultimately deleted from the FfD4's final draft), fossil fuel subsidies cost governments trillions and artificially lower the price of polluting energy sources, hindering the uptake of clean alternatives. Green budgeting is another key element of this approach, helping ministries of finance gain greater awareness and data clarity. This enables them to proactively earmark and track public resources for beneficial activities, such as domestic renewable energy investments (OECD, 2022).

A good example is South Africa, which is in the process of implementing a carbon tax. As a developing country with a high reliance on coal, South Africa's carbon tax is designed to both raise revenue for climate-friendly projects and incentivise a transition away from fossil fuels. Thus, it illustrates how green taxation can be a crucial tool for domestic resource mobilisation in an emerging economy (IMF, 2023). Complementary initiatives such as the Latin America and Caribbean Capital Markets Innovation Alliance further underscore this potential by helping countries develop domestic green bond markets. These instruments can mobilise local savings, diversify sources of finance, and channel capital into clean energy and other SDG-linked investments, thereby reinforcing the impact of fiscal reforms. However, these reforms are politically sensitive and require careful management. While green taxation and fossil fuel subsidy reform can free up fiscal space, they also disproportionately affect low-income households. Therefore, countries pursuing these reforms must adhere to just transition frameworks, including cash transfers, retraining programs, and public dialogue to mitigate social and political risks.

**Debt relief:** The FfD4 outcome advances a forward-looking agenda for sovereign debt architecture reform, with the goal of unlocking fiscal space for countries to invest in energy and enhance their debt sustainability. The Sevilla Commitment (§47–51) endorses innovative tools such as debt-for-climate swaps and frameworks that integrate climate vulnerability into debt sustainability analyses (DSAs). In fact, the Expert Review on Debt, Nature, and Climate (2025), commissioned by Colombia, France, Germany, and Kenya, highlights that current DSA frameworks often penalise countries for taking on debt for green investments, making these reforms critical for the clean energy transition. In addition, the launch of the World Bank's Global Debt Swap Hub offers an institutional infrastructure to implement debt swaps effectively, which can free up further resources for green investments.

Another crucial tool is the use of climate-contingent debt instruments with pause clauses. These clauses link a country's debt payments to its climate resilience, providing breathing room during times of crisis, e.g. after extreme weather events. The experience of Barbados provides a compelling example of the benefits of these instruments: by including natural disaster clauses in its debt agreements, it was able to secure cheaper financing, demonstrating to investors that its debt was more resilient to climate shocks. This is a critical win-win: these clauses not only prevent a vicious cycle of debt and climate-related crises but also reduce the cost of capital, making it more affordable for countries to invest in the clean energy transition. The ability to secure cheaper financing is essential for building new energy infrastructure and enhancing a country's long-term energy security.

## Institutional Reforms to Enhance Financing Capacity

The FfD4 outcome places significant responsibility on international financial institutions to drive reform and increase financing flows to underserved markets.

**MDB and PDB reform:** The Sevilla Commitment demands from MDBs and PDBs to adjust their mandates, risk appetites, and toolkits to become more catalytic (§30–35). There is an emphasis on fit-for-purpose financial instruments and the smarter use of balance sheets to crowd in private investment, particularly in higher-risk markets. The outcome encourages MDBs to support clean tech adoption and just transition (§33f). This language, while broad, provides a basis for MDBs to re-evaluate their risk appetites, expand their toolkits, and increase concessional support (IDOS, 2024; Ghosh & Avinash, 2023). Building on the G20 Capital Adequacy Framework (CAF) review, FfD4 reinforces calls to update MDB lending tool kits with more strategic use of callable capital, guarantees, and first-loss capital. These reforms help MDBs play an active market-shaping role by addressing the high capital costs and FX risks which private investors are often unwilling to bear (World Economic Forum, 2023).

Another element of the FfD4 outcome is its apparent expectation that PDBs bear much of the responsibility to drive energy transitions. The Sevilla Commitment calls for enhancing PDB mandates to better align with the Paris Agreement and the SDGs (§30). Thus, MDBs' collaboration with national development banks (NDBs) is crucial. For energy finance and access, NDBs provide a unique bridge between global capital and local needs: they can channel international resources into smaller-scale, decentralised renewable projects, support local utilities and cooperatives, and strengthen project pipelines in underserved areas. Without their involvement, many last-mile and community-level projects would remain too small or risky to attract MDB or private investment. NDBs are well positioned to finance smaller-scale, decentralised projects given their local expertise. They can lend in local currency and are more agile than their multilateral counterparts (CPI, 2025a). However, many NDBs lack the capacity to act at the scale required. MDBs can contribute to the MDB–NDB relationship by providing technical assistance, co-financing structures, and risk mitigation instruments tailored to NDB portfolios. They can help standardize project appraisal and environmental-social safeguards, build NDB capacity for credit assessment and pipeline development, and act as anchor investors to attract additional private

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and international capital. By coordinating closely with NDBs, MDBs can leverage their global experience while enabling local banks to scale energy access and climate projects efficiently. The proposed PDB Market Access and Guarantee Facility, a SPA initiative, aims to address this by extending partial guarantees and risk-sharing tools to local DFIs. This approach strengthens the PDB ecosystem and leverages the comparative advantage of different players.

**Bilateral and multilateral climate finance:** The Sevilla Commitment calls for improving the efficiency and accessibility of international public finance, including climate and environmental funds (§39c), and stresses the need for greater alignment with national needs as well as complementarity and coherence between the funds (§41a). This provides a mandate to streamline approval processes and strategically focus resources on underserved markets and high-impact technologies. A lack of collaboration and coordination among international climate finance providers often leads to a fragmented landscape, with projects being evaluated against different standards and priorities. This can hinder the flow of capital and create inefficiencies, underscoring the need for greater coherence between funds to maximise their collective impact (CPI, 2025b). One solution for this would be the streamlining of country platforms, which would allow funds to better complement DFI efforts to address the energy finance and access gap.

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**Reforming credit ratings:** FfD4 also calls for revising sovereign credit rating methodologies (§51, §55) to better reflect long-term sustainability metrics and reduce the bias against climate-vulnerable countries. This is crucial for lowering the cost of capital and attracting institutional investors for clean energy projects in Africa, where credit rating agencies are often criticised for overstating risk and lacking local presence (Financial Times, 2025). Increased transparency in methodologies and the development of public or hybrid alternatives could help reduce unjust risk premiums, making energy investments more financially viable. In this context, proposals for an African credit rating agency have gained traction, with advocates arguing it could provide more context-sensitive assessments and reduce dependency on the "Big Three" agencies (AU, 2025). However, questions remain over global credibility, resource requirements, and the risk of political interference. The FfD4 outcome document acknowledges systemic biases in existing credit rating practices but does not explicitly endorse the establishment of such an agency (§51).

## Financial Instruments and Project-Level Support

The FfD4 outcome promotes specific financial instruments and project support mechanisms that can directly accelerate clean energy deployment.

**Financial instruments:** FfD4 highlights a wider variety of financial instruments to reduce project risk, explicitly acknowledging that blended finance has so far failed to mobilise capital at the projected scale (Convergence, 2023). The Sevilla Commitment (§33l, §33h) calls for more strategic use of guarantees, securitisation, and first-loss capital to address structural barriers to investment. For renewable energy, these mechanisms are valuable in shifting the risk-return profile of projects in EMDEs. Guarantees can mitigate sovereign, off-taker, or political risks that often deter private financiers from engaging in long-term clean energy infrastructure. First-loss capital allows concessional and public investors to absorb initial losses, thereby de-risking projects for commercial co-financiers, while securitisation bundles portfolios of smaller-scale renewable investments, such as off-grid solar and mini-grids, into investable products.

This model is exemplified by the SPA initiative SCALED, a partnership of development banks and foundations that utilises first-loss capital and guarantees to unlock private finance for early-stage, decentralised renewable energy projects in Africa (ESG Today, 2025). By lowering financing costs, extending maturities, and unlocking access to deeper pools of private capital, these instruments can accelerate decentralised renewable energy deployment, last-mile electrification, and innovative grid solutions. Importantly, the Sevilla Commitment (§32) also emphasises that such tools must be embedded in enabling policy and regulatory environments, accompanied by strong governance and transparency, to ensure their effectiveness. If implemented, the risk-mitigation instruments endorsed at FfD4 could allow blended finance to deliver on its promise of mobilising private capital for high-impact renewable energy projects in underserved markets.

**Local currency lending and FX risk solutions:** The Sevilla Commitment (§32m, §33h, §37g) underscores the importance of expanding local currency lending, particularly through MDBs, to address FX mismatch risks. FX mismatch occurs when revenues from energy projects are earned in local currency but debt repayments must be made in foreign currency, exposing projects to volatile exchange rate movements. This risk is one of the main reasons for the high cost of capital in emerging markets, often discouraging private investors and delaying renewable energy

deployment. To tackle this, the SPA's FX EDGE Toolbox, an IDB initiative, provides both technical assistance and financial instruments to manage FX risks, including hedging products, long-term swaps, and local-currency guarantees. Its ambition is to scale these solutions across the operations of DFIs and to make them accessible to local banks and energy developers in EMDEs. By lowering FX-related risks and costs, such instruments can improve project bankability and help accelerate the flow of private and public capital into clean energy infrastructure (IDB, 2025).

**Project preparation and bankable pipelines:** FfD4 introduces a proposal for pooled technical assistance and preparation facilities (§33d), aiming to build robust pipelines of bankable infrastructure projects. This is essential for clean energy sectors where small-scale, off-grid projects often lack the support needed to reach financial close. In the African context, for example, stronger early-stage funding is essential to overcome pipeline bottlenecks (GWU, 2024). These facilities should not only build technical pipelines but also strengthen participatory planning by involving local governments and communities to improve project relevance and foster co-benefits in health, education, and livelihoods.

## SPA Initiatives for Energy Finance and Access

- **The SCALED Platform:** A new blended finance mechanism designed to mobilise private capital for climate-aligned infrastructure in emerging markets (ESG Today, 2025).
- **The FX EDGE Toolbox:** Offers technical and financial support to manage foreign exchange risk in long-term infrastructure finance (Inter-American Development Bank, 2025).
- **The World Bank Global Debt Swap Hub:** Supports the structuring of debt-for-climate/development swaps, enabling countries to free up fiscal space for energy and infrastructure investments.
- **The Latin America and Caribbean Capital Markets Innovation Alliance:** Seeks to develop domestic green bond markets, enabling countries to raise capital for clean energy and other SDG-linked projects.
- **The PDB Market Access and Guarantee Facility:** A proposed platform to extend guarantee instruments and risk-sharing tools to local PDBs and national financial institutions.


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# Conclusion

The Sevilla Commitment and its SPA represent a turning point in the IFA reform debate, one that opens new avenues to advance energy access and to finance clean energy transitions. However, the true challenge lies in implementation. Certain priorities for energy access such as the phase-out of fossil fuel subsidies, a crucial element for levelling the playing field for renewables, were ultimately omitted from the final commitment, a testament to the difficult consensus-building process and a missed opportunity. While the SPA includes promising initiatives, it also has a major downside: a lack of clear monitoring and accountability to ensure follow-through on voluntary commitments. Without such structures, there is a real risk that these commitments remain aspirational rather than transformational.

This challenge is not new: the COP30 Presidency has already cautioned that despite high-profile announcements too many initiatives in the past have failed to translate into meaningful action. A shiny launch alone does not deliver results, only consistent implementation and accountability can. These gaps must be addressed in future FfD processes or via complementary platforms such as the UN High-Level Dialogue on Energy. At the same time, the scale of the task ahead calls for a "moonshot" approach in the sense of Mariana Mazzucato: setting bold, mission-oriented goals that align public, private, and philanthropic finance toward solving systemic challenges like universal clean energy access. The Sevilla outcomes should be seen as a first step toward such a mission, but success will depend on how coherently actors can translate them into concrete programmes and financing streams.

A decisive factor in turning commitments into outcomes will be the role of finance ministries. Their decisions on fiscal policy, green taxation, subsidy reform, and debt management shape the financial space for energy transitions.

The Coalition of Finance Ministers for Climate Action has already emphasised finance ministries' strategic role in aligning public budgets and investment frameworks with climate and energy goals. Under the Brazilian G20 Presidency, the Task Force on Climate was launched to bring together finance ministries, central bankers, and environment ministries, revealing a major gap in coordination.

Building on this experience, the Circle of Finance Ministers was created in 2025, aiming to fill that institutional void. Importantly, the G20 has historically been driven by the Finance Track, with the Sherpa Track only added later – highlighting the weight finance ministries carry, including through the G20 Working Group on IFA Reform and the Sustainable Finance Working Group. The Circle of Finance Ministers under the Brazilian COP30 Presidency as well as the G20 finance minister convenings could provide another forum to advance policy considerations and to identify champions for implementation. The question remains open whether it will have a more permanent set-up following COP30. Elevating the Sevilla outcomes within these coalitions and ensuring they feed into national strategies will be critical to advancing energy finance and access.

Another challenge is the looming risk of shrinking ODA budgets. Cuts in ODA may undermine concessional flows precisely at a moment when public finance must help catalyse private investment and support just transitions. If ODA continues to contract, underserved markets may be left even further behind, exacerbating inequalities in access to affordable clean energy. The Compromiso de Sevilla recognises this challenge, calling on developed countries to honour their ODA commitments and for an efficient use of these resources. Donor governments must therefore resist retrenchment and instead use scarce ODA resources more strategically, channelling them into catalytic mechanisms with high social and climate impact.

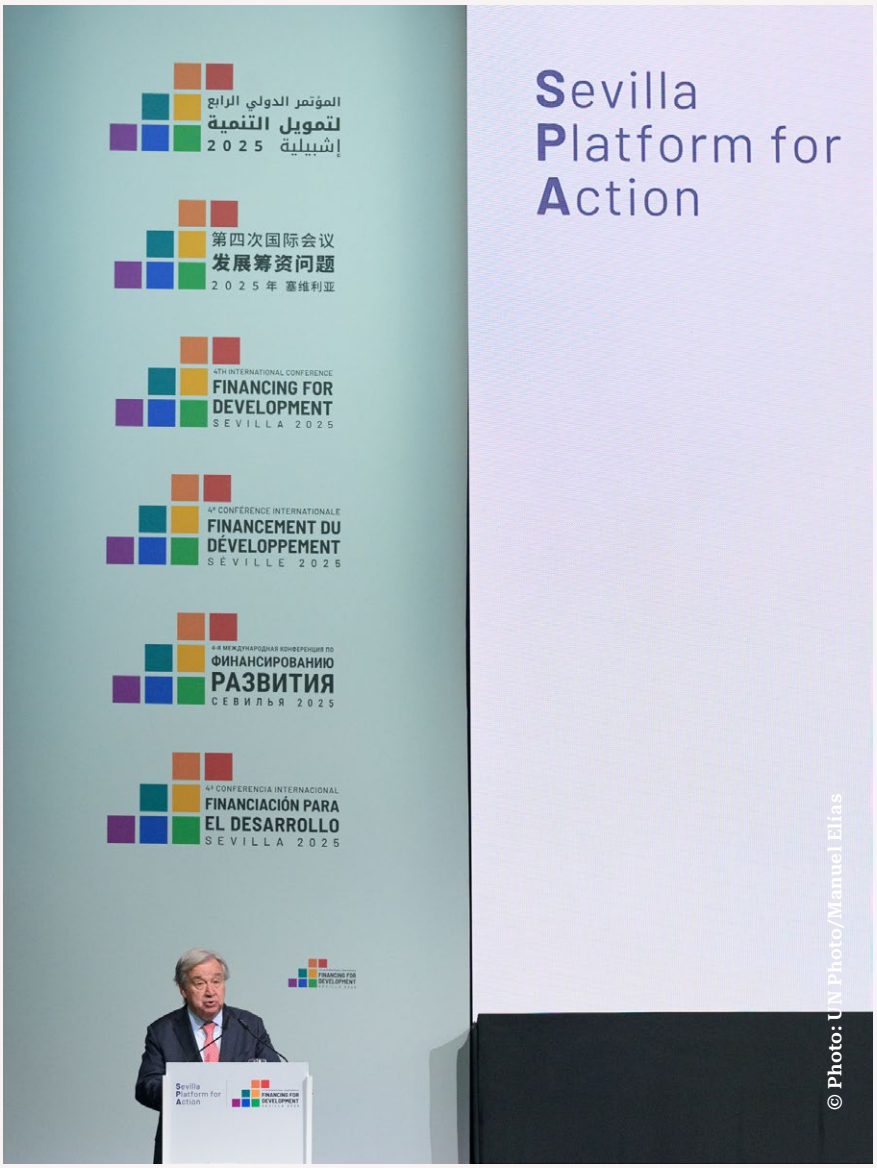
Civil society organisations and philanthropic foundations also have an indispensable role to play in ensuring that the FfD4 outcomes translate into real-world progress on energy access. Civil society brings accountability, watchdog functions, and grassroots perspectives that can make sure reforms respond to the needs of communities most affected by energy poverty and climate impacts. Philanthropic foundations, meanwhile, can provide catalytic early-stage funding, test innovative financing models, and support advocacy that keeps pressure on governments and international institutions to deliver. Together, they can bridge the gap between high-level commitments and implementation on the ground, helping to ensure that the energy transition is not only accelerated but also equitable and inclusive.

To translate FfD4 outcomes into real-world impact for the millions of people lacking electricity, governments, MDBs, DFIs, philanthropy, and private actors must coordinate their efforts and reorient incentives. **This brief recommends the following actions:**

1. **Mainstreaming energy access and finance into IFA reforms.** Access to and finance for renewable energies must be treated as a core pillar of development finance reform, not as a sectoral afterthought.
2. **Deploying concessional and public finance strategically.** Tools like blended finance, guarantees, and local currency instruments must prioritise underserved markets and technologies with high development impact. It is necessary to ensure that concessional finance achieves a maximum impact by coordinating the various sources and capitalising on different actors' comparative advantage.
3. **Scaling and adapting new platforms.** Initiatives such as SCALED, FX EDGE, the PDB guarantee facility, and the debt swap hub must be resourced, adapted to local contexts and needs, and held accountable with regard to their implementation progress and success.
4. **Reforming MDB and DFI mandates.** Institutions must go beyond a narrow focus on de-risking and adopt inclusive metrics that value long-term impact, equity, and climate resilience, while addressing lessons from past failures. Concrete next steps would consist in strengthening MDB-NDB collaboration and local currency finance.
5. **Strengthening the role of finance ministries.** Finance ministries must champion the implementation of the FfD4 outcomes, which should ultimately translate into an accelerated energy transition. Fiscal reform, green budgeting, debt management, etc. provide many opportunities to do so.
6. **Safeguarding and refocusing ODA.** Donor governments must reverse or halt ODA cuts and instead channel ODA into catalytic finance that prioritises equity, inclusion, and clean energy access.
7. **Mobilising philanthropy as a catalyst.** Foundations should expand their role in piloting innovative financing models, providing flexible concessional capital, and funding civil society monitoring to ensure accountability.
8. **Linking global reforms with national priorities.** Support for just transitions must be locally grounded and aligned with national development strategies. It must also include meaningful stakeholder engagement.

To ensure follow-through, implementation of the FfD4 outcomes must be tracked through inclusive and transparent mechanisms. Thus, governments and IFIs should report regularly on progress regarding the alignment of financial flows with clean energy access, including metrics on concessionality, localisation, gender inclusion, and climate vulnerability.

Civil society and local stakeholders must be empowered to hold institutions accountable to these commitments. With the right follow-through, the commitments made at FfD4 can lay the financial foundations for a just and equitable energy future – one that leaves no one behind.



# Acronym List

| | |
|---|---|
| **AU** | African Union |
| **CAF** | Capital Adequacy Framework (G20 review on MDB capital efficiency) |
| **CGD** | Center for Global Development |
| **COP** | Conference of the Parties (to the UNFCCC) |
| **CSIS** | Center for Strategic and International Studies |
| **CSOs** | Civil Society Organisations |
| **CPI** | Climate Policy Initiative |
| **DFI** | Development Finance Institution |
| **DSA** | Debt Sustainability Analysis |
| **EMDEs** | Emerging Markets and Developing Economies |
| **ESG** | Environmental, Social, and Governance |
| **EY** | Ernst & Young (consultancy, referenced as EY, 2024) |
| **FFA** | Financing for Development Agenda |
| **FfD4** | Fourth International Conference on Financing for Development (2025, Seville) |
| **FX** | Foreign Exchange |
| **GCF** | Green Climate Fund |
| **GWU** | George Washington University |
| **IAEG** | Independent High-Level Expert Group on Climate Finance |
| **IBA** | Inter-American Development Bank |
| **IDA** | International Development Association |
| **IDOS** | German Institute of Development and Sustainability |
| **IEA** | International Energy Agency |
| **IFI** | International Financial Institution |
| **IFC** | International Finance Corporation |
| **IMF** | International Monetary Fund |
| **KfW** | Kreditanstalt für Wiederaufbau |
| **LMICs** | Low- and Middle-Income Countries |
| **MDBs** | Multilateral Development Banks |
| **NDBs** | National Development Banks |
| **ODA** | Official Development Assistance |
| **OECD** | Organisation for Economic Co-operation and Development |
| **PDBs** | Public Development Banks |
| **SDGs** | Sustainable Development Goals |
| **SDG 7** | Sustainable Development Goal 7 |
| **SPA** | Sevilla Platform for Action |
| **SCALED** | Sustainable Climate Aligned Energy for Development |
| **UNDP** | United Nations Development Programme |
| **UNFCCC** | United Nations Framework Convention on Climate Change |
| **WEF** | World Economic Forum |
| **WBG** | World Bank Group |

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