

# I. EXECUTIVE SUMMARY

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**Urgent action is needed to accelerate sustainable development and combat climate change in emerging market and developing economies (EMDEs).**

Climate change, pollution and biodiversity loss may be the greatest challenges humankind has ever faced. But they are also history's biggest investment opportunity to create a more resilient, just future. Brazil has the potential to become a major sustainability powerhouse, playing a crucial role in helping the world decarbonise at a much faster pace.

**Private investors will only fill the sustainable development and climate financing gaps if EMDEs can offer attractive risk-adjusted returns.** The fundamentals are promising, with EMDEs posting faster growth and outperforming AEs on listed equity markets over the long term. In 2024, investors are again turning to EMDEs for growth and diversification. Despite interest rates in many markets staying 'higher for longer', the IMF forecasts that economic growth in EMDEs will remain robust at 4.1% in 2024, compared to 1.5% in advanced economies (AEs).

**This paper - prepared by the MOBILIST programme, in collaboration with B3 and the Global Infrastructure (GI) Hub - considers the potential contribution of public markets to closing the sustainable development and climate finance gap in Brazil and in EMDEs globally.** It analyses why public markets have a unique role to play in financing sustainable development and climate transition, due to their scale, transparency, and liquidity. Liquid capital markets supported by deep domestic savings can reduce the cost of capital, enhance the transmission of economic policy, and so contribute to growth, job creation, and taxation. More fundamentally, public markets offer the potential to democratise the gains from growth through retail participation and the participation of pension funds representing public interests.

**Next, the paper considers how the mobilisation of private capital for sustainable development can be achieved through the public markets by presenting pioneering listed structures and strategies aligned with this objective.** These structures and strategies have emerged from MOBILIST's pipeline and portfolio and in the Brazilian public capital markets and include:

1. **Infrastructure and green asset-backed securitisation**
2. **Guarantees for listed hard currency green instruments**
3. **Listed investment companies and funds tailored to underlying assets most prevalent in EMDEs**
4. **Corporate initial public offerings (IPOs) and special purpose acquisition companies (SPACs)**
5. **Listed products offering exposure to carbon credits and nature-based solutions**

**Finally, the paper considers requisite policy and regulatory enablers to scale financing for sustainable development through public markets.** This includes ensuring that global regulatory frameworks accurately and fairly represent EMDE risk, building deep domestic savings industries to ensure foreign investment can be attracted without raising risks of 'sudden stops' and capital reversals, and developing quality exchanges with efficient regulation. The paper concludes by considering the potential roles that official sector development finance actors can play, emphasising the opportunity to harness public markets' unparalleled transparency to demonstrate the viability and attractiveness of EMDE assets and markets. This 'originate-to-demonstrate' public markets strategy may be the most scalable route to the mobilisation of private capital in support of the Sustainable Development Goals (SDGs) and international climate commitments.