**CONTRIBUTIONS from MORNINGSTAR to DRAFT ZERO.**

**Foreign direct investment and private capital mobilization for sustainable development**

35. Foreign direct investment growth has slowed since the adoption of the Addis Ababa Action Agenda in 2015. Many developing countries, particularly countries in special situations, continue to face obstacles to mobilizing private investment. Concurrently, within the private sector, investors and both local companies and multinational companies (MNCs) face challenges when investing and opening operations in developing countries, such as with information availability, navigating local regulatory frameworks, and interoperability of sustainability data and objectives. . Official sector efforts to mobilize private finance have not succeeded in catalyzing private capital at scale nor have they sufficiently focused on sustainable development impact. Robust action is needed to strengthen the global enabling environment for long-term private investment and MNC commitment to sustainable development.

*Foreign direct investment*

a) We reiterate the importance of scaling up foreign direct investment in developing countries. We call for the timely establishment of: the International Investment Support Centre for the Least Developed Countries to harness technical assistance and investment-related support for LDCs; the Infrastructure Investment Financing Facility for Landlocked Developing Countries; and the Small Island Developing States Centre of Excellence, which will include, inter-alia, a biennial Island Investment Forum.

b) We will continue to strengthen existing spacesand for developing countries to discuss national sustainable development plans with private investors, promote concrete investment opportunities, connect with public and private investors, and match supply and demand for technical assistance at the global level, including through the SDG Investment Fair.

c) We will strengthen efforts to facilitate diaspora investment through innovative instruments and call on relevant investment agencies to support such efforts.

*Private capital mobilization for sustainable development impact*

d) We call for blended finance initiatives to focus on sustainable development impact, rather than on quantity or degree of leverage alone. To this end, we call for all blended finance transactions to be aligned with national sustainable development priorities and industrialization strategies, and promote country ownership; ensure financial and developmental additionality; share risk and rewards fairly; be transparent and have clear accountability mechanisms; include participation of local communities in decisions affecting their communities; and take into account debt sustainability.

e) We invite public development banks to harmonize and strengthen impact metrics as a basis for mobilization targets, building on on-going work, and to align incentives with maximizing sustainable development impact.

f) We support efforts towards the standardization of blended finance instruments to create effective and replicable structures for different country contexts. We further support utilizing innovative structures in blended finance, including equity instruments, to ensure that both risk and rewards are shared fairly between the public and private sector.

g) We call on the International Finance Corporation to scale up the use of the International Development Association Private Sector Window, including through increased local currency lending, and enhance private equity, venture capital, and microfinance ecosystems to support MSME growth, economic diversification, and the creation of quality jobs for inclusive and resilient growth.

h) We call on MDBs from across regions to establish pools of catalytic capital seeded by development banks, development finance institutions, foundations and philanthropies, with standardized, simplified and transparent access requirements. We support the development of repositories of guarantee instruments, building on the World Bank Guarantee Platform.

i) We call on MDBs to provide enhanced technical assistance in a coordinated manner, including through the establishment of a Pooled Technical Assistance Platform, to help developing countries, particularly countries in special situations, originate, prepare and support high-impact infrastructure projects.

j) We will work with development finance institutions (DFIs) to support the development of cost effective, long-term foreign exchange risk mitigation and hedging solutions for investments in sustainable development.

k) We will work with stakeholders to re-evaluate credit rating methodologies and existing financial regulation, including capital requirements for guarantees and blended finance mechanisms, to ensure that guarantees are fairly valued in analysis and address possible unintended consequences for sustainable development investing.

l) We commit to further improve the availability, quality and accessibility of data to support additional investments in developing countries, including by working with institutional investors. We encourage the further release of quality disaggregated data, including from the Global Emerging Market Risk Database. Alignment of private business and finance with sustainable development

m) We recognize the current active role of emerging market MNCs in South-South cooperation in contributing to LDC economic growth, and will commit to engaging with companies and investors to include this dynamic as a part of future solutions.

36. Since the Addis Ababa Action Agenda, the private sector’s institutional investors, Multi national and local companies, have integrated environmental, social, and governance factors to manage risk and to identify new opportunities, yet aligning business models and investment strategies with sustainable development impact (in particular the SDGs) remains challenging. Achieving this will require a systemic shift to better align incentives along the investment chain for governments, companies and institutional investors. The recent surge in national government sustainable business and finance legislation builds on voluntary frameworks to advance alignment and enhance market clarity. Within local contextual bounds it is essential to ensure interoperability of local regulations to international frameworks , while minimizing compliance burdens, particularly for developing countriesand international entities.

*Incentives along the investment chain*

a) We will accelerate and mainstream the take-up of impact investing strategies and innovative financing instruments such as impact fund vehicles, thematic bonds and innovative investment lenses. We welcome efforts in some jurisdictions to require financial advisors to ask savers’ sustainability preferences, and call on institutional investors and financial institutions to accelerate adoption. We also commit to advance the development of responsible and inclusive consumer products while eliminating discriminative business practices, such as gender-based price differentiation.

b) We call on private entities, both companies and institutional investors, to mainstream impact into their management practices and governance , and to actively measure it. To enhance clarity, we call on standard-setters and multilateral agencies to harmonize voluntary impact standards and terminology. We also welcome the continued development, scaling, and adoption of sustainability rating and impact valuation methodologies , as well as their integration into financial models to make impact measurable and actionable, and to internalize externalities, whereby supporting the integration into investment decision making and capital allocation.

c) We will provide guidance for private entities (local companies, MNCs, and institutional investors) on their roles and responsibilities in supporting the national implementation of relevant United Nations frameworks, noting existing efforts such as the Global Compact and the United Nations Guiding Principles on Business and Human Rights implementing the United Nations “Protect, Respect and Remedy” Framework.

*Sustainable business and finance legislation*

d) We will encourage alignment of regulatory frameworks on corporate sustainability disclosures to accelerate and mainstream sustainable business behavior and adopt sustainable business and finance legislation. This should be country-led and context-specific, supported by capacity building for developing countries. We call for the adoption of national sustainable finance mobilization strategies, integrated into national financing frameworks. We urge regulators to promote transition planning for financial institutions, aligned with national pathways and global targets.

e) We encourage adoption of sustainability disclosure legislation based on double- materiality, where applicable addressing both sustainability risks and business impacts on society. While we recognize the International Sustainability Standards Board's (ISSB) progress in harmonizing sustainability disclosures, we note that its standards are not designed to cover the private sector's impact on sustainability. To this end, we will transpose at national level the standards of the ISSB and of the Global Reporting Initiative in parallel. We will include external audit provisions to enhance trust in reported data and provide capacity-building to support developing countries.

f) We will cooperate with institutional investors, companies and sustainability service providers, to adopt measures to advance impact management and through stewardship to increase engagement between governments, investors, and companies to better understand the gaps between corporate sustainability priorities, investor interests, and government mandates. The focus will be beyond data disclosure requirements to embed sustainability into business models, governance, operations and stewardship practices of investors. To prevent greenwashing and impact-washing, we will adopt appropriate guidelines for commercial and financial products.

g) We will promote the interoperability of sustainable finance legislation. We will establish international dialogue through a global interoperability governance framework. We will also leverage existing efforts to develop a roadmap for the interoperability of taxonomies, including the UNFCCC COP29 Presidency’s efforts, and we will explore to expand these efforts to also support the interoperability of social taxonomies.

h) We will work towards developing an interoperability mechanism between the SDGs’ most material indicators and environmental social and governance data and indicators, in consultation with investors. . This reflective and forward-looking interoperability mechanism will be developed by September 2027 in cooperation with investors, companies, and sustainability-standard setters, contributing to the Pact of the Future’ 2027 goal) on how to advance sustainable development by 2030 and beyond *(Action Point 12.b)*. This Initiative recognizes i) the SDGs’ gap of provide utility in shaping companies operations towards increased sustainability actions, ii) the SDG’s gap to comprehensively inform investors’ sustainable decision-making processes.

**III. Data, monitoring and follow up**

62. Timely, reliable, high-quality, and disaggregated data and statistics are essential for advancing the financing for development agenda. They support informed decision-making across all action areas while enabling effective monitoring and follow-up. Strengthened mechanisms for monitoring and follow-up are equally vital to ensuring sustained progress on financing for development.