Although the majority of institutional investors are concentrated in developed countries, the growth in emerging economies is picking up and there are sizable institutional investors in these markets as well. Insurance markets in Africa, Latin America and Asia-Pacific accounted for more than 50 percent of the growth between 2014 and 2017.[7] Given that capital flows originate and invest in domestic markets, this growing pool of institutional investors in emerging countries can be a key source of financing that can be used to fund green and long-term investments.

Finally, development finance institutions (DFI) have had limited growth in recent years as their investments have plateaued. This is in part due to the shrinking fiscal space in developed countries, as well as higher risk perception in emerging countries.[8] Thus, while there is growing need and demand in emerging countries, existing DFIs are not meeting them.

There are a number of reasons why investments, particularly from private financial institutions, are unable to flow freely to emerging countries. Market failure and undeveloped financial markets are a few of the reasons that prevent a transparent risk analysis of projects. This report focuses on financial risks and makes a proposal for the creation of a Solar Finance Corporation (SFC) that can bridge the gap and provide financing at concessional rates to poorer countries.

BARRIERS TO SOLAR INVESTMENTS IN DEVELOPING COUNTRIES

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