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Position paper

FINANCING FOR DEVELOPMENT: THE PERSPECTIVE OF COLOMBIA'S PRIVATE FINANCIAL SECTOR

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Introduction

The Fourth International Conference on Financing for Development (FfD4) represents a strategic opportunity for nations to discuss the coordination and articulation mechanisms of the international financial system, with the aim of addressing the challenges of high public debt, limited financing, and delays in the fulfillment of the 2030 Agenda.

This challenge unfolds within a global polycrisis context, marked by the worsening of the climate emergency, escalating geopolitical tensions, economic deceleration, recurring health crises, and deepening social inequalities. These crises have overwhelmed traditional response capacities and underscore the urgent need to redesign the rules of global financing to respond effectively, inclusively, and sustainably to the new development realities.

Colombia is not immune to this context and finds in it a golden opportunity—not only to advance the necessary discussions that promote the transformation of the international financial system, but also to foster domestic spaces for dialogue that enable complementary actions to mobilize financing for development at both national and territorial levels.

In this context, the United Nations Development Programme (UNDP) in Colombia has set out to integrate a perspective from the Colombian financial private sector, in collaboration with ecosystems such as insurance, development banking, fintech, and impact funds. This perspective aims to serve as an input to the ongoing discussion on the essential elements needed to promote a more integrated and inclusive national financial system, grounded in multi-stakeholder actions and geared toward the construction of collective solutions to the challenges of sustainable development in the country.

This approach is grounded in a concept of financing for development that promotes collective action among the public sector, private sector, and civil society. Based on a shared understanding of development challenges, it enables innovative spaces and mechanisms—such as blended finance, parametric insurance, impact investing, and results-based financing schemes—to fund sustainable solutions. Additionally, it is essential to foster a culture of impact measurement as a cornerstone for building new agreements among actors within the financial system.

Therefore, a mobilizing narrative is proposed: one that moves from discourse to institutional design, and from intention to implementation. This proposal does not begin from scratch; it builds on accumulated experiences in territorial development, productive inclusion, and financial innovation. It constitutes a call to action to establish co-responsible partnerships among the State, private sector, international cooperation, academia, and civil society. Only through such alliances will it be possible to channel financing toward a structural, sustainable, and people-centered transformation.

1. Reconfiguring Financing for Development: Strengthening Capacities, Aligning Agendas, and Mobilizing Impact

Financing for Development (FfD) seeks to mobilize financial resources—public and private, domestic and internationally to make the global consensus on sustainable development a reality.

Since Monterrey (2002), Doha (2008), and Addis Ababa (2015), the international community has attempted to build a more equitable and effective financial architecture to support developing countries. These conferences produced meaningful agreements on debt relief, fair trade, institutional strengthening, and the promotion of private investment. In particular, the Addis Ababa Action Agenda called for aligning all financial flows with the implementation of the Sustainable Development Goals (SDGs).

However, progress has been limited. The low fulfillment of commitments, fragmented efforts, high capital costs, duplication of mechanisms, and lack of coordination among stakeholders have constrained the impact of these initiatives. To this day, the model continues to rely heavily on public debt and traditional cooperation schemes that neither reflect current complexities nor address territorial dynamics.

This is compounded by a paradox: as financing needs increase in response to simultaneous global crisis, health, geopolitical, economic, and social—the resources available remain stagnant or even decline. The United Nations estimates that the annual financing gap to meet the SDGs exceeds US$4 trillion, with only 17% of targets progressing as planned (UNDESA, 2024). Beyond the financial shortfall, this reveals a structural failure in the way the global financing system is organized and articulated.

In this scenario, Colombia cannot passively await external reforms. On the contrary, it must act from its own local capabilities, leading a transformation that integrates the public and private sectors, communities, and multilateral institutions. Sustainable solutions must emerge from the territories, respond to their priorities, and be implemented by co-responsible actors.

Within this vision, the private financial sector must no longer be viewed as a peripheral actor. Its transformative and catalytic role can only be realized if enabling conditions are in place: clear regulatory frameworks, appropriate incentives, and effective risk mitigation mechanisms. Without these, it will be impossible to scale sustainable solutions or structurally close the financing gap.

This is not about symbolic inclusion. It requires a new balance of responsibilities where all sectors commit to measurable impact, shared value, and sustainability. Colombia has a solid track record in this direction, with experience in financial inclusion, social innovation, territorial development policies, and blended finance mechanisms—such as social impact bonds, results-based financing, impact investment funds, and shared guarantees—as well as a public management model oriented toward impact. This allows the country not only to diagnose, but also to propose and lead a feasible, evidence-based transformation.

With less than five years to go before the 2030 deadline, time is of the essence. Global crises have exposed the weaknesses of the current financial system. Transforming it is no longer optional—it is an urgent necessity to achieve more just, effective, and people-centered development. The Organisation for Economic Co-operation and Development (OECD) warns that without significant reforms, the annual financing gap to achieve the SDGs could increase to US$6.4 trillion by 2030, underscoring the urgency of a deep restructuring of the international financial system (OECD, 2025).

The Fourth International Conference on Financing for Development (FfD4), to be held in Seville in June 2025, represents a critical opportunity to rethink the principles, instruments, and partnerships that have shaped the FfD agenda. This is not merely a technical or diplomatic meeting. It is a strategic space to advance verifiable commitments, robust follow-up mechanisms, and shared metrics that connect the global with the local.

At the international level, a new approach must be built—one that recognizes and coordinates diverse actors, strengthens existing mechanisms, and enhances local financial resilience. At the national level, FfD4 must serve as a platform to consolidate a transformative vision grounded in dialogue between public and private actors and in the real needs of the territories.

This renewed vision must foster a clear co-responsibility among:

- **The State,** as the provider of enabling conditions and guarantor of impact;
- **Academia,** as a source of knowledge, innovation, and strategic information;
- **Civil society**, particularly at the local level, as a catalyst for investment and impact monitoring.

The model centered on Official Development Assistance (ODA) and public borrowing must be complemented by a new paradigm: an innovative, coherent, multi-stakeholder, and long-term financial system. To achieve this, it is essential to formulate structural questions that challenge current inertia and enable the redesign of FfD in both operational and strategic terms:

- How can international cooperation frameworks be transformed to strengthen local capacities and mobilize domestic resources?
- What conditions are necessary to activate synergies and build capacities among development banks, impact funds, the financial sector, and local governments?
- What regulatory frameworks are required to foster purpose-driven investment, financial innovation, and inclusion?
- How can the traditional private financial sector be engaged in the impact ecosystem?
- What is needed to generate more and better bankable projects?
- What strategies and instruments (thematic bonds, microinsurance, crowdfunding, etc.) should be scaled to overcome local barriers?
- What incentives are needed for companies to align their business models with the SDGs?
- How can public and private financial systems be coordinated to channel resources toward impact?

Answering these questions requires convening all actors within the FfD ecosystem: governments, development banks, the productive and financial sectors, insurers, international cooperation, academia, and civil society. Only through such a joint effort will it be possible to turn vision into action and build a new global financial architecture in service of sustainable human development.

2. The Financial Private Sector as a Structural Agent of Development

The private financial sector is no longer a peripheral actor in the development agenda—it has become a key stakeholder in addressing structural challenges. Its role now goes beyond generating economic growth; it also designs, implements, and scales solutions that transform realities and create value for people.

This evolution stems from a shift in business strategy and awareness: more companies, banks, funds, fintechs, and financial platforms recognize that their sustainability is intrinsically linked to the environment in which they operate. Profitability and purpose are no longer opposing dimensions—triple bottom line approaches have become strategic drivers for business.

In Colombia, this transformation is tangible. Companies of various sizes are developing inclusive products, adopting ESG standards, and forming partnerships with local governments and development actors. One notable example is the Empleando Futuro Social Impact Bond, which exceeded its labor inclusion goal for vulnerable populations by 17%, thanks to a partnership between Fundación Corona, the Inter-American Development Bank - IDB Lab, and the Department for Social Prosperity - DPS. Also noteworthy is the Cali Progresa con Empleo program, led by the Cali Mayor's Office, which seeks to create over 590 formal jobs. These examples illustrate how innovative finance is already generating tangible results in the country (Fundación Corona, 2025).

In the financial domain, a maturing ecosystem is taking shape—one that is advancing in financial inclusion, green and social credit, impact investment funds, socially-oriented fintechs, parametric insurance, and microinsurance. These innovative solutions are emerging within an increasingly enabling environment: a growing supply and demand for digital financial services, enabling public policies such as Open Data and Open Finance, immediate payment systems, and a market that is more receptive to sustainable impact.

Nevertheless, this progress faces structural constraints that cannot be ignored. Several bottlenecks continue to hinder the scalability and sustainability of these initiatives. Key challenges include:

- A regulatory framework that must strike a balance between safeguarding financial stability and systemic risk mitigation, while also fostering innovation (new solutions) and financial inclusion.
- Entry barriers that disproportionately affect micro and small enterprises, especially those operating informally, at an early stage, or located in rural areas.
- A restrictive fiscal context that limits the scope for effective incentives or support mechanisms.
- A weak culture of Monitoring, Evaluation, and Learning (MEL) and impact management, which hampers the connection between purpose and capital flows and reduces transparency.
- Persistent distrust between the public, public and private actors, which hinders the establishment of durable partnerships.
- Lack of continuity in the implementation of innovative instruments, limiting their scalability and increasing transaction costs.

- Limited technical and financial capacities, coupled with high informality within the productive sector, particularly in territories with reduced access to technology, information, and financing.

Overcoming these challenges is not solely a matter of business will. It requires a systemic vision, underpinned by clear rules, enabling conditions, and effective incentives. Colombia must strengthen its public policies to foster an environment where businesses can operate based on the logic of the common good, with genuine capacity to transform their surroundings.

This entails progress in key areas such as:

- Establishing appropriate tax incentives for purpose-driven enterprises.
- Expanding risk mitigation mechanisms (*de-risking),* concessional funding, and sustainable investment conditions.
- Reviewing and updating the scope of fiduciary duty to align investments with development objectives.
- Stabilizing the regulatory frameworks governing Public-Private Partnerships (PPPs).
- Consolidating platforms that strengthen Monitoring, Evaluation, and Learning (MEL) agendas, as well as impact measurement and management frameworks to inform decision-making.

In addition, a robust strategy is needed to transform and strengthen business capabilities, particularly among excluded, small-scale, or informal enterprises. Innovation and technology transfer, including the use of artificial intelligence, are critical to elevate the digital maturity of the productive ecosystem.

Transversally, it is essential to recognize all actors, including the private sectors co-responsible for development. In this regard, it is crucial to accelerate alternative financing strategies that channel decentralized resources toward initiatives with social and territorial impact, especially in contexts traditionally excluded from the financial system.

The message is clear: without the private sector, closing the financing gap and achieving the Sustainable Development Goals will not be possible. Its engagement must no longer be optional or fragmented must be institutionalized, incentivized, and aligned with national and territorial objectives. Only then can its full potential be mobilized as a strategic partner for inclusive and sustainable development.

3. Systemic Shifts: Governance, Cooperation, and the Institutional Architecture of FfD in Colombia

The transformative potential of the private financial sector does not depend solely on its internal capacities, but also on the existence of more enabling environments. In this regard, international cooperation must move beyond its traditional role as a complementary source of resources and act as a catalyst for national capacities.

Its strategic role should focus on strengthening public systems, mobilizing domestic resources, and facilitating public and private investment. Aligning cooperation frameworks with each country's priorities is the first step in generating effective synergies, particularly in contexts like Colombia, where territorial inequalities demand differentiated and targeted responses.

One key tool for advancing this vision is the implementation of **Integrated National Financing Frameworks (INFFs).** More than just technical instruments, INFFs serve as strategic platforms that align planning, fiscal policy, and investment decisions with the Sustainable Development Goals (SDGs). They facilitate the identification of financing gaps, coordinate diverse funding sources, and direct interventions to where they are most urgently needed—while promoting partnerships based on shared value.

Equally important is strengthening governance for financing for development. Investment decisions, whether public or private—must be based on effective dialogue spaces with the active participation of territorial governments, local communities, businesses, and civil society. Advancing toward governance that is multi-stakeholder, multisectoral, and multilevel is essential to ensure that decisions respond to real territorial priorities, are validated through participatory processes, and generate triple-bottom-line returns: economic, social, and environmental. Achieving this requires strong institutional leadership at the national level to coordinate, support, and monitor this shared vision.

In this effort, **Public Development Banks (PDBs)** play a critical role. Their experience in mobilizing resources, structuring financial plans, managing funds, and measuring impact positions them as key actors in reforming the global financial architecture.

In Colombia, development banks act as intermediaries between the State, private banking, and multilateral organizations, channeling resources to strategic sectors and territories. In addition to aligning their operations with global commitments—such as the Paris Agreement, the SDGs, and the Global Biodiversity Framework—PDBs play a fundamental role in demand preparation and capacity-building. This includes supporting the structuring of bankable projects aimed at sustainable development, as well as strengthening the technical, financial, and digital capacities of territorial actors. Strengthening demand is as essential as strengthening supply, as it enables the generation of viable, sustainable projects that respond to today's challenges.

A robust and coordinated national PDB system can scale up innovative mechanisms—such as blended finance—to attract private investment into development projects. Colombia already has concrete experiences in this regard: social impact bonds, results-based financing schemes in employment programs, investment in social infrastructure (e.g., hospitals and roads), debt swaps, and financing targeted at priority territories and populations. These examples demonstrate that impact can be achieved when financial, policy, and institutional capacities are effectively combined.

However, no transformation will be sustainable without the consolidation of a results-oriented culture and a strong impact measurement capacity. It is urgent to bring financial accountability to the same level as results accountability. It is not enough to implement projects—we must measure, report, and learn. FfD requires common monitoring standards, harmonized evaluation frameworks, and institutions that promote transparency, continuous improvement, and evidence-based decision-making.

As often stated*,: what is not measured cannot be improved; and what is not communicated cannot inspire.* Despite the existence of multiple measurement frameworks, these must be harmonized, adapted to evolving realities, and institutionally embedded to ensure transparency, collective learning, and competitiveness.

The national agenda proposed here—shaped by the experience of Colombia's financial private sector and dialogues with public, social, and cooperation actors—positions FfD4 as a concrete opportunity to showcase Colombia's viable, transformative proposals aligned with a systemic vision of development.

A vision that acknowledges that development is not a straight line between the State and the market, but rather a network of interdependent actors that generate conditions, mobilize resources, and enable effective implementation. Now is the time to consolidate a country capable of simultaneously embracing both national and territorial perspectives—leveraged by international capabilities—and committed to advancing sustainable and inclusive human development.

4. Proposed Course of Action: Five Strategic Pillars

Far from being a closed prescription, this document draws on studies, data, experiences, and conversations with key actors in the Financing for Development (FfD) ecosystem—particularly from the private sector. Based on this process, it presents a concrete roadmap toward a new financial architecture that reflects the country's realities, with a territorial approach, intersectoral co-responsibility, and a focus on results.

The proposal is structured around five mutually reinforcing strategic pillars that define a practical path toward deep transformation:

1. Integrative Dialogue

Colombia must establish high-level roundtables with active participation from the public sector, Public Development Banks (PDBs), the financial private sector (through business associations), academia, and civil society. These roundtables should operate under clear governance rules, with assigned responsibilities and accountability mechanisms.

A structured dialogue not only harmonizes interests—it also creates a virtuous cycle: it builds trust, fosters a shared language, aligns capacities, and consolidates sustainable partnerships. International cooperation agencies can play a key mediating and facilitating role. Within this framework, it is necessary to jointly define objectives, thematic agendas, budgets, responsibilities, and timelines.

2. Enabling a Financial Environment and Mechanisms for the Impact Market

Closing the financing gap requires accelerating the mobilization of capital with purpose. What was once important is now urgent. Colombia needs conditions that encourage purpose-driven investment and promote projects that attract private capital. To achieve this, the State and cooperation actors must act as catalysts: establishing functional regulatory frameworks, providing risk mitigation instruments, and supporting the design of replicable or scalable initiatives.

Financial architecture must operate based on principles of impact, differentiation, and trust, integrating technological tools to swiftly connect private capital with social and territorial needs. This involves adapting mechanisms such as blended finance, results-based payments, thematic bonds, climate guarantees, impact funds, and microinsurance.

Having adequate and timely information on the population and target sectors is an essential enabler for closing financing access gaps. Information asymmetry—when data on individuals, companies, or projects is scarce or fragmented—limits the financial system's ability to deliver context-sensitive and relevant solutions.

Progress in diagnostics, profiling processes, and the development of open data schemes can be decisive in improving financial and productive inclusion, enabling the design of value propositions tailored to local realities.

For example, insurance, particularly in the context of natural or agricultural disasters, is a key instrument within blended finance, as it leverages investments through risk transfer mechanisms. It ensures the continuity of productive investments in vulnerable areas by protecting livelihoods.

From the perspective of Public Development Banks, improving capital cost conditions will allow benefits to be transferred to communities and territories. This requires improving access to capital markets so the productive sector can finance itself over the long term and channel savings toward sustainable projects. It also calls for promoting the flow of concessional financing to foster more inclusive market conditions.

None of this will be possible without strengthening trust: transparency, stable regulatory frameworks, institutional predictability, social fabric restoration, and a shared development narrative are all essential to attract investment with purpose.

3. Rules of the Game That Unlock Opportunities

Regulatory frameworks must evolve at the pace of innovation. Regulations, manuals, and procedures need to be reviewed to enable new business models, finance transformative solutions, and open space for emerging initiatives.

An enabling environment is one in which regulations not only establish clear goals but also offer the flexibility to adapt to changing contexts. Instruments such as **regulatory sandboxes** have proven effective in allowing experimentation without compromising systemic integrity and could be expanded or replicated in other sectors.

This process must be part of a cross-cutting regulatory modernization agenda, led by a high-level government representative and agreed upon with private financial sector actors that promote this type of financing.

4. Capacity-Building and Enabling Conditions

Financing can only be transformative when backed by strong institutional capacities. Technical, regulatory, and operational capabilities must be strengthened in both the public and private sectors. This includes:

- Strengthening robust capabilities and incentives for impact investing and public-private partnerships.
- Establishing effective risk mitigation and guaranteeing mechanisms.
- Developing institutional infrastructure—both public and private—to structure bankable projects. Building a strong project pipeline that incorporates sustainability and feasibility criteria is vital to channel innovative financial mechanisms to those who need them most.

5. Promoting a Culture of Results, Measurement, and Impact Management

Financing must be oriented toward generating tangible well-being for people. Therefore, this pillar proposes:

- Integrating metrics on human development, sustainability, and inclusion into financial decision-making processes.
- Promoting systems and incentives that support result-based financing schemes.
- Strengthening national monitoring and evaluation capacities among FfD actors.
- Establishing common and complementary accountability mechanisms, with a multi-stakeholder and territorial focus aligned with international standards.
- Using impact measurement and reporting standards comparable to financial performance standards.
- Deepening the development of an evidence-based impact market by strengthening networks, initiatives, and local and global platforms.
- Actively disseminating and promoting tools for measurement, reporting, and knowledge management among both traditional and emerging FfD actors.

A Clear and Actionable Call

FfD4 must not become an exercise in reaffirming principles. It should mark the beginning of a new phase in which financing is concretely and verifiably placed at the service of sustainable and territorial development. Colombia is rising to this challenge with political will, technical capacity, and accumulated experience. It will not merely participate—it seeks to lead and co-create this transformation.

It comes to the table with viable proposals, locally grounded, infused with innovation, and driven by a firm conviction: sustainable development is built from the bottom up, and from the local to the global.

Moving from principles to mechanisms. From rhetoric to institutional design. From planning to purpose-driven financing. That is the task. And Colombia is ready.

5. Conclusion: From Principles to Implementation

The success of FfD4 will not be measured by the quality of speeches, but by the collective capacity to translate principles into concrete commitments and verifiable mechanisms. Colombia does not attend to reaffirm what is already known—it comes to propose what is still needed.

The goal is clear: to build a financial architecture that not only mobilizes resources but also transforms lives and closes the structural gaps of development.

This requires redefining the roles of the actors that make up the system. The financial private sector must no longer be treated as a peripheral stakeholder—it must be fully recognized as a structural agent of development, with enabling conditions that allow it to act with impact.

International cooperation must move beyond the mere transfer of resources: it must focus on strengthening national capacities, building sustainable partnerships, and serving as a bridge between global agendas and local solutions.

And the State must decisively embrace its role as leader, convener, and guarantor of impact—grounding its actions in evidence and ensuring the effective participation of all stakeholders.

FfD4 represents a tangible opportunity to align global interests with local needs. This is the time to move from broad consensus to operational commitment—with clear proposals, demonstrated capacities, and a firm conviction: financing must serve sustainable human development—not the other way around.

Moving forward together is not just an aspiration, but an urgent imperative. What is at stake is not merely how development is financed, but who gets left behind if we fail to do so.

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