Unlocking Sustainable Development

Barriers & Solutions to Private Sector Sustainability Investments

JUNE 2025

ICC Sweden

Table of contents

Unlocking Sustainable Development: Barriers & Solutions to Private Sector Sustainability Investments

This paper is a compilation based on insights from companies within the International Chamber of Commerce's (ICC) Swedish network and serves as a complement to previous contributions submitted by ICC to the UN Financing for Development (FfD4) process ahead of the 2025 summit in Seville. Its purpose is to make the proposals put forward to date more concrete by lowering the level of abstraction, highlighting specific barriers faced by companies investing in sustainable development, and proposing solutions to overcome them.

The examples included illustrate how regulatory frameworks, incentives, and forms of cooperation can be improved to better support and scale up sustainability investments. The proposals are based on conclusions from a roundtable discussion hosted by ICC Sweden and the Confederation of Swedish Enterprise on 23 May 2025. The final document has been anchored with ICC Sweden's Sustainability Committee, which comprises sustainability directors and experts from ICC Sweden's members.

Summary

Barrier	Solution
Volatile policies without long-term agreements result in unpredictable regulatory frameworks.	• Cross-party and long-term agreements. • Regulations designed to outlast individual political terms. • Ensure global frameworks provide consistency, clarity, and long-term direction.
Lack of knowledge about available solutions and technologies leads to untapped potential.	• Strengthen awareness in policymaking about the solutions and technologies already available. • Increase politics–business and business–business interactions. • Ensure new innovations and emerging technologies are reasonably reflected in policy design, incentive structures, and public procurement practices. • Establish mechanisms to better match private capital with transition projects.
Emissions must come at a cost.	• Put a price on emissions. • Ensure different carbon pricing schemes can be interlinked to avoid carbon leakage and barriers at national borders.
Subsidies for fossil-based systems must be phased out.	• Phase out subsidies on fossils. • Level the playing field for sustainable and/or circular practices.
Circular solutions lack recognition in policy.	• Design policies, regulations, and procurement criteria to promote circular and resource-efficient alternatives.
Publicly funded projects often lack connection to real market demand.	• Ensure public interventions are grounded in proven business logic and aligned with actual market incentives.
Lack of effective de-risking models and public–private co-investment mechanisms.	• Reforme mandates for Multilateral Development Banks (MDBs) to mobilise public capital in a way that ensures additionality, without crowding out early-entry private actors. • Public/Private Sector co-developed de-risking mechanisms. • Shift MDBs role from sole financier to strategic partner.

Barrier	Solution
Financing gap prevents scale-up beyond pilot stage.	• Develop models for scale-up and co-investment where market infrastructure is lacking.
Trade barriers, bureaucracy, and corruption.	• Open up markets. • Strengthen anti-corruption efforts. • Develop predictable regulatory frameworks and modernise legislation.

High transportation costs, inefficient customs systems, and major trade barriers for ”green” technologies.	• Liberalise trade in ”green” technologies and circular solutions through actions such as:
	  • Conclude existing negotiations on trade liberalisation of environmental goods.
	  • Update WCO Harmonised System.
	  • Remove non-tariff barriers.

Existing standards and reporting requirements are complex and difficult to interpret.	• Develop common standards and definitions with global applicability. • Improve coordination between international organisations to enable globally active companies to benefit from their circular business models and implement standards across borders.
The absence of standards hampers profitability assessments and financing.	• Support capacity-building within the financial sector to enable investments in emerging business models. • Develop common, standardised methods for measurement and assessment.

Introduction

Discussions around sustainability investments often centre on mobilising large amounts of capital. In practice, however, the key determinant of real transformation is not the size of global financial pledges – but whether we have created the right conditions for investments to materialise and deliver impact. An enabling business environment, transparent regulations, access to markets, and a level playing field are essential factors. Without them, capital remains idle, innovations stall in the pilot phase, and local needs go unmet.

The private sector is not only a potential source of financing but a necessary partner in the transition. Businesses can provide technical solutions and create jobs that build societal resilience. But for this to happen, their investments must be commercially viable, and their partnerships enabled. This requires us to seriously address barriers such as corruption, regulatory uncertainty, and the lack of effective risk-sharing mechanisms.

Many of the examples in this paper relate to climate investments – which is natural. Tackling the climate challenge is a fundamental precondition for achieving both social and economic sustainability. At the same time, this paper illustrates the interdependence of solutions: barriers in one area have ripple effects in others.

We hope this document will serve as a concrete contribution to the discussions within the FfD4 process – and as a clear reminder that policy must pave the way for business if we are to scale up sustainability investments to the level required.

1. Political and Regulatory Uncertainty

BARRIER: Volatile policies without long-term agreements result in unpredictable regulatory frameworks.

SOLUTION: Establish cross-party and long-term agreements for implementing the sustainability transition. To meaningfully contribute to sustainable development, regulations must be designed to outlast individual political terms, across all levels of governance – from local to national and international. Integrate sustainability goals into industrial policy, trade, and infrastructure strategies.

A clear political direction is essential to provide guarantees for future development and a reasonable risk level for investors. Strong governance in the real economy is crucial. Financial regulations should complement, not replace, direct emission and pollution rules. Proper policy signals are needed to make sustainable investments profitable.

When national and regional policies are perceived as unstable, consistent and clear global frameworks become even more important to ensure long-term direction.

BUSINESS REALITY

Case: Political volatility deters long-term capital

Institutional investors point to political and regulatory uncertainty as a major barrier to sustainability investments. Frequent policy shifts make it difficult to assess long-term risk and return, which lowers investment appetite and raises return requirements. Occupational pension funds, tasked with delivering stable value over decades, require predictable frameworks and clear political direction to commit capital. To reduce perceived risk, investors must be able to plan over long time horizons based on credible policy trajectories.

BUSINESS REALITY

Case: The Invisible Solutions – How Proven Technologies Go Unused

Every day, vast amounts of heat are wasted – despite the fact that the technology to recover excess heat is already available, affordable, and easily accessible. In many cases, these investments have payback periods of just a few months. A concrete example involves nearly fossil-free heat exchangers. Analysis shows that if the heat exchangers already installed globally were simply cleaned and maintained, global CO_2 emissions could be reduced by up to 2.5% – without any need for new technology. The potential for both cost savings and climate impact is significant, but the invisibility of these solutions means they are often overlooked in corporate strategies and policy instruments alike.

BARRIER: Lack of knowledge about available solutions and technologies leads to untapped potential.

SOLUTION: Strengthen awareness in both policymaking and business communities about the solutions and technologies already available, to ensure existing tools are fully utilised and enable match-making between relevant stakeholders. The International Energy Agency (IEA) has concluded that many of the technologies needed to reach net zero emissions are already on the market, but now need to be scaled and implemented. Well-functioning trade and investment flows play a critical role in enabling the continued development and dissemination of these technologies. The understanding of new innovations and emerging technologies should be reasonably reflected in policy design, incentive structures, and public procurement practices.

To build the political long-termism needed to support this transition, business has a responsibility to more clearly explain how existing solutions work in practice and the systemic value they offer. This is essential to instil the confidence and courage required for policymakers to take bold, long-term decisions. Closer interaction is needed – both between business and policymakers, and within the business community itself – to foster a shared understanding of how solutions fit together in a broader system, rather than being seen as isolated technologies or company-specific cases.

BUSINESS REALITY

Case: Matching Capital with Small and Innovative Sustainable Enterprises

Institutional investors often face difficulties in aligning their capital with sustainable investment opportunities, particularly when it comes to small, emerging companies developing innovative technologies. These businesses typically have limited scale and are perceived as higher risk, causing large investors to hesitate. As a result, significant capital remains untapped, and promising solutions struggle to grow and scale. Establishing mechanisms and platforms to better match private capital with transition projects, alongside developing clearer and more adaptive sustainability definitions, would facilitate investments and unlock substantial potential for sustainable development.

2. Inadequate Business Conditions for Sustainable Solutions

BARRIER: Emissions must come at a cost.

SOLUTION: Put a price on emissions. Without a clear price on emissions, the market is lacking the conditions needed to efficiently accelerate the green transition. Moreover, companies investing in climate solutions are undercut by competitors that can continue using emission-intensive methods at lower costs. Carbon pricing needs to be expanded and harmonised to establish fair global competition and create effective incentives.

BARRIER: Subsidies for fossil-based systems must be phased out.

SOLUTION: To enable sustainable solutions to thrive, subsidies that support fossil-based or resource-intensive alternatives – especially where more sustainable practices exist but are not enjoying similar benefits – must be phased out. This will allow sustainable solutions to compete more fairly on price. At the same time, circular and fossil-free alternatives need improved conditions to scale up.

BARRIER: Circular solutions lack recognition in policy.

SOLUTION: ICC Sweden has previously mapped[1] how tax policy not only creates obstacles to sustainability investments, but in some cases actively discourages them. Companies that opt for more resource-efficient approaches in their operations should be encouraged. Choosing a more resource-efficient path should not disqualify a company from tax deductions that would otherwise apply. Policies, regulations, and procurement criteria should be designed to promote circular and resource-efficient alternatives.

1 Swedish Tax Policy & Sustainability (2023), ICC Sweden

BARRIER: Publicly funded projects often lack connection to real market demand

SOLUTION: Ensure public interventions – including development aid and government support schemes – are grounded in proven business logic and aligned with actual market incentives. Subsidy schemes, donor-driven programs, and other support mechanisms must encourage models where sustainable technologies generate clear value for end users, enabling demand-driven scaling and long-term viability.

BUSINESS REALITY

Case: No scale without value – Lessons from permanent pilots

Over recent decades, billions have been invested in rural development and renewable energy initiatives targeting smallholder farmers. Despite good intentions, many of these projects have failed to deliver lasting impact. Solar energy solutions – from lanterns and cookstoves to irrigation pumps – were often structured as aid-driven projects, detached from the economic realities of end users. Without a clear link to increased income or productivity, users lacked the incentive to invest. Many initiatives relied on subsidies, grants, or carbon offsets. When that support ended, so did the operations. With weak local demand and unsustainable payment models, high-ambition projects often ended as permanent pilots. The single most decisive factor for long-term success was missing: a model in which the technology created tangible economic value for the user. Without that, there was no willingness to pay – and no viable path to scale.

3. Financial Constraints

BUSINESS REALITY

Case: Crowded Out – When Public Finance Displaces Private Investment

Several stakeholders report that development banks – despite their ambition to mobilise private capital – in fact often end up crowding it out. A recurring pattern is that private actors enter early, take on high risk, and drive innovation. Once the project becomes viable, a development bank intervenes with more favourable financing terms, effectively displacing the private investor.

This undermines the core purpose of development banks, which is to enable and scale private investment – not replace it. Their access to lower capital costs and greater risk tolerance should be leveraged to absorb early-stage risk, co-design de-risking models, and build financing partnerships that distribute both risk and return.

BARRIER: Lack of effective de-risking models and public–private co-investment mechanisms.

SOLUTION: The mandate and governance of development banks must be reformed to prioritise early-stage risk mitigation and capital mobilisation, not late-stage competition. Multiple private actors report being displaced despite offering cost-efficient, high-potential solutions. Financing tools like guarantees and outcome-based procurement models should be developed to enable broader partnerships – including with civil society. By engaging the private sector from the outset and shifting their role from sole financier to strategic enabler, development banks can become true catalysts for sustainable investment.

BUSINESS REALITY

Case: Pilot Paralysis – When Finance Fails Promising Solutions

Companies working with climate innovations in developing markets report challenges in scaling up their solutions. A common case involves businesses that have developed effective solutions at pilot scale but need to partner with local NGOs or community actors to reach end users.

Since such partnerships don't follow traditional procurement models or involve standard commercial clients, there is often no clear counterparty for credit assessment. Banks are reluctant to assume risk on non-commercial entities, even when there is proven demand. As a result, projects become stuck in the pilot phase despite their potential to deliver both climate impact and local livelihoods.

BARRIER: Financing gap prevents scale-up beyond pilot stage.

SOLUTION: Develop models for scale-up and co-investment in countries lacking a developed market infrastructure, where the relevant counterpart may often be a civil society organisation rather than a private enterprise.

4. International Market Barriers

BARRIER: Trade barriers, bureaucracy, and corruption.

SOLUTION: Act to open markets and strengthen anti-corruption efforts, with a particular focus on creating predictable regulatory frameworks, modernising legislation, and building trust through neutral actors such as local business associations. Measures should be tailored to local conditions and support tangible reforms – for example, by working directly with legislators in partner countries. This is essential for reducing corruption, increasing transparency, and improving the business climate. Close dialogue with both local and global businesses is key to identifying barriers and ensuring that regulations facilitate investment.

BARRIER: High transportation costs, inefficient customs systems, and major trade barriers for "green" technologies.

SOLUTION: Liberalise trade in "green" technologies and circular solutions. To make efficient solutions available globally, the trade system must be reformed and market-based conditions established. We call for, among other things: simplification of import and export procedures; conclusion of the WTO Environmental Goods Agreement (EGA); an update to the WCO Harmonised System to better distinguish environmentally friendly, climate-smart or circular goods and resources; and the removal of non-tariff barriers such as national certification requirements that increase costs without adding value.

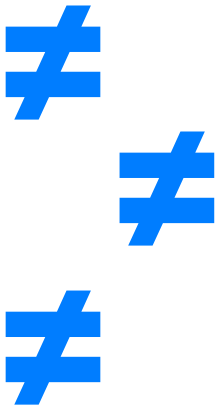
BUSINESS REALITY

Case: The price of red tape – Doubling the cost of climate solutions

An example of the cost of trade barriers comes from a company producing an energy-efficient irrigation system for small-scale farming, manufactured in India. The solution has proven benefits in reducing water and energy use, while also strengthening food security.

Despite ready-to-market technology and clear demand, trade barriers and bureaucracy make it nearly impossible to reach end users. The products become entangled in a web of import declarations, fluctuating freight costs, local certification requirements, and corrupt intermediaries. By the time the product reaches the end user, the price has doubled – entirely unrelated to the company's production costs.

***The result?** A highly effective climate solution becomes unaffordable for those who need it the most.*



5. Lack of Common Standards

BARRIER: Existing standards and reporting requirements are complex and difficult to interpret.

SOLUTION: Develop common standards and definitions that can be applied globally and updated in line with evolving practices. Promising standardisation work is already under way, for example, within ISO. However, improved coordination between international organisations is needed to enable globally active companies to benefit from their circular business models and implement standards across borders.

BARRIER: The absence of standards hampers profitability assessments and financing. There is currently insufficient capacity and understanding of how to assess profitability in circular projects. Despite strong intentions and growing ambition to support sustainability investments, banks often struggle to handle investments that fall outside traditional frameworks – particularly those involving circular business models, unconventional partnerships, or new risk profiles. The result is that innovative projects are halted due to uncertainty, not because they lack business logic, but because financial institutions lack the tools to assess them.

SOLUTION: Support capacity-building within the financial sector to enable investments in emerging business models, and develop common, standardised measurement and assessment methods.

Conclusion

To unlock the full potential of the private sector in contributing to the Sustainable Development Goals, collaboration across sectors and borders is essential. The barriers we have presented show that many solutions already exist but that the systems intended to support them have not kept pace. With aligned incentives, fit-for-purpose regulatory frameworks, and innovative financing models, sustainability investments can be scaled up, expanded, and deliver value for individuals, communities, and businesses alike.

This paper aims to inform ongoing discussions and encourage practical steps that bridge policy intent with business capability. These issues are core priorities for the International Chamber of Commerce, and we stand ready to contribute with concrete examples, policy proposals and continued dialogue.