

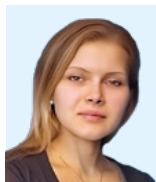
Newsletter for Central Banks

Building together smart solutions to face a challenging environment



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For more on Amundi's thought leadership: [visit our website](#)

Dear Client,

Welcome to the sixth edition of Amundi's Newsletter for Central Banks, crafted by our experts for you.

In a world of shifting power dynamics, rapid digital innovation, and urgent financing needs for the green transition, our specialists share concise analysis on themes that matter to central banks globally.

In this edition, we assess the intensifying geopolitical and economic forces shaping 2026, including gold's structural rise as a diversification tool. We explore how digital assets and tokenised money are redefining financial infrastructure and prompting central banks to rethink monetary frameworks. Finally, we draw key insights from Jean-Jacques Barb  ris, Deputy CEO of Amundi, on the promise of blended finance to mobilise private capital for sustainable development.

We hope this edition meets your expectations and invite you to share your thoughts with us!

Contact us at sovereign@amundi.com

What's new & coming up?

October 2025

Blended Finance: scaling capital for sustainable impact

Discover how blended finance is mobilizing private capital to scale sustainable investments and unlock impact in emerging markets.

[Read more](#)

19-20 November 2025

Central Banking's Autumn Meetings

Amundi is proud to sponsor the Central Banking Autumn Meetings in Rio de Janeiro, where we'll host a panel exploring ESG integration and the future of reserve management in a shifting global landscape.

[Discover more](#)

19 November 2025

WEBINAR REPLAY Amundi Investment Outlook 2025

As we look ahead to 2026, our experts explored how far global markets could sustain their momentum over next year and the factors that keep markets turning.

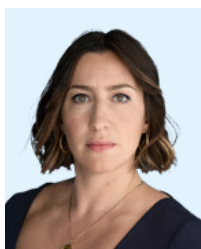
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24-28 November 2025

Amundi Knowledge Transfer "Inhouse Programme"

Deepen your investment management skills alongside peers from central banks in a focused in-house program designed to enhance practical knowledge and best practices.

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**Anna ROSENBERG**

Head of Geopolitics,
Amundi Investment Institute

Brace for an intensification of the dynamics that shaped 2025

We're now in the riskier, messier world we predicted we would enter, as the global political system has transitioned to multipolarity¹. Multipolarity is an unstable political system because it intensifies competition between states, causes shifting alliances, and triggers an arms build-up, as countries feel compelled to take security into their own hands.

Alongside multipolar competition, the Artificial Intelligence (AI) race, which we can regard as a contemporary iteration of the technology and space races witnessed during the Cold War, is also shaping the major shifts underway. Control over AI is seen by the US and China as essential for securing their superpower status. Investing in AI is therefore about power and survival. What makes this technology race different is that the competition is not only between state actors, but also with and between companies, giving them leverage over state actors.

On top of these dynamics, the US under President Donald Trump has emerged as a disruptor, undermining the global trade, financial, and security systems. In this environment, those with resources others depend on, military might (in particular, nuclear capabilities), as well as diversified partnerships, are the ones with geopolitical leverage.

This complex backdrop will shape 2026. Hybrid and economic warfare will intensify. The 'Great Diversification' playing out this year, which saw the USD weaken and new alliances emerge, will continue to unfold, creating space for interest-based alliances to compensate for an eroding global order. These diversification efforts by governments and investors will see global trade continue to flow despite increasing economic friction.

More economic disruption likely in 2026

Over the past decade, economic friction has consistently grown. Protectionism, sanctions, and export controls have steadily increased as an extension and replacement of military means; this is evident in how the West has tried to counter Russia and how the US has aimed to contain China.

Economic friction accelerated with Trump's tariffs and is likely to intensify. Should the US underperform and Trump face political

challenges ahead of the mid-term elections, it is likely the administration will adopt more aggressive stances.

China is doubling down on exporting to achieve the economic growth it needs for domestic stability. Other countries are introducing protective measures and hiking tariffs to protect their industries. The EU has announced new steel tariffs and is turning more protectionist.

China is now also making use of its "Trump card": control over rare earths. Curtailing exports of the latter will remain its ultimate leverage, which it will use frequently to achieve its political goals, posing risks to EU and US industrial production.

Risks to Europe from the Russia-Ukraine conflict increase in 2026, but there are some positive developments too

A continuation of the war remains the most likely outcome, at least for the first part of the year, as the goals of the parties involved do not overlap.

The US administration is torn between two competing instincts: Trump's personal trust in Putin conflicts with American interests that dictate a US president must support allies and that Russia remains an enemy. These conflicting viewpoints will likely present ongoing limits to how much the US is willing to step up support for Ukraine, while simultaneously the US will likely refrain from dropping its support altogether. But it also implies, that the US will remain reluctant to really hurt Russia.

Russia believes that time is on its side, and it has a chance at achieving its maximalist war goals, including deposing Ukraine's leader and demilitarising the country. Conversely, for Ukraine and Europe, a highly militarised Ukraine that is able to defend itself is of paramount importance.

The result of these dynamics makes the continuation of the status quo the most likely scenario. As Russia's appetite to enter a direct military confrontation with NATO remains limited and its forces are busy in Ukraine, hybrid warfare is likely to intensify as Russia seeks to erode Europe's willingness to support Ukraine.

¹. <https://research-center.amundi.com/article/great-diversification-underway>

The incursion into European NATO airspace will likely eventually lead to a response from NATO to increase deterrence, overall increasing the risk of escalation.

Should the US indeed increase military support to Ukraine, the result would still be a continuation of the status quo with higher escalation risks, albeit it could change Russia's calculus. Should the new sanctions really hurt Russia's economy, Putin's war calculations may begin to change.

Despite the many risks facing Europe, because of fractured domestic politics and difficult relations with the US, European leaders have so far been able to stick together. They have managed to broadly align Trump with European security interests. The EU has also made major progress in diversifying its trade relations through deals with Mercosur, Indonesia, and India, to name a few examples. There are major developments in the defence industry too.

The difficult backdrop is beginning to pave the way for reforms that could make the EU more competitive. Only recently, Germany's Chancellor Friedrich Merz called for a single European stock exchange, signalling German support for plans to unify the bloc's capital markets. Germany has hitherto been the main stumbling block to greater capital markets integration. While the implementation of major reforms remains difficult, and will take time and effort, political momentum seems to be shifting.

US-China: the relationship will continue to deteriorate, but in 2026 there will be a floor to how much can it worsen

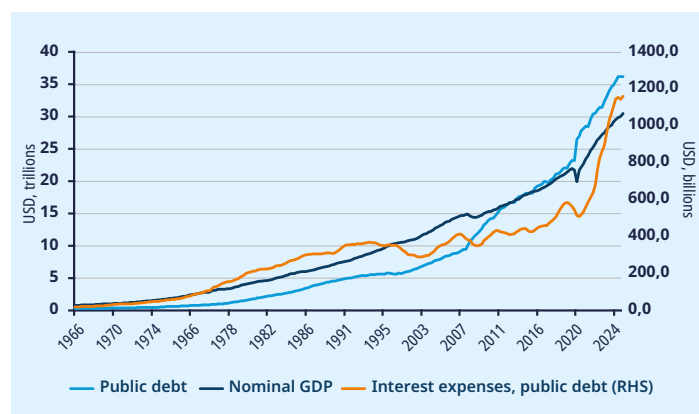
Both the US and China have realised their mutual dependencies this year. The US now understands it can't do much without Chinese rare earths, while China's economic performance and civil contract (a one party system and political control in exchange for economic prosperity for society) depend on global trade flowing. Therefore, in 2026, there is likely a limit on how much the relationship can deteriorate. Tactical deals between them are possible, but a material change in the relationship is unlikely as trust remains low.

Questions over Taiwan's political status will grow as the US reduces its military deterrence and support for Taiwan, and China expands its influence campaign.

The Middle East will continue to see political uncertainty. Efforts to conclude the war in Gaza will likely face hurdles when it comes to demilitarising Hamas; it is unlikely the group will willingly give up its weapons. The Iran-Israel relationship is tense. From Israel's perspective, a hostile Iranian government remains in place and the re-emergence of Iran-Israel tensions are likely. The picture will be further complicated with elections in Israel scheduled for October 2026. A different story is unfolding in the Gulf, where AI investments, diversified security agreements, and close relations with the US paint better prospects.

The US will remain a wildcard. The more political uncertainty and "democratic backsliding" intensify, the longer questions over US exceptionalism will linger. This uncertainty over the US political outlook and high debt levels will contrast with ongoing spending in AI and deregulation efforts, which many believe will deliver significant productivity growth.

US debt has been growing faster than GDP

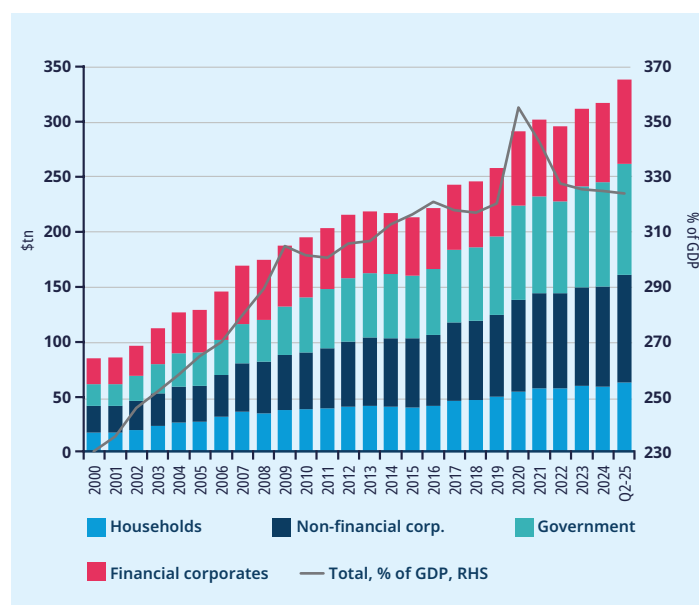


Source: Amundi as at October 2025.

Economic, financial and trade implications

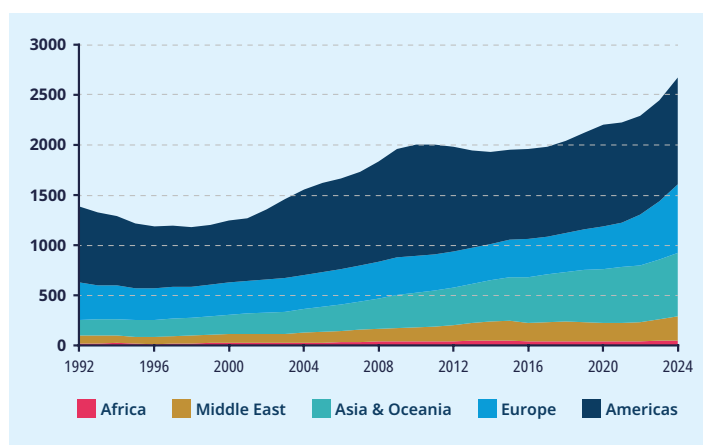
The geopolitical and political reality will continue to cause upward pressure on costs and public finances — the current environment makes it very hard for governments to stop spending on AI and defence.

Global debt hits new records



Source: Amundi as at October 2025.

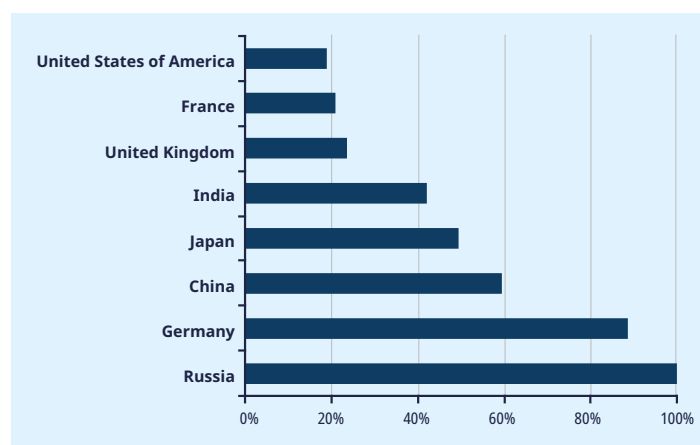
World military expenditure by region (constant 2023 US\$ mn)



Source: Amundi as at October 2025.

Diversification efforts by governments, central banks, and investors will continue, although given US dominance and stock performance there will be doubts about how much to diversify. The USD will remain the reserve currency, because of lack of alternatives, but its status is likely to continue to weaken. While there may not be one alternative, a portfolio of alternatives is emerging. Gold is already the main beneficiary of geopolitical trends and diversification efforts, and will likely continue to be for as long as geopolitical tensions do not subside.

Military expenditure percent increase (2015 vs 2024, constant 2023 US\$ mn)



Source: Amundi as at October 2025.

The same dynamics will lead to more bilateral agreements between countries, or groups of countries, creating new opportunities along the way. Efforts to diversify away from dependencies, such as rare earths, will intensify too.

The need to power the AI revolution will also create new geopolitical dynamics and alliances, since power and data centre deals will tie countries together in new ways, as evidenced by recent UK-US and Gulf-US deals.



Lorenzo Portelli

Head of Cross Asset Strategy, Head of Research
at Amundi Italy, Amundi Investment Institute

Gold's structural rise in a world of uncertainty

Gold reached new highs in 2025, recently clearing the US\$4,000 level and advancing more than 20% since mid August. We see both cyclical and secular drivers at work: heightened macroeconomic and geopolitical unpredictability, demographic trends, a persistent increase in central bank reserve purchases, expectations for Federal Reserve easing, a softer dollar, and near term political risk – most recently the US government shutdown – all underpinning demand.

The central question is the extent of the rally. Gold valuation is inherently nuanced, but our models (integrating macro and micro fundamentals such as inflation trajectories, central bank balance sheets, and sovereign bond yields) indicate additional upside, though medium term gains may be measured. On a three year horizon, we see space for further appreciation and place a base target of US\$5,000 per ounce by 2028, driven by a structural reallocation towards the metal by both investors and official sector holders.

For institutional portfolios, gold remains a recognised diversification instrument: an effective hedge through episodes of market stress, currency weakness and inflation surprises. The current rally, in our assessment, reflects more than short term positioning; it marks the early phase of a broader shift from a predominantly US centric international monetary environment toward a more multipolar structure, prompting official institutions to reassess reserve strategies.

We continue to view upside risks as meaningful. Structural demand for diversification from global investors, ongoing geopolitical uncertainty, and sustained official sector buying amid dollar vulnerability are key supports for higher prices. While outcomes will depend on macro policy paths and geopolitical developments, the combination of these forces underpins our conviction that gold can reach US\$5,000 per ounce by end 2028, with material upside risk should those trends accelerate.

The golden shift: how geopolitics and central banks boosted gold from 2022 to 2024.

Over the last 25 years, gold has moved through distinct phases, each propelled by specific macroeconomic and geopolitical drivers that supported price appreciation. The Global Financial Crisis of

2008–09 reshaped monetary policy, normalising unconventional tools such as quantitative easing and prompting a structural shift in official sector behaviour: central banks transitioned from net sellers to net buyers of the metal. The European sovereign debt shock, the subsequent expansion of central bank balance sheets, and a prolonged period of low nominal and real interest rates reinforced gold's role as a strategic reserve asset and portfolio hedge. That reflationary dynamic persisted through the COVID 19 shock, sustaining demand for safe haven and store of value exposures.

The year 2022 represented a pivotal juncture. The war in Ukraine and an accelerating regional rebalancing meaningfully altered perceptions of reserve risk and currency neutrality, catalysing elevated gold demand — notably from Asian central banks. Those institutions accelerated diversification away from US dollar centric holdings amid heightened concerns about the stability and political invulnerability of dollar denominated assets.

We view the current rally as more than cyclical price momentum; it reflects the early stages of a structural transition from a largely US centric international monetary framework to a more multipolar system. Russia's invasion of Ukraine and the subsequent freezing of large tranches of its USD and EUR reserves, together with exclusion from Western financial infrastructures including SWIFT, crystallised the political risk associated with reliance on dollar assets. That episode prompted official sector actors to increase gold allocations as an insurance strategy against similar contingencies.

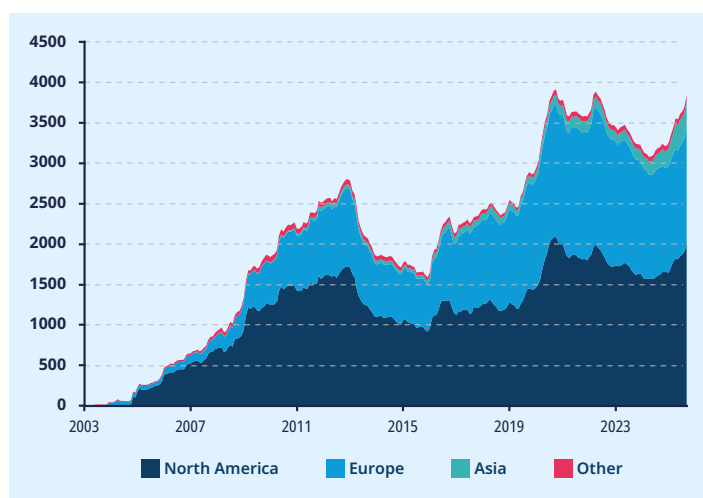
Even as central banks globally tightened policy — raising rates and reducing balance sheets to rein in inflation — demand for gold has proved resilient. This durability has contributed to a decoupling between real global interest rates and gold prices, preserving the metal's safe haven appeal. Between 2022 and 2024, net official sector purchases more than doubled, exceeding 1,000 tonnes annually, a surge led primarily by Asian central banks (China, India, Japan) and broader emerging market buyers. The scale and concentration of these purchases point to a structural realignment in reserve management. The high profile freezing of roughly US\$300 billion of Russian foreign assets sent a clear signal about the vulnerabilities of dollar exposures; in response, central banks have moved decisively to fortify reserves, with gold increasingly the asset of choice.

Beyond official sector buying, renewed interest from institutional and retail investors has materially contributed to the recent gold rally. Rising geopolitical tensions have highlighted the need to insulate portfolios against elevated inflation and commodity shocks, as witnessed in 2022, prompting investors to revisit strategic allocations. The growing probability of stagflationary outcomes, and scenarios in which stock-bond correlations weaken, has driven a shift towards real assets and commodities to strengthen diversification and portfolio resilience. Within that context, gold is increasingly viewed as a structural diversifier.

This momentum is amplified by changing fiscal dynamics: widening deficits and accelerating debt trajectories are testing the conventional safe-haven role of sovereign bonds, including US Treasuries, and eroding confidence in long-dated government debt. Such pressures are encouraging investors to seek alternative stores of value, with gold being a natural beneficiary. Demographic trends also play a role; younger cohorts, exhibiting distinct preferences and greater comfort with non-traditional assets and digital channels, are likely to support sustained incremental demand for gold.

The market response is already evident. Physically backed global gold ETFs posted their largest monthly inflow in September 2025 and delivered a record quarter totaling US\$26 billion. Flows into gold ETFs have remained robust despite higher spot prices and are becoming more geographically diversified. Given that institutional allocations to gold remain relatively modest, we see scope for this accumulation trend to persist. Taken together, fiscal stress, geopolitical uncertainty, portfolio rebalancing toward real assets, and evolving investor demographics underpin our view that demand from both institutional and retail channels will continue to be an important structural support for gold prices.

Gold ETF monthly holdings (tonnes)

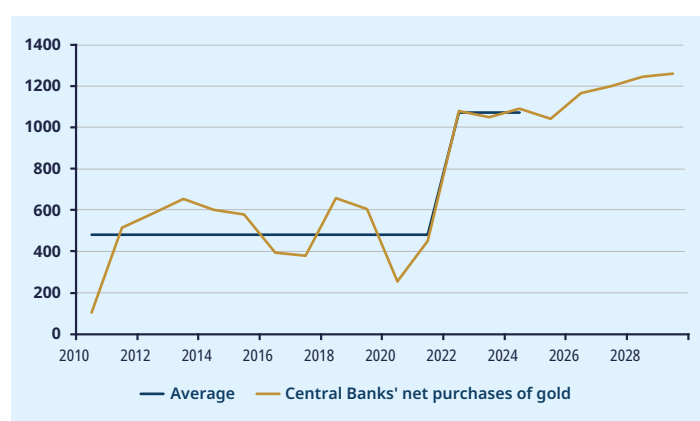


Source: Amundi as at October 2025.

Strong demand ahead will drive prices higher

The World Gold Council expects cumulative gold demand through 2029 of more than 22,000 metric tonnes, and based on our assumptions central banks could increase their reserves by roughly 5,000 tonnes. It is also likely that much of this incremental tonnage will be purchased by emerging market central banks seeking to rebalance the global distribution of official gold holdings between developed and emerging economies. Currently, emerging market central banks hold around one third of total official gold stocks; an additional 5,000 metric tonnes would lift their share towards and slightly above 40%.

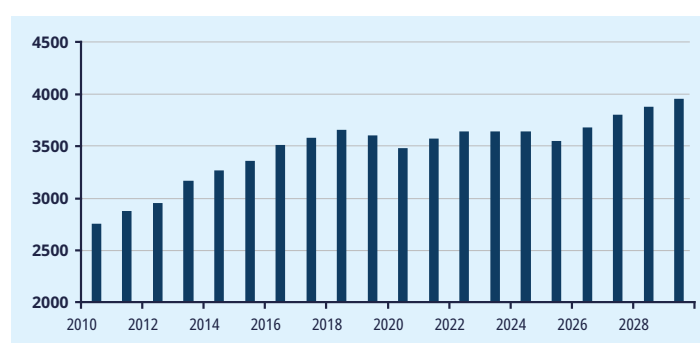
Yearly Central Banks' Gold Net Purchases (tonnes)



Source: Amundi as at October 2025.

Mine supply is also expected to rise, but demand is likely to put upward pressure on prices due to potential supply constraints. Recycling will play an important role in easing that pressure, yet the more realistic outcome is higher gold prices over the next five years given the strategic imperative for central banks to diversify their reserves.

Gold Mine Production (tonnes)



Source: Amundi as at October 2025.



Federico Cesarini

Head of DM FX, Cross Asset Strategist,
Amundi Investment Institute

Digital Assets and Tokenised Money: Implications for Central Banks

Over the past decade, the rapid evolution of digital assets has introduced a new paradigm in financial innovation. Once confined to the fringes of the financial system, cryptocurrencies, tokenised money and programmable blockchains are now influencing discussions at the highest levels of policymaking. **Digital assets are no longer merely an investment theme but a structural shift that touches the foundations of money, payments, and market infrastructure.** Regulatory clarity, institutional adoption, and advances in distributed ledger technology (DLT) are collectively reshaping how value, liquidity and trust are transmitted across the global financial architecture. For central banks, this transformation presents both opportunities and challenges: the potential to enhance efficiency and resilience in payments and settlements, to reconsider the role new non-sovereign reserve assets – most notably Bitcoin – within diversified balance sheet strategies, but also risks to monetary sovereignty, financial stability and the traditional role of banks in credit intermediation.

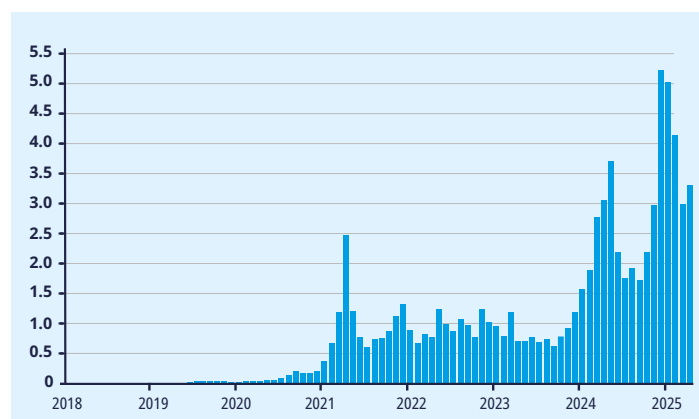
The evolution of tokenised money

Central banks, financial institutions and technology companies have developed different forms of tokenised money, each with distinct governance, legal and operational features. These include: (1) Central Bank Digital Currencies (CBDCs), which are legal tender issued on permissioned, centralised ledgers; (2) stablecoins, privately issued and fiat-backed tokens circulating on public blockchains; and (3) bank-issued tokenised deposits, digital representations of commercial bank money designed for on-ledger settlement. While their designs differ, all three challenge traditional payment infrastructure, which remains slow, costly and fragmented across jurisdictions.

Stablecoins currently dominate the tokenised money landscape, with a combined market capitalisation approaching US\$300 billion as of October 2025. Despite their relatively small footprint compared with the US\$5–7 trillion processed daily by legacy payment systems – stablecoin transactions represent roughly

1% of what is cleared by those traditional networks –, the annual transaction volume of stablecoins has grown exponentially, exceeding US\$27 trillion in 2025. This pace of growth, if sustained, suggests that tokenised money could soon rival traditional payment rails. Stablecoins thus represent both a test case and a catalyst for broader adoption of blockchain-based settlement.

US dollar-pegged stablecoin¹ transaction volume, US\$ (trillion)



Source Artemis *Stablecoin surge: Here's why reserve-backed cryptocurrencies are on the rise.
*World Economic Forum, March 26, 2025.

Tokenised deposits and stablecoins: strategic trade-offs for banks

The rise of stablecoins could erode banks' traditional funding base by diverting deposits into private digital alternatives, thus reducing the pool of low-cost liabilities that support credit creation. In response, banks are likely to adapt and this will probably translate into a strategic trade-off between control and realisation. Tokenised deposits preserve funding within the regulated balance sheet, supporting lending capacity and benefiting from existing prudential frameworks, while also enabling smart contract-based automation for corporate clients. Stablecoins, by contrast, circulate

1. Includes the following stablecoins: USDT, USDC, DAL, PYUSD, FDUSD, USDe and USDth.

on open blockchains, extending reach across borders and non-bank ecosystems but shifting deposits off balance sheet. Banks may therefore adopt dual-rail strategies — integrating tokenised deposits for domestic and wholesale uses, while partnering with or issuing their own stablecoins for cross-border and retail flows. Such hybrid models could mitigate funding disintermediation while preserving the benefits of programmability and 24/7 settlement. However, the blurring of boundaries between public and private money raises key policy questions: how to ensure convertibility between tokenised deposits and stablecoins, preserve monetary transmission, and safeguard trust in digital representations of money. These are critical considerations as financial innovation gradually migrates to open blockchain environments.

Digital assets beyond payments: tokenisation and new financial architectures

The same technological foundations that enable tokenised money are driving the tokenisation of financial assets. As of October 2025, over US\$34 billion of real-world assets (RWAs) — led by Private Credit and U.S. Treasury funds — are now issued on-chain. The rationale is compelling: smart contracts can automate post-trade processes, reduce settlement cycles from T+X to T+0, and provide real-time transparency on ownership and collateral. Tokenisation could thus streamline corporate actions, unlock secondary markets for illiquid assets, enhance the efficiency of collateral management, and introduce the notion of “continuous yield generation” (i.e. accruing in real time, including after-market closure and during weekends).

Yet challenges remain. Legal recognition of tokenised assets varies across jurisdictions, the integration with legacy custody systems is complex, and interoperability across blockchain networks is limited. Moreover, tokenisation could alter banks’ business models by compressing fees and redistributing value along the financial chain. The resulting shift from intermediary-based models toward infrastructure-based competition may call for updated prudential and operational frameworks to manage systemic risks and market integrity.

The evolving role of crypto assets in a digital monetary ecosystem

Not all digital assets serve the same economic function. Bitcoin, the oldest and most decentralised asset, is increasingly viewed as a non-sovereign store of value rather than a transactional medium. While its volatility limits its near-term appeal as a reserve asset, over time its volatility may converge toward levels observed in other real-world safe assets, such as gold, and its scarcity, transparency and global portability may offer diversification benefits over the long-run. Ethereum and other programmable blockchains, by contrast, represent the operational backbone of tokenised money and tokenised assets. They enable smart contracts, on-chain collateralisation and interoperability across digital asset classes. Stablecoins, in turn, act as the bridge between these decentralised infrastructures and traditional finance, facilitating settlement in a digital cash equivalent.

For central banks, understanding the distinct roles of these instruments is key to designing complementary — rather than competing — monetary frameworks.

Systemic implications and policy considerations

From a systemic perspective, the proliferation of tokenised instruments raises three main considerations for central banks. First, the risk of uncontrolled dollarization if foreign-currency stablecoins gain widespread adoption in economies with weaker domestic institutions. Second, the potential fragmentation of liquidity if parallel settlement systems evolve without interoperability standards. Third, the need for consistent data visibility and compliance in an increasingly decentralised ecosystem. While the new U.S. Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS) Act strengthens governance around stablecoin reserves, differences in regulatory treatment across jurisdictions may generate new channels of cross-border arbitrage.

A pragmatic approach would emphasise interoperability, composability, and public-private collaboration. Central banks could leverage lessons from tokenisation pilots, promote interoperability standards for on-chain settlements, and explore the complementary use of CBDCs and regulated stablecoins for wholesale transactions. This may support more resilient cross-border payment infrastructure while preserving oversight and policy transmission.

Risk management and systemic safeguards

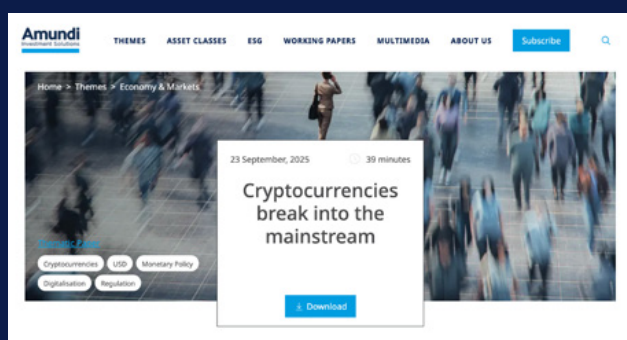
As digital assets gain institutional relevance, central banks face new forms of systemic risk that must be addressed incrementally. Cyber and operational vulnerabilities, concentration in custodial infrastructure, and fragmented liquidity could amplify market stress. A system outage, for instance, can instantly disrupt convertibility and trigger mass redemptions, and digital bank runs can propagate in seconds across global networks. The absence of clear resolution mechanisms, emergency liquidity lines, or guaranteed redemption frameworks amplifies contagion risk.

Gaps in AML/KYC frameworks and uneven regulatory oversight remain key challenges. The proliferation of private, tokenized money raises additional concerns regarding monetary integrity. Risks include the erosion of the singleness of money, potential for uncontrolled over-dollarization, and threats to conventional mechanisms of monetary policy transmission. Left unaddressed, these vulnerabilities could weaken central banks’ ability. At the same time, regulatory and technical advances are helping to mitigate these risks. Policy initiatives such as FIT21, the Clarity Act, the GENIUS Act, and MiCA provide clearer legal frameworks and harmonised rules, while growing adoption standards, interoperable technical solutions, and enhanced transparency help preserve safeguards. In combination, these measures can strengthen the integrity of tokenised money, reduce operational and compliance risks, and enable central banks to oversee innovation while maintaining control over monetary and financial stability.

Conclusion

Digital assets and tokenised money mark the early stages of a structural transition in global finance. For central banks, the challenge is two-fold: enabling innovation that enhances efficiency and inclusion, while preserving monetary sovereignty, financial stability and trust. The coexistence of CBDCs, stablecoins and tokenised deposits will likely define the next phase of monetary evolution, while Bitcoin may in the future be considered as part of a diversified strategy and compete with traditional reserve assets such as gold. Central banks that proactively engage in shaping standards, promoting interoperability and collaborating with private issuers may find themselves better positioned to guide this transition toward a safer, more efficient and inclusive financial system.

Discover more



Cryptocurrencies break into the mainstream

[Read the article](#)

Stablecoin: extending the reach of money into the digital era

[Read the article](#)



Jean-Jacques Barbéris

Deputy CEO, Head of the Institutional and Corporate Clients Division and ESG, Amundi

The promise of blended finance for sustainable development

For the 6th edition of our Newsletter for Central Banks, we sat down with Jean-Jacques Barbéris, Deputy CEO, Head of the Institutional and Corporate Clients Division and ESG at Amundi, to talk about blended finance. As the financing needs for sustainable development continue to grow, blended finance can be a key tool to attract institutional capital towards projects often seen as risky, especially in emerging markets and developing economies (EMDE). Jean-Jacques Barbéris shares insights on Amundi's experience in the blended finance space and highlights the crucial role of the public sector in scaling these initiatives.

1. What do we mean by “blended finance” and how can this mechanism be used to finance climate transition-related projects?

Blended finance is the strategic use of development finance to attract additional capital for sustainable projects, especially in emerging and developing countries. It is based on the creation of partnerships where public and philanthropic funds work alongside private investors to achieve greater impact. Public sector sponsors such as Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) can scale blended finance by de-risking investments through guarantees, first-loss capital, concessional loans or technical assistance, making projects more appealing to institutional investors and commercial banks.

The strength of blended finance lies in its win-win nature: private investors benefit from improved risk profiles aligned with their criteria, while public funds act as incubators to scale projects and generate substantial impact. This strategic solution unlocks private capital and accelerates progress towards the Sustainable Development Goals (SDGs), offering investors both financial returns and sustainable impact.

In particular, blended finance is crucial to boost investment in climate transition – and tomorrow in adaptation – projects in emerging markets, where urgent funding needs meet high risks and capital gaps. Projects like clean infrastructure often face high upfront costs, long horizons, and market uncertainties. By combining public or concessional capital with private funds, blended finance can bridge this gap and reduce risks through instruments that absorb initial losses or extend repayments. This improves the risk-return profile, unlocking much larger pools of private capital essential for advancing the energy transition in EMDEs.

Through Amundi's blended finance funds, we aim to deliver both competitive financial returns and meaningful environmental impact by supporting emerging countries' low-carbon transitions. In fact, most blended finance proceeds target green projects, with

climate-related deals making up nearly half of all transactions and over 60% of total financing in 2024¹.

2. What role can public sector institutions play in blended finance transactions?

Public sector institutions, especially DFIs and MDBs are vital to blended finance's success. They reduce risk by creating a safety net that encourages private investors to engage in projects often seen as too risky in volatile emerging markets. Beyond de-risking, they bring scale and credibility, attracting more private capital to sectors like climate, infrastructure, or agriculture. They also support local market development through technical assistance programs, which help increase blended finance flows where funding gaps persist.

Public institutions also set the standard of transparency by promoting better data sharing and reporting, which builds trust and supports informed decision-making. Central banks and other sponsors shape policy and regulations that incentivize sustainable investing and foster resilient financial systems.

Ultimately, public players act as enablers, driving blended finance growth, fostering innovation, and supporting the achievement of SDGs through new financial instruments and cross-sector partnerships.

3. Can you tell us more about the work Amundi is doing in the blended finance space?

Blended finance is central to Amundi's strategy to mobilize private capital for sustainable development. We have established key partnerships with leading institutions that demonstrate strong investor interest.

These collaborations are co-created with developmental finance partners to build tailored and innovative investment strategies, combining our sustainable fixed income expertise and DFIs' ability to spread and enhance sustainable finance standards.

1. Convergence, State of Blended Finance, Spring 2025 <https://www.convergence.finance/resource/state-of-blended-finance-2025/view>

A flagship collaboration is with the IFC through the Amundi Planet Emerging Green One (AP EGO) fund. Launched in 2018 with US\$1.42 billion assets under management, it invests in green bonds issued by financial institutions in EMDE. Supported by IFC's Green Bond Technical Assistance Program, AP EGO has so far invested US\$1.95 billion across 64 green bonds, deepening local capital markets and expanding climate financing.

In 2021, Amundi and IFC launched a second blended finance fund, the Sustainable Emerging Economy Development Debt (SEED) program, to finance the mitigation of economic and social impacts of the Covid-19 pandemic. This strategy broadens the scope beyond green bonds to include social, sustainability and sustainability-linked bonds, promoting an inclusive and resilient development in developing economies.

Additionally, in 2020, Amundi and the Asian Infrastructure Investment Bank (AIIB) announced the Amundi Climate Change Investment Framework, a benchmark tool for investors with a holistic approach to assess climate change risks in line with the Paris Agreement objectives. This partnership aimed at creating a clear framework to scale institutional capital towards companies with ambitious climate objectives in AIIB countries of operation. This was followed in January 2021 by the launch of the USD300 million Asia Climate Bond Portfolio, an EM corporate debt strategy leveraging on the aforementioned framework. Subsequently, we launched another USD200 million Asia Climate Bond portfolio on March 2023 funded by private investors, with a consultant and based on the same framework, proving the appetite of the market for these innovative solutions.

In Europe, Amundi also partnered with the EIB on the Green Credit Continuum (GRECO) program, targeting underexplored green fixed income segments like high yield bonds and private debt, supporting a broad range of companies, including SMEs.

Currently, Amundi is working on a new green fixed income initiative with a consortium of European DFIs to mobilize capital for environmental projects in low- and middle-income countries, supporting local capacity building and sustainable development. The fund's blended structure will allow us to attract institutional investors on a larger scale, to invest in green projects in relatively underfinanced markets.

We are also launching a parallel initiative in partnership with two other DFIs to launch a blended finance fund that will invest in sustainable privately placed bonds and loans in Africa and the Asia and Indo-Pacific region.

As you can see, the market appetite for blended finance solutions keeps growing and we are confident of our ability to accompany our clients in this promising space.

4. How is Amundi seeking to overcome the challenges associated with blended finance transactions?

Overcoming the challenges of blended finance requires balancing the diverse mandates, timelines, and risk appetites of public institutions such as DFIs and MDBs, with those of private investors. A key difficulty lies in structuring solutions that safeguard public capital while attracting private investment, especially for high-risk projects in emerging markets. Moreover, the governance frameworks and processes of developmental finance institutions are often complex, making it more difficult to design flexible investment vehicles in a short time span.

Looking ahead, one of the biggest hurdles is ensuring that blended finance transactions are viewed as commercially viable by private investors without requiring excessive risk absorption by public institutions. This is why carefully designed pricing mechanisms and capital structures – such as junior or senior tranches – are critical. They must balance risk and return and align incentives across all stakeholders to promote shared goals.

Another major challenge is going beyond bespoke, highly customized solutions toward more scalable and replicable models. While customization is often necessary due to the thematic focus (e.g. climate, biodiversity) or complexity of a project, it can limit scalability and increase costs. Furthermore, expertise in structuring blended finance funds is concentrated among a few institutions, leading to bottlenecks in market development. Overcoming these obstacles requires collaboration across a broader range of stakeholders to develop standardized, yet flexible, models that can be adapted to different contexts and impact objectives.

The development of local capital markets is also an element that stakeholders need to focus on more when building blended finance vehicles. For example, local currency financing must be encouraged to reduce exchange rate risk for issuers and thus enhance the sustainability of investments in developing economies. This, in turn, will contribute to projects being in line with local economic realities and help develop domestic financial markets. Setting up technical assistance facilities is also a key component of blended finance that can be further developed, as they provide local capacity building benefits and can enhance the developmental impact of blended finance transactions.

Finally, regulatory barriers must be addressed to allow a wider range of institutional investors to participate in blended finance deals. For example, insurance companies are required by international standard setters to hold more capital in reserve for riskier assets, posing a challenge for them to invest in developing markets blended finance funds. Commercial banks also face regulatory constraints: with standardized capital weightings replacing proprietary models under Basel IV, they no longer benefit from lowering their risk-weighted assets when investing in senior tranches of blended vehicles.

A key challenge in scaling blended finance initiatives is finding the right balance between upholding high sustainable finance standards and adapting to the local constraints of emerging markets, which often have less deep and liquid financial markets, and underdeveloped sustainability frameworks. Successfully deploying funds at scale requires aligning rigorous environmental and social criteria with the practical realities on the ground. Striking this balance is crucial to ensure blended finance solutions are both impactful and feasible at scale.

Addressing all of these challenges is not an easy task, but we are confident that deeper collaboration amongst different types of stakeholders involved in blended finance vehicles can be transformative. Encouragingly, our public sector partners are increasingly exploring more flexible and innovative blended finance models to attract private capital. This shift will help push the boundaries of traditional frameworks, enabling greater flexibility and collaboration, and will enable blended finance to become a more scalable tool for driving sustainable development worldwide.

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IMPORTANT INFORMATION

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Date of first use: November 2025.

Document issued by Amundi Asset Management, “société par actions simplifiée” – SAS with a capital of €1 143 615 555 – Portfolio manager regulated by the AMF under number GP04000036 – Head office: 91-93 boulevard Pasteur – 75015 Paris – France – 437 574 452 RCS Paris – www.amundi.com – Designed by Atelier Art'6.