Prof. Paola Iamiceli
University of Trento
Faculty of Law
paola.iamiceli@unitn.it
Academic Profile

Research Project Proposal on

THE ROLE OF MULTILATERAL FINANCING INSTITUTIONS IN THE SUSTAINABILITY TRANSITIONS: A CONTRACTUAL GOVERNANCE PERSPECTIVE

(2025 – 12 months)

Global value chains are increasingly involved in the challenges of the sustainable transition, both for economic and legal grounds.

From an economic perspective, decarbonisation strategies, high quality environmental and social standards have become relevant both to access the chains and to trade within them.

From a legal perspective, the implementation of the 2015 Paris Agreement requires long-term emission reduction strategies and climate plans to achieve a climate-neutral economy and society by 2050. In the same vein, Goal 12 of Agenda 2030 (Sustainable Consumption and Production) focuses on the need to identify modes of production that can "do more and better with less" and "decoupling economic growth from environmental degradation, increasing resource efficiency and promoting sustainable lifestyles." At the EU level, several new legislations are calling business operating in the single market and their supply chain to comply with a new set of obligations, such as the environmental and human rights due diligence [CSDDD, dir. (EU) 2024/1760], reporting [CSRD, dir. (EU) 2022/2464], eco-design [reg. (EU) 2024/1781] and prohibitions, as the deforestation-free products [reg. (EU) 2023/1115].

The green transition represents an opportunity for business from an environmental, social and economic perspective, but also requires considerably high investments and fundings. Thus, global supply chains need to access the resources from the market. To such extent, financial institutions and development banks are expected to provide an essential contribution by channeling capital flows towards sustainable investments, as drivers of change.

Most of the current analyses and regulatory interventions focus on the role of financial institutions as supporters and facilitators of this transition from the perspective of market transparency. Existing proposals and policy documents primarily look at the need to improve the disclosure of sustainability-related information to the market. In March 2018, the European Commission released an action plan that aims to incentivise the financial sector to fill the investment gap between clean and “brown” investments to keep the temperatures within the 1.5°C (the Action Plan), a call that has been reinforced by the European Green Deal and the decarbonization objectives for 2050. The European Action Plan with its ambitious program of reforms aims to develop a comprehensive EU strategy on sustainable finance to promote responsible conduct for business and effective allocation of resources.

Significantly less discussed is the crucial role that finance, financial markets, and financial undertakings can play in governing the sustainable transition of global value chains (GVCs). The recently adopted CSDDD, dir. (EU) 2024/1760 does not impose due diligence obligations on financial institutions with regard to the downstream part of their chains of activities. However, under Recital 51, the specificities of financial services as well as the OECD MNE Guidelines provide indications of the types of measures that are appropriate and effective for financial undertakings to take in due diligence processes. As it is highlighted also in the MNE Guidelines, regulated financial undertakings are expected to consider adverse impacts and to use their so-called 'leverage' to influence companies.

This suggests shedding further lights on the interplay between chain leaders' commitment towards financial undertakings (both private and public institutions, such as the European Investment Bank, the World Bank or other Development Banks) and the conduct of its value chain.

This rapidly evolving context gives rise to several fundamental questions, including:

i) what role will multilateral financing institutions and development banks play in providing the resources to foster environmental and social sustainability strategies of supply chains?

ii) what control can or shall in this regard financial undertakings exercise over companies via contractual provisions?

iii) what reporting mechanism should be put in place to ensure the benchmarking of credible sustainability commitments?

iv) what remedies should be activated for non-complying to the abovementioned commitments?

This project aims at addressing the questions above through an interdisciplinary analysis that combines GVC theories with contract law and governance legal analysis. The observation and legal analysis of practices of development banks and multilateral financial institutions such as the European Investment Bank is required. The selected post-doc fellow is also expected to contribute to a Journal Issue or a published book, within an individually or co-authored article or chapter on the project topics.