Financing the Sustainable Development Goals calls for unusual measures, including the willingness to adopt self-regulation to provide the $5 to 7 trillion of funding required every year through 2030. Consequently, the UN recently launched the Principles for Positive Impact Finance, building on existing self-regulation like the Equator Principles.

Critical to the success of the UN’s policy is the extent to which market participants are willing to adopt the new set of self-imposed rules. Both the new Principles for Positive Impact Finance and the Equator Principles were initially backed by only a small group of financial institutions. Both principles pertain to projects where parties collaborate in providing funding. We therefore study the adoption mechanisms of the Equator Principles and determine to what extent adopters can influence their collaborators to follow suit.

We study adoption dynamics by applying a network approach to a unique dataset containing 18729 collaborations of financial institutions funding projects between 2003 and 2014 worldwide. We find that once central players in the market become adopters, the likelihood of adoption by others increases but even without this peer pressure, institutions that are already collaborating intensively with adopters are more susceptible to become adopters themselves. Finally, external pressure applied through public campaigns increases adoption, although particularly large (and presumably powerful) institutions are immune to this external pressure.

We contribute to the growing literature on environmental self-regulation. We focus on the relations that drive adoption of self-regulation in a collaborative setting, where repeated interactions among market participants increase market complexity but also enhance the potential for the voluntary adoption of codes of conduct. In this way we connect the growing literature on network effects to the financing of sustainability and development, a link that has so far been neglected.

In a broader context, our results shed light on the potential for self-regulation to serve as an effective instrument in facilitating the financing of the Sustainable Development Goals. We demonstrate that the nature of the initial backers is of critical importance and explain how crucial the vigilant eye of the public is in ensuring that self-regulation can be effective.