From: [redacted]
Subject: COP30 Circle of Finance Ministers Bridges Climate and Fiscal Agendas in New Report
Date: Wednesday, October 15, 2025 10:09:37 AM
Attachments: COP30_Circle_of_Finance_Ministers_Report_Final.pdf
CFM_COP30_Statement_Final.pdf

Hello,

A new report released today by the **COP30 Circle of Finance Ministers** signals an evolution in connecting finance and climate action, underscoring that no green transition is possible without the joint work of finance ministers and the climate community.

Developed by the Ministry of Finance of Brazil in support of the COP30 Presidency, and built from more than 25 meetings and consultations with governments, international organizations, and the private sector, the report — "Report of the COP30 Circle of Finance Ministers on the Baku to Belém Roadmap to 1.3T" — outlines strategies to scale up at least USD 1.3 trillion per year by 2035 in climate finance for developing countries.

The report defines five key priorities to guide collective action:

- Increase concessional financing flows and climate funds;
- Reform multilateral development banks;
- Strengthen national investment banks and country platforms;
- Attract private capital with new financial solutions;
- Include climate risk in finance rules and approve taxonomy and carbon markets.

The COP30 Circle of Finance Ministers is a key initiative under the COP30 presidency to support the development of the Baku to Belém Roadmap to USD 1.3 trillion. It reaffirms Brazil's leadership in advancing an inclusive, equitable, and results-driven climate finance architecture, and in strengthening coordination between finance ministries and the global climate community ahead of COP30 in Belém.

Attached are the full report and the ministerial statement from the COP30 Circle of Finance Ministers.

Best,

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COP30 BRASIL AMAZÔNIA BELÉM 2025

MINISTÉRIO DA FAZENDA

GOVERNO DO BRASIL DO LADO DO POVO BRASILEIRO

Ministerial Statement of the COP30 Circle of Finance Ministers

(for release on October 15, 2025)

1. We, the Finance Ministers invited by the Brazilian presidency to the COP30 Circle of Finance Ministers, met in Washington, on 15 October 2025, to discuss how to scale up climate finance towards the ambition of the Baku to Belém Roadmap of mobilizing at least USD 1.3 trillion per year by 2035 to developing countries by all actors from public and private sources for climate action. While the initiative by Brazilian COP30 Presidency and its outcome are not part of the UNFCCC framework or negotiations, we welcome the leadership of the Brazilian Ministry of Finance through the Circle´s engagement and mobilization effort and wish the host country success at COP30 in Belém. We are convinced that ministries of finance have, both in their domestic and international agendas, a crucial role to play for the implementation of climate ambitions, according to their countries' national strategies and circumstances, and will continue to engage in relevant fora to promote this interaction.
2. We thank the Brazilian Ministry of Finance for their efforts in the preparation of the *Report of the COP30 Circle of Finance Ministers on the Baku to Belém Roadmap for 1.3T* ("the Report"), which was the result of several months of interactions with ministries of finance technical teams, international organizations, partners in the academia, the private sector and civil society. The Report covers critical issues on climate finance under five priorities proposed by Brazil: (1) Scaling Up Concessional Finance and Optimizing Climate Funds; (2) Reforming Multilateral Development Banks to Scale up Sustainable Finance; (3) Boosting Domestic Capacity and Investment Frameworks for Climate Finance, including Country Platforms; (4) Developing Scalable and Innovative Financial Solutions for Private Capital Mobilization; (5) Strengthening Regulatory Approaches for Climate Finance. As a non-negotiated document, the Report includes non-consensual views and its content does not express agreed language with regard to negotiation positions and outcomes, and not all consulted countries support each of its recommendations.
3. We note with concern that, as the cost of inaction on climate change rises, it disproportionately exposes the world's most vulnerable populations—who have contributed least to historical emissions—to escalating climate risks, highlighting inequities embedded in climate change. Every year of delayed climate action raises both the investment needed and the risks faced. Urgent and coordinated action is

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indispensable to safeguard lives, livelihoods, and sustainable growth in a just and inclusive manner, as also reinforced at the Sevilla Commitment to renew the global financing development framework.

4. We thus reaffirm our determination to make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, and to promote climate finance as one of the cornerstones of the global response to climate change, in line with the principles and provisions of the Paris Agreement and in the context of sustainable development and efforts to eradicate poverty.
5. Mobilizing finance at the necessary scale demands structured and sustained efforts across public and private channels, bilateral and multilateral sources, and international and domestic frameworks, including catalytic capital and innovative financial solutions, sources and instruments of finance, as appropriate. Enhanced international cooperation, sound fiscal and regulatory policies, as nationally determined, and deeper private sector engagement are necessary to transform ambition into delivery by action in the next years.
6. Both public and private finance will be essential to meet climate investment and finance needs. Concessional finance must be deployed more effectively, particularly in support of developing countries' updated nationally determined contributions, mitigation and adaptation, nature, and for responding to loss and damage associated with the impacts of climate change. At the same time, multilateral development banks, multilateral climate and environmental funds, and other international financial institutions are encouraged to continue ongoing efforts to enhance their cooperation and coordination, as appropriate, to implement reforms to strengthen their capacity, complementarity, effectiveness and deliver results with greater speed, scale and impact, while recognizing their unique mandates and governance structures.
7. Strengthening domestic climate policy and investment frameworks, including country-driven and country-led initiatives such as voluntary country platforms, is important to attract sustainable investments and channel resources where they are most needed. To fulfill that goal, it is relevant to enhance the availability and quality of climate-related data, ensuring the adequacy of risk assessment methodologies to support the implementation of NDCs and NAPs. Greater interoperability of taxonomies and the progressive convergence towards high-integrity carbon markets are positive elements to accelerate flows, reduce costs and scale up mitigation and adaptation actions in the global climate finance architecture.
8. As we prepare for COP30, we commit to continue to work together in a spirit of partnership and shared purpose to advance practical solutions that accelerate the

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flow of climate finance, promote sustainable development and poverty eradication, and build a resilient and inclusive future for all. We thus look forward to the continued collaboration with other ministers and partners.

Supported by:

Azerbaijan, Barbados, Brazil, Canada, Chile, China, Colombia, Denmark, Egypt, Ethiopia, Fiji, France, Germany, Ghana, India, Indonesia, Italy, Kenya, Mexico, Morocco, the Netherlands, the Philippines, Republic of Korea, the Republic of the Marshall Islands, Rwanda, Saudi Arabia, South Africa, Spain, Tanzania, Türkiye, United Arab Emirates, Uganda, the United Kingdom.

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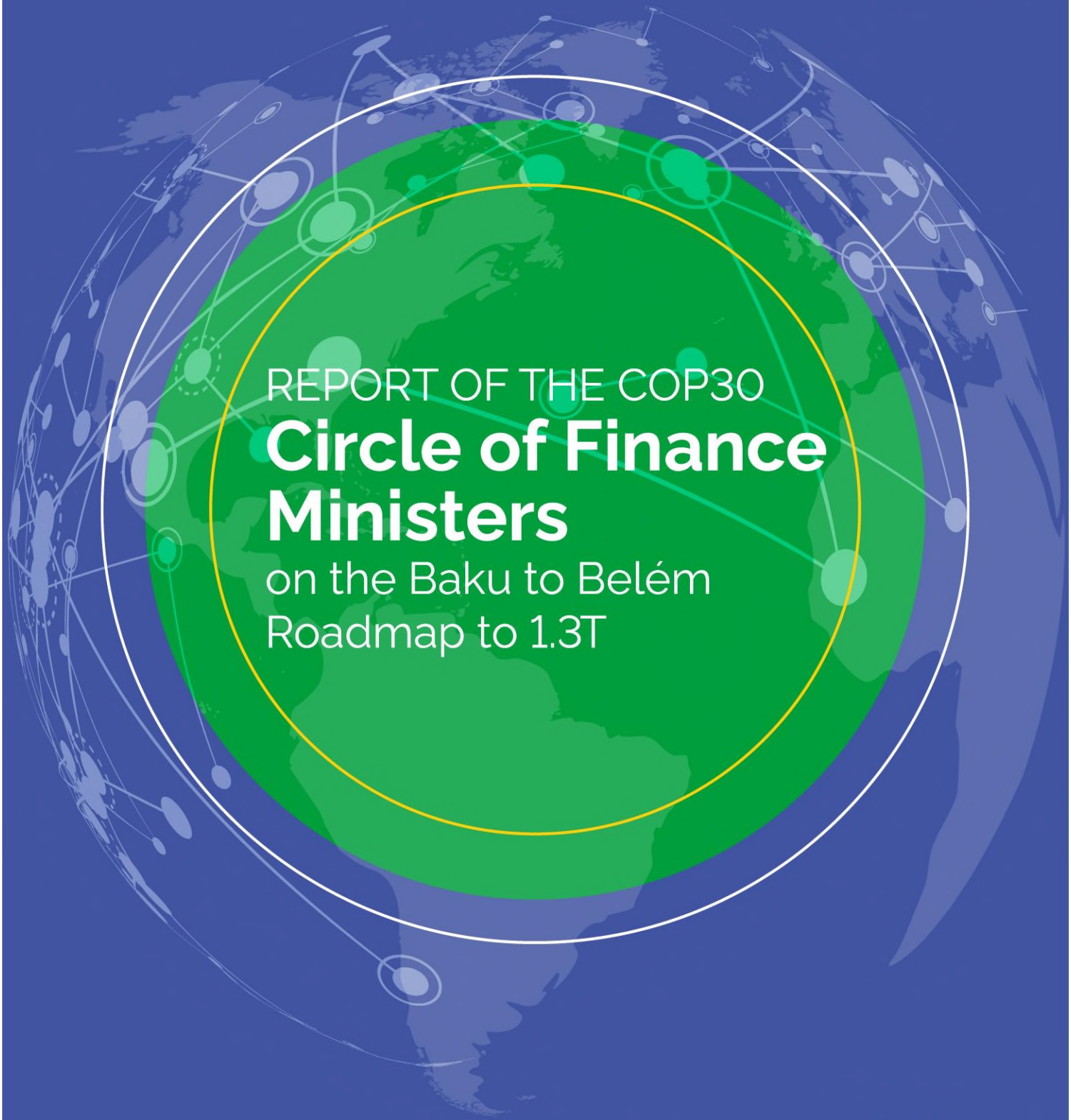
COP30 BRASIL AMAZÔNIA
BELÉM 2025



REPORT OF THE COP30

Circle of Finance Ministers

on the Baku to Belém Roadmap to 1.3T

MINISTÉRIO DA FAZENDA

GOVERNO DO BRASIL
DO LADO DO POVO BRASILEIRO

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Acknowledgements

This Report was prepared by the Ministry of Finance of Brazil in support of the COP30 Presidency. Its development would not have been possible without the dedication, expertise, and collaborative spirit of numerous partners and contributors.

On behalf of the Secretariat of International Affairs, we extend our sincere gratitude to the technical teams from the Brazilian Government and finance ministries of partner countries, whose active engagement and insights in the last six months were invaluable. We also acknowledge the technical guidance of the Central Bank of Brazil, whose commitment to advancing the climate finance agenda was instrumental in shaping the analysis and proposals herein.

We would like to thank the anchor partners that helped lead the Advisory Groups: Independent High-Level Expert Group on Climate Finance (IHLEG), Glasgow Financial Alliance for Net Zero (GFANZ), and Instituto Clima e Sociedade (iCS), which were crucial to allow for the outreach and mobilization activities in their areas of expertise, thus contributing to enrich the analytical framework of this Report. A special thanks also goes to the International Finance Corporation (IFC) for their support across the issues of this Report of the Circle.

We are deeply appreciative of the institutional support and contributions of the international organizations that participated in the Circle's meetings and working sessions: Adaptation Fund, African Development Bank (AfDB), Asian Infrastructure Investment Bank (AIIB), Climate Investment Funds (CIF), Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD), Global Environment Facility (GEF), Green Climate Fund (GCF), Inter-American Development Bank (IDB) and IDB Invest, International Energy Agency (IEA), International Monetary Fund (IMF), New Development Bank (NDB), OECD (Organisation for Economic Co-operation and Development), United Nations Development Programme (UNDP), United Nations Framework Convention on Climate Change (UNFCCC), and the World Bank Group.

Our gratitude extends to the civil society organizations, international initiatives and private sector entities that enriched this work through their written submissions and engagement: Africa Investor, Ambition Loop, American Chamber of Commerce for Brazil and The Atlantic Council, Associação Soluções Inclusivas Sustentáveis (SIS), Aviva Investors, Bank of America, Bloomberg, Blended Finance Taskforce, Bridgetown Initiative, Care Denmark, Center for Sustainable Development (CSD), Centro Brasileiro de Relações Internacionais (CEBRI), Christian Aid, Citi, Climate and Development Ministerial (C&DM), Climate Change & Biodiversity Research Centre, Climate Trends, Climate Policy Initiative (CPI), Coalition for Finance Ministers for Climate Action (CFMCA), Coalizão Brasil Clima, Florestas e Agricultura, Concito, Confederação Nacional das Seguradoras (CNSeg), Conservation International, Conselho de Desenvolvimento Econômico Social Sustentável (CDESS), DIn4mo Lab, E3G, European Climate Foundation, FMDV – Global Fund for Cities Development, Federação Brasileira de Bancos (Febraban), Fundación de la Nacionalidad Siona, Gates Foundation, Global Fund for a New Economy, Greenpeace, G-24, HSBC, Howden, IMAL Initiative for Climate & Development, INECC, Instituto Igarapé, International Institute for Environment and Development (IIED), JP Morgan, London School of Economics (LSE), MARSH, Mercy Corps, Nature Finance, Nature Investment Lab (NIL), Pact for Prosperity, People and the Planet (4P), Plataforma CIPÓ, Recourse, Sustainable Business COP30 (SBCOP), Systemiq, The Global Debt and Climate Working Group, The Nature Conservancy, U.S. Chamber of Commerce, UFRJ – COPPE, WWF-Brasil, and World Resources Institute (WRI), among others.

Finally, we thank the independent reviewers and all those who contributed throughout 2025 by participating in numerous consultations, workshops, and meetings worldwide. This Report reflects a collective effort to translate ambition into action and to build a more effective and inclusive climate finance architecture.

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Content

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LIST OF ACRONYMS

ADB	Asian Development Bank
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
BCBS	Basel Committee on Banking Supervision
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (Brazilian National Development Bank)
CAF	Capital Adequacy Framework
CFMCA	Coalition of Finance Ministers for Climate Action
CIF	Climate Investment Funds
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
COP	Conference of the Parties (to the UNFCCC)
COP28	28th Conference of the Parties (Dubai, 2023)
COP29	29th Conference of the Parties (Baku, 2024)
COP30	30th Conference of the Parties (Belém, 2025)
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CPs	Country Platforms
CPI	Climate Policy Initiative
CVF-V20	Climate Vulnerable Forum - Vulnerable Twenty
CRAs	Credit Rating Agencies
DSFs	Debt Sustainability Frameworks
DFI	Development Finance Institution
DPF	Development Policy Financing
DSA	Debt Sustainability Analysis
ECB	European Central Bank
EFRAG	European Financial Reporting Advisory Group
EMDCs	Emerging Market and Developing Countries
EMDEs	Emerging Markets and Developing Economies
ETS	Emissions Trading Schemes
FFD4	Fourth International Conference on Financing for Development
FiCS	Funds in Climate Solutions
FPIC	Free, Prior and Informed Consent
FSB	Financial Stability Board
GCF	Green Climate Fund
GEF	Global Environment Facility
GEMs	Global Emerging Markets Risk Database
GFANZ	Glasgow Financial Alliance for Net Zero
GST	Global Stocktake
G20 SFWG	G20 Sustainable Finance Working Group
HICs	High-Income Countries

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IAIS	International Association of Insurance Supervisors
ICVCM	Integrity Council on the Voluntary Carbon Markets
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
IHLEG	Independent High-Level Expert Group on Climate Finance
IOSCO	International Organization of Securities Commissions
IPSF	International Platform on Sustainable Finance
ISSB	International Sustainability Standards Board
JETP	Just Energy Transition Partnership
LCR	Liquidity Coverage Ratio
LDCs	Least Developed Countries
LICs	Low-Income Countries
LMICs	Low and Middle-Income Countries
LTS-LEDS	Long-term Strategies-Long-term Low Emission Development Strategies
MDB	Multilateral Development Bank
MIC	Middle-Income Countries
MRV	Monitoring, Reporting, and Verification
NAPs	National Adaptation Plans
NbS	Nature-Based Solutions
NBSAPs	National Biodiversity Strategies and Action Plans
NCQG	New Collective Quantified Goal on Climate Finance
NDBs	National Development Banks
NDCs	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
OECD	Organisation for Economic Co-operation and Development
ODA	Official Development Assistance
PDB	Public Development Bank
PRGT	Poverty Reduction and Growth Trust
RST	Resilience and Sustainability Trust
SEC	Securities and Exchange Commission
SDGs	Sustainable Development Goals
SDR	Special Drawing Rights
SIDS	Small Island Developing States
TCFD	Task Force on Climate-related Financial Disclosures
UNFCCC	United Nations Framework Convention on Climate Change
UN	United Nations
VCMI	Voluntary Carbon Markets Integrity Initiative
VCEFs	Vertical Climate and Environmental Funds
WBG	World Bank Group

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FOREWORD

The Baku to Belém Roadmap and the COP30 Circle of Finance Ministers

At COP29 in Baku, by launching the Baku to Belém Roadmap to 1.3T under the guidance of COP29 and COP30 Presidencies, the Parties of the UNFCCC called on all actors to address the urgent need for scaling up climate finance to developing countries from all public and private sources, aiming to reach at least USD 1.3 trillion per year by 2035.

Finance ministries have a central role to play in advancing the climate finance agenda, both domestically and internationally. Accordingly, at the invitation of the COP30 President, Minister of Finance of Brazil Fernando Haddad invited finance ministries from partner countries to engage in a structured dialogue on strategies and pathways to scale up climate finance to developing nations.

Strengthening the domestic enabling environment in developing countries is referred in various sections of the document in line with country circumstances, pathways and approaches, as it can enable sustained flows of international resources, knowledge and technology to boost developing countries' domestic capacity and their ability to attract and deploy investment for climate action.

The Brazilian Ministry of Finance, in support of the COP30 Presidency, leads this initiative in consultation with finance ministries from: previous COP21-COP29 Presidencies (France, Morocco, Fiji, Chile, UK, Egypt, UAE, Azerbaijan), the Biodiversity COP16 Presidency (Colombia), the Desertification COP16 Presidency (Saudi Arabia), V20 and Bridgetown Initiative (Barbados), G24 (Ghana, Kenya, the Philippines), Coalition of Finance Ministers for Climate Action (CFMCA) Co-Chairs (The Netherlands, Uganda), the G20 Presidency (South Africa), the host of the 4th International Conference on Financing for Development – FfD4 (Spain), and other selected partners (Australia, Canada, China, Denmark, Ethiopia, European Commission, Germany, India, Indonesia, Italy, Japan, Marshall Islands, Mexico, Republic of Korea, Rwanda, Tanzania, Türkiye).

While not integrating the UNFCCC framework or negotiations, the Circle's initiative aims to offer inputs and contribute to the Baku to Belém Roadmap to be produced by COP 29 and COP 30 Presidencies. To strengthen consultations with finance ministries, three advisory groups were established: an Advisory Group of Experts, including the Independent High Level Expert Group on Climate Finance; a Private Sector Engagement Group; and a Civil Society Consultation Group. Also, international organizations have been invited to the Circle's meetings and have contributed to the work, alongside other partners.

Since its establishment in April 2025, the Circle has convened five official meetings (three in person, in Washington D.C. and Seville) as well as over 25 meetings with the private sector, civil society, experts and interested stakeholders around the world. A much larger number of bilateral and group consultations were held in person or in virtual format, including informal consultations with UNFCCC Party groups and non-Parties supported by the COP30 Presidency. This broad consultative and mobilization

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effort has allowed for the identification of priority areas for the future work of ministries of finance and other stakeholders involved in climate and development. Still, as much as the Circle is a pioneering collective effort to connect the USD 1.3T ambition to its implementation by governments, institutions, corporations and organized society, it builds upon the joint work of many governments (not only Circle's members), experts, institutions, and corporations in diverse fora in the last ten years since the adoption of the Paris Agreement.

The Circle reflects the imperative to reinforce multilateralism, push the international financial architecture to function more coherently as a system, and advance climate action in a renewed spirit of collaboration – mutirão – in support of the Baku to Belém Roadmap, the COP30 Action Agenda and the implementation of the Paris Agreement. It aims to contribute to the collective efforts to accelerating the achievement of Article 2 of the Paris Agreement of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emission development in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

The Circle's work is a consultative process and does not involve, prejudge or preclude UNFCCC negotiations and the implementation of the Roadmap to be prepared by the COP29 and COP30 Presidencies. This Report is not a negotiated outcome and does not represent consensus. The Report is a non-binding contribution developed by the Ministry of Finance of Brazil in consultation with invited countries and organizations. It brings together, in a structured way, the key issues, opportunities and options relevant to finance ministries and other stakeholders in advancing the climate finance agenda. It aims to inform discussions across multiple fora and reflects a shared process of engagement to improve common understanding and move forward with an ambitious action-oriented agenda.

ORIGINS OF THE "USD 1.3 TRILLION" AMBITION

In Baku, on 24 November 2024, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) adopted at its sixth session, among others, a Decision on the "New collective quantified goal on climate finance" (Decision 1/CMA.6). In Paragraph 7, the CMA called on all actors to work together to enable the scaling up of financing to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035. The CMA then, in Paragraph 8, decided to set a goal, with developed country Parties taking the lead, of at least USD 300 billion per year by 2035 for developing country Parties for climate action (a) from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources; (b) in the context of meaningful and ambitious mitigation and adaptation action, and transparency in implementation; (c) recognizing the voluntary intention of Parties to count all climate-related outflows from and climate-related finance mobilized by multilateral development banks towards achievement of the goal set forth in this paragraph. The CMA also, in Paragraph 9, encouraged developing country Parties to make contributions, including through South-South cooperation, on a voluntary basis.

To guide the achievement of the collective goal, the CMA decided, in Paragraph 27 of Decision 1/CMA.6, to launch the "Baku to Belém Roadmap to 1.3T", under the guidance of the COP29–COP30 Presidencies, in consultation with Parties, aiming at scaling up climate finance to developing country Parties to support low greenhouse gas emissions and climate-resilient development pathways and implement the nationally determined contributions and national adaptation plans including through grants, concessional and non-debt-creating instruments, and measures to create fiscal space, taking into account relevant multilateral initiatives as appropriate; and requests the Presidencies to produce a report summarizing the work as they conclude the work by the seventh session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (November 2025).

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INTRODUCTION

Investing in climate and nature to drive growth and development through accelerated action

The world faces an unprecedented investment imperative— a historic challenge and opportunity— to meet climate goals, build resilience against escalating climate impacts, protect nature, and drive sustainable development. Global climate finance flows for all countries hit an all-time high of USD 1.9 trillion in 2023, more than doubling in three years, but only around 10% goes to Emerging Markets and Developing Countries (EMDCs), while less than 5% goes to adaptation (CPI, 2025). While the overall increase is promising, a significant gap remains between current investment and what is needed to achieve global climate goals and seize the opportunities that the low-emission and climate resilient pathways presents, and this is even more so to Emerging Markets and Developing Economies (EMDEs). The lower bound of global estimated climate finance needs – USD 6 trillion - is still 3 times more than current flows[1].

According to the third report of the Independent High-Level Expert Group on Climate Finance[2], EMDEs will need to invest at least USD 2.4 trillion per year by 2030 and USD 3.3 trillion per year by 2035 to meet their needs for the clean energy transition, adaptation and resilience, response to loss and damage, natural capital, and just transition (IHLEG, 2024). This would amount to a five-fold increase by 2030 and a six-fold increase by 2035, with particularly acute challenges faced by Least Developed Countries (LDCs) and Small Island Developing States (SIDS).

These estimates reflect total investment needs from all sources, both public and private, and include domestic and international finance. Also, the regional disparities are noteworthy, with some continents able to mobilize greater amounts of domestic resources (e.g. East Asia and the Pacific), while others have a greater dependence on external finance (e.g. Sub-Saharan Africa) (CPI, 2025). Additionally, there is a need to push for a mix of energy sources and investment for grid stability to make the transition reliable and climate friendly.

There are some crosscutting themes present within this aspiration: GHG emissions mitigation, which demands continuous expansion and diversification; adaptation and resilience, which must be taken mainstream to safeguard people and critical infrastructure; the safeguard of natural capital to restore forests, wetlands, and soils; and reforming agriculture, essential for carbon sinks and rural incomes. Finally, supporting just transitions, as per country circumstances, is vital to ensure no community is left behind. Other themes not directly accounted for herewith, such as exploring mechanisms of loss and

[1] CPI (2025). *Global Landscape of Climate Finance 2025*. Available at: CPI website.

[2] Bhattacharya A, Songwe V, Soubeyran E, Stern N (2024). *Raising Ambition and Accelerating Delivery of Climate Finance*. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. The IHLEG report estimates for 2035 global investment requirements for climate action to be around USD 7-8.1 trillion per year, with advanced economies needing USD 2.6–3.1 trillion, China USD 1.3–1.5 trillion, and other EMDCs requiring USD 3.1–3.5 trillion.

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damage financing pools (which is estimated to need over USD 250 billion a year by 2030[3]), are also of great importance to developing countries.

While much of the attention has focused on energy transition, other transitions — particularly in agriculture, forestry and other land use (AFOLU), which account for about 22% of global greenhouse gas emissions (IPCC, 2022)[4] — also require increased financial flows to unlock mitigation potential and enhance resilience. Yet, investments in Nature-based Solutions (NbS) remain far below needs: the UNEP State of Finance for Nature (2023) estimates that annual financing for NbS must more than double, from about USD 200 billion today to over USD 400 billion by 2030[5], to align with global climate, biodiversity and land restoration goals.

Adaptation and resilience are equally essential to the climate finance agenda. Well-designed adaptation investments deliver a "triple dividend": they avoid future losses, generate positive economic returns, and create broader social benefits (WRI, 2019)[6]. Yet the adaptation finance gap remains stark. Global adaptation needs are estimated at USD 215–387 billion annually by 2030, while international public flows reached only USD 28 billion in 2022 (UNEP, 2024)[7]. Scaling up predictable and accessible finance for adaptation will be critical to safeguard vulnerable communities, protect fiscal stability, and build resilient growth pathways, especially in SIDS and other highly vulnerable countries. All in all, adaptation must be seen in a broad and systemic sense to build productivity, growth, jobs and incentivizing investment through resilient systems. It must also flow through the regional, national and down to the local level as we know locally led adaptation delivers effective resilience. Collectively, we must shift from a narrow conception of adaptation to a whole-of-economy approach to building long term and integrated climate and nature resilience.

Accelerating climate action and investments is not only urgent—it can also be a powerful driver of growth, employment, and development. A strong push on climate action can spur growth-inducing investment, innovation and cost reduction, economies of scale, resource efficiency, systemic productivity, and health payoffs from reduced pollution.

According to IEA and IRENA analyses[8,9], clean technologies are now cheaper than fossil fuels in most regions – 91% of new renewable projects in 2024 outcompeted new fossil fuel alternatives, with onshore wind and solar PV leading the way. That year alone, renewable generation displaced coal and gas that would otherwise have been burned to meet the same electricity demand, saving power systems around USD 467 billion in fuel purchases[10] and confirming renewables as the lowest-cost source of new power, with battery prices down nearly 90%.

Strategic policies can trigger cascading tipping points, accelerating progress in sectors like green hydrogen, electric vehicles, and clean shipping. Low-emission hydrogen production is projected to rise from less than 1 Mt in 2024 to 37 Mt a year by 2030[11], electric vehicles (EVs) are set to make up about 25% of global car sales by 2025[12].

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[3] Bhattacharya A, Songwe V, Soubeyran E, Stern N (2024). Raising Ambition and Accelerating Delivery of Climate Finance. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. Available at: IHLEG report.

[4] IPCC (2022). *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (AR6).*

[5] UNEP (2023). *State of Finance for Nature 2023: Time to Act – Doubling Investment by 2025 and Closing the Finance Gap by 2050.*

[6] WRI (2019). *The Triple Dividend of Building Climate Resilience.*

[7] UNEP (2024). *Adaptation Gap Report 2024: At a crossroads – doubling 2019 adaptation finance flows by 2025.*

[8] IRENA (2025). *Renewable power generation costs in 2024.*

[9] IEA (2024). *Strategies for Affordable and Fair Clean Energy Transitions.* Available at: IEA report.

[10] The IRENA estimate of USD 467 billion reflects fuel expenditures that would have occurred if the same amount of electricity had been produced by fossil plants, calculated using prevailing coal and gas prices and standard thermal efficiency assumptions.

[11] IEA (2025). *Global Hydrogen Review 2025.* Available at: IEA report.

[12] IEA (2025). *Global EV Outlook 2025.* Available at: IEA website.

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Greater resource efficiency, through circular economy models and energy savings, offers major productivity gains, especially in infrastructure-poor developing countries. Compact, connected, and coordinated cities can generate up to USD 17 trillion in savings by 2050 while improving quality of life[13] co-benefits are immense: reducing air pollution could avoid up to 10 million premature deaths annually (NCE, 2018).

A big sustainable investment push can provide a powerful impetus to job creation, although estimates of the scale vary widely depending on the scope, sectors, and assumptions considered[14]. A consistent finding across many studies is that climate action has the potential to generate millions of new jobs while boosting economic output. The International Labour Organization (ILO, 2018), for instance, finds that full implementation of the Paris Agreement could create 24 million new jobs globally by 2030, more than offsetting losses in sectors affected by the transition to low-emission pathways and resulting in a net gain of about 18 million jobs[15]. Realizing this potential in an inclusive way will require targeted investments in education, training, and labor-market policies to ensure low-income and vulnerable populations can connect to emerging green sectors.

While outcomes will vary by country and sector, especially in the short term, many studies suggest that, over the long-term, clean investment tends to outperform business-as-usual (IEA, 2024)[16]. Boosting green investment rates by 1–2% of GDP in developed economies, and 3–5% in EMDCs can spur global growth, strengthen energy security dependence, and unlock millions of decent jobs. Accelerated climate action is the foundation for a new era of sustainable, inclusive growth. Countries that lead will thrive, shaping the industries and jobs of the future; those that delay will bear the greatest costs. The imperative is clear: act now, act together, act at scale.

The soaring cost of inaction and the burden on vulnerable populations

The Network for Greening the Financial System (NGFS, 2024)[17] long-term scenarios suggest that, under current climate policies, global GDP could be up to 15% lower by 2050 compared to a world without climate change, undermining the achievement of development objectives and poverty reduction. Under a scenario where global temperatures are 3°C above pre-industrial levels, which many experts see as increasingly plausible by the end of the century, projected losses could reach 30% of GDP by 2100". Exceeding 1.5°C would magnify damages and increase the risk of irreversible tipping point, such as Antarctic ice sheet collapse or Amazon rainforest dieback, with cascading global consequences. The macroeconomic fallout would dwarf recent crises: the only two modern episodes of global GDP contraction, in 2009 and 2020, saw one-year drops of 1.3% and 2.8% respectively (World Bank, 2025)[18].

The cost of inaction is mounting, as intensifying climate impacts threaten economic prospects, financial stability, and livelihoods, especially of the most vulnerable, who lack the means to absorb and recover from shocks. On current trajectories, and without stronger climate action, global temperatures are set to rise by 2.6–3.1°C by 2100, rendering large areas uninhabitable through flooding, extreme

[13] NCE (2018). *Unlocking the Inclusive Growth Story of the 21st Century: Accelerating Climate Action in Urgent Times.*

[14] Other major assessments provide complementary estimates. IFC (2021) suggests that climate investments across 21 emerging markets alone could create up to 213 million direct jobs by 2030. NCE (2018) projects a global shift to a low-carbon economy could deliver 65 million new jobs by 2030, with a net gain of 27 million, while adding USD 26 trillion in output. The IMF (2020) estimates that well-designed climate policy could generate 12 million jobs annually and raise global GDP growth by 0.7% per year through 2035. Regional analyses, such as those by IRENA and the AfDB (2022), also point to strong gains, with clean energy investment in Africa projected to raise output by 6.4% and employment by 3.5%.

[15] ILO (2018). *World Employment and Social Outlook 2018: Greening with jobs.*

[16] IEA (2024). *World Energy Investment, 2024.*

[17] NGFS (2024). *Synthesis report on the greening of the financial system: Insights for financial actors in advanced and emerging economies.*

[18] World Bank (2025). *GDP growth (constant national currency, annual %)* [Data table]. Available at: WBG data.

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heat, and ecosystem collapse (UNEP, 2024)[19]. Globally, rising temperatures are projected to cause an additional 250,000 deaths per year between 2030 and 2050 from malnutrition, malaria, diarrhea, and heat stress alone (WHO, 2014)[20]. Developing countries and areas with weak health infrastructure will experience the worst effects. Even a temperature rise of 1.5°C is projected to reduce global working hours by 2.2% worldwide by 2030, costing the global economy USD 2.4 trillion (ILO, 2019)[21].

According to Munich Re (2025), climate-related disasters caused economic losses of USD 320 billion globally in 2024[22] - part of a continuing upward trend - of which around USD 140 billion were insured. Coverage rates, however, differ sharply: in the United States, 56% of the USD 176 billion in losses were uninsured, while in Europe about 45% of the USD 31 billion in losses were uninsured. By contrast, in EMDEs, the insured share of disaster losses remains well below 10%, leaving most damages uncompensated. Sea-level rises could add a further USD 400-520 billion per year in losses by 2100 under the most extreme warming scenarios[23].

As climate impacts intensify, the consequences of inaction increasingly fall on those most vulnerable who are least responsible for the crisis[24]. The poorest half of the world's population – ranked by income per capita – were responsible for just 12% of global emissions in 2019[25], yet they are concentrated in countries highly exposed to climate shocks and least able to recover[26]. Each year, natural disasters push around 26 million people into extreme poverty[27], with the poorest 40% suffering income losses 70% greater (relative to their wealth) than the global average[28].

Climate change is also driving food insecurity by disrupting agriculture and land use, pushing fragile rural systems to the brink and making poor households—who spend a greater share of their income on food—especially vulnerable to price spikes, alongside wider social, economic, and environmental impacts. Without urgent action, 32–132 million more people could fall into poverty by 2030[29]. Limited fiscal space, weak infrastructure, and institutional constraints mean each disaster erodes development gains and deepens inequality, trapping communities in a cycle of climate vulnerability despite their minimal historic contribution to the problem, underscoring the need for fair and cooperative global action.

Price stability is already under threat: climate and nature impacts are driving inflation via disrupted supply chains, food price spikes, and energy market volatility. Empirical evidence shows that hotter conditions lead to more persistent food and services inflation, with climate shocks projected to drive global food inflation up by 0.92-3.23 percentage points per year and headline inflation by 0.32–1.18 percentage points by 2035—and considerably more in hotter regions like the Middle East[30]. Europe's 2022 extreme summer hear raised food inflation by 0.67% and headline inflation by

[19] UNEP (2024). *Emissions Gap Report 2024: No more hot air … please! With a massive gap between rhetoric and reality, countries draft new climate commitments.*

[20] WHO (2014). *Quantitative Risk Assessment of the effects of Climate Change on Selected Causes of Death, 2030s and 2050s.*

[21] ILO (2019). *Working on a warmer planet: the impact of heat stress on labour productivity and decent work.*

[22] Munich Re (2025). *Natural disasters in 2024*. Available at: Munich Re website.

[23] Depsky N, Bolliger I, Allen D, et al. (2023). *DSCIM-Coastal v1.1: An open-source modeling platform for global impacts of sea level rise*. Geoscientific Model Development, 16, 4331–4366. Available: Report.

[24] Lankes HP, Macquarie R, Soubeyran É, et al. (2024). *The Relationship between Climate Action and Poverty Reduction*. *The World Bank Research Observer*, 39(1), 1–46.

[25] Chancel L. (2022). *Global carbon inequality over 1990–2019*. *Nature Sustainability*, 5, 931–938.

[26] According to the IPCC, vulnerability to climate change is the degree to which systems are susceptible to and unable to cope with adverse impacts of climate change, shaped by exposure, sensitivity, and adaptive capacity—including economic, social, and institutional factors. See: IPCC (2022), *Sixth Assessment Report (AR6), Working Group II.*

[27] This does not include the impact on those who are already below or who remain just above the poverty line.

[28] Jaeger J, Walls G, Clarke E, et al. (2021). *The Green Jobs Advantage: How Climate-Friendly Investments Are Better Job Creators.* Working Paper. WRI.

[29] IEA (2024). *World Energy Investment*, 2024.

[30] Kotz M, Kuik F, Lis E, et al. (2024). *Global warming and heat extremes to enhance inflationary pressures. Communications Earth & Environment*, 5, 116.

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0.34%, showing climate-driven pressures are structural, recurring year after year and steadily eroding purchasing power.

These shocks would erode financial stability, strain public and private balance sheets, and suppress long-term investment, creating a chronic drag on growth and sustainable development. The European Central Bank (ECB, 2022)[31] found ~€70 billion in losses for just 41 banks under short-term disorderly transition and acute physical-risk scenarios— figures that may be underestimated given methodological limitations —while the Bank of England's CBES projects late action could add ~£110 billion in credit losses and cut bank and insurer profits by 10–15% annually (Bank of England, 2022)[32].

The fiscal costs are mounting too: in the past 12 months, U.S. disaster and climate-related spending exceeded 3% of GDP—diverting resources from productive investment and underscoring the escalating economic toll without urgent action (Bloomberg, 2025)[33].

In sum, the cost of inaction is rising, and it disproportionately exposes the world's most vulnerable populations—who have contributed least to historical emissions—to escalating climate risks, highlighting inequities embedded in climate change. Every year of delayed climate action raises both the investment needed and the risks faced.

Scope of the Report

This Report outlines strategies to reform multilateral finance, improve access to climate finance, boost domestic capacities and unlock large-scale investment opportunities with the aspiration of scaling up at least USD 1.3 trillion annually by 2035 in climate finance to developing countries, from all public and private sources. It aims to expand international financing sources while ensuring coherence with domestic investment and regulatory frameworks and strengthening connectivity between country investment priorities and international finance, including through country platforms. It also seeks to integrate strong private sector mobilization with climate objectives, strengthen multilateral financial institutions and climate finance mechanisms, and advance regulations for sustainable finance, including principles and guidelines aimed at advancing harmonization and interoperability across financial systems, without impairing current beneficiaries.

This requires bridging the traditionally siloed tracks of development and climate finance. As recognized in "Compromiso de Sevilla", the outcome of the Fourth International Conference on Financing for Sustainable Development (FfD4), these agendas are interdependent and mutually reinforcing. Aligning financial flows with the implementation of both the 2030 Agenda and the ambition of the Paris Agreement is essential to realize sustainable development. Alignment with SDGs and climate objectives has also been recognized by the G20, such as in the Sustainable Finance Roadmap developed by the Sustainable Finance Working Group.

Ministries of Finance play a pivotal role in aligning economic and development priorities with climate action. As stewards of fiscal policy, investment planning, and regulatory frameworks, they are uniquely positioned to embed climate and nature into growth strategies and translate commitments into investable plans. Their leadership is essential to unlock private capital, steer public finance, and shape a financial architecture fit with national transition pathways. As shareholders of MDBs, providers of bilateral support, and board members of climate funds, they also have the influence to drive systemic reforms. Scaling up climate finance to reach at least USD 1.3 trillion per year for developing countries by 2035 will require full engagement of finance ministries to ensure coherence between domestic priorities and international finance flows.

[31] ECB (2022). *2022 climate risk stress test*. Available at: ECB report.

[32] Bank of England (2022). *Results of the 2021 Climate Biennial Exploratory Scenario (CBES)*.

[33] Bloomberg (2025). *Disaster spending hits new highs*. Available at: Bloomberg website.

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This Report was developed under the leadership of the Ministry of Finance of Brazil, in its role of supporting the COP30 Presidency, based on contributions from the finance ministries invited to the COP30 Circle and the three Advisory Groups established for this initiative, as well as several international organizations. It reflects a broad consultative process, including exchanges with countries, experts, the private sector, and civil society. It is not a negotiated outcome, but the result of a structured reflection on the main issues and reform areas to advance common understanding and identify concrete priorities for climate action. It recognizes that no single solution will suffice and that a diversity of approaches must be considered to achieve the scale of ambition required.

While the Report aims to contribute to the final Baku to Belém Roadmap, to be jointly submitted by COP29 and COP30 Presidencies, its recommendations or language are not the product of specific negotiations under the UNFCCC. Beyond COP30, the Circle and this Report may serve as a reference for ongoing coordination and future implementation efforts by governments, IFIs, and other stakeholders.

Structure of the Report

The Report is structured around five strategic priorities:

- **Priority 1:** Scaling Up Concessional Finance and Optimizing Climate Funds.
- **Priority 2:** Reforming Multilateral Development Banks to Scale up Sustainable Finance.
- **Priority 3:** Boosting Domestic Capacity and Investment Frameworks for Climate Finance, including Country Platforms.
- **Priority 4:** Developing Scalable and Innovative Financial Solutions for Private Capital Mobilization.
- **Priority 5**: Strengthening regulatory approaches for climate finance.

These priorities reflect a systemic and multidimensional approach to reaching the USD 1.3 trillion ambition from all sources. They consider both country and international levels, as well as the actors and functions involved, as appropriate and required. The priorities overlap and reinforce one another and one of the central messages from the work of the finance ministries is that these priorities should be addressed in a coordinated way. The intention is that these actions will indicate a "to-do list" for implementation across all relevant actors – including governments, IFIs, DFIs, and the private sector. .

Each priority is explored in a dedicated chapter, divided into four sections:

1. **Background and Context** – defining the scope and rationale for the priority.
2. **Key Issues** – identifying barriers, gaps, and opportunities.
3. **Recommended Actions (or Issues for Further Consideration and Action)** – presenting concrete Recommended Actions targeted to specific actors, accompanied by indicative implementation timelines (short term: up to 2027; medium term: up to 2030; long term: up to 2035); or Issues for Further Consideration and Action in relevant fora for themes under priority 5. Public sector financial institutions, MDBs, DFIs, NDBs, PDBs, VCEFs and local financial institutions shall be expected to consider the recommendations in this report respecting their respective mandates and governance frameworks.
4. **Concrete and Potential Solutions (Annex)** – showcasing relevant initiatives from countries, Advisory Groups, and International Organizations that align with the recommendations and constitute solutions for their implementation.

The Report concludes with a synthesis that links the implementation of the priorities to the ambition of scaling up climate finance to at least USD 1.3 trillion per year by 2035, as set out in the Baku to Belém Roadmap.

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PRIORITY 1:
Scaling up concessional finance and optimizing climate funds

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1.1 Background

Concessional finance is a critical component of the climate finance landscape, providing support to poor and vulnerable countries with constrained access to finance, and enhancing the leverage and impact of other pools of finance in low and middle-income countries. In this context, in the same decision in which the Conference of the Parties, serving as the meeting of the Parties to the Paris Agreement (CMA), established the Baku to Belém Roadmap to 1.3T, it also acknowledged the fiscal constraints and increasing costs to adapt to the adverse effects of climate change. The decision further highlighted the need for public and grant-based resources and highly concessional finance, particularly for adaptation and responding to loss and damage in developing country Parties, especially those that are particularly vulnerable and have significant capacity constraints, such as LDCs and SIDS.

By easing fiscal constraints and promoting just transitions in developing countries, public and grant-based resources and highly concessional finance also play a vital role in supporting local and indigenous communities, small and medium-sized enterprises (SMEs), and promoting gender equality by addressing structural barriers to finance. These groups, often excluded from traditional funding due to lack of collateral, formal recognition, or systemic bias, are key actors in climate action and sustainable development.

From a functional perspective, concessional finance supports activities such as policy formulation, market creation, investment plan and project preparation, capacity building and implementation. From a mobilization perspective, it can play an important catalytic role to mobilize private sector finance through blended finance mechanisms that alleviate perceived risks and reduce the cost of capital. As such, concessional finance has an important role in supporting climate action in middle income countries through its role in meeting both priority needs and its leveraging role in structured finance.

These resources flow through several key channels, the coordination of which is of critical importance to effectively scale up concessional instruments. Bilateral financing remains foundational, with channels providing direct support to developing countries[34]. Multilateral development banks (MDBs) have used their concessional lending increasingly faster in recent years. The Vertical Climate and Environmental Funds[35] (VCEFs) serve as important delivery channels for multilateral climate and environmental finance, with a collective annual commitment capacity of around USD 5 billion[36]. While quantitatively small, the VCEFs, each with their own singular characteristics, have strengths that enable them to play an important catalytic role in advancing systemic change by collaborating with MDBs and other development partners, building markets, and mobilizing additional finance[37].

Since 2013, these flows have increased steadily, mostly delivered bilaterally or through multilateral development organizations (OECD, 2024)[38]. While volumes of financing by multilateral climate funds grew more modestly and varied more over the years, the overall trend showed growth. For example, the Green Climate Fund (GCF) has been instrumental in using its limited resources to catalyze, mobilize and derisk further financing for developing countries. Its intervention enables multilateral development banks, public development banks and the private sector financiers to unlock their financing for new climate investments in developing countries or sectors that they would not normally be willing to support because of perceived or real risks.

[34] G20 IHLEG (2024). *Accelerating Sustainable Finance for Emerging Markets and Developing Economies: Independent Review of the Vertical Climate and Environmental Funds.* Available at: G20 IHLEG report.

[35] VCEFs include the Adaptation Fund, the Climate Investment Funds, the Global Environment Facility and the Green Climate Fund. More information at: G20 IHLEG report.

[36] The Green Climate Fund alone accounts for a significant portion of this total, with an annual commitment capacity of roughly USD 2 billion to USD 2.9 billion.

[37] Taskin, Ö. (2024). *Making climate funds fit for more interlinked and mutually reinforcing agendas.* In OECD, *Development Co-operation Report 2024: Tackling Poverty and Inequalities through the Green Transition* (pp. 290-306). Available at: OECD report.

[38] OECD (2024). *Integrating climate action into development finance.* OECD Development Perspectives, No. 45. Available at: OECD report.

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Still, there are contrasting views on the availability of concessional finance for developing countries and there is no internationally agreed definition of climate finance under UNFCCC. The development community has recently acknowledged a downward trend in some components, particularly in Official Development Assistance (ODA), in a global context of higher inflation and limited fiscal space, which may impact the amount of climate concessional funds available[39]. The outcome document of the Fourth International Conference on Finance for Development, "Compromiso de Sevilla", emphasizes developed countries' role in sustaining efforts to reverse declining trends in ODA and fulfill their respective official development commitments.

The financing gap remains alarming. As noted in the Third Report of the Independent High-Level Expert Group on Climate Finance[40], total climate finance will need to increase more than four-fold to USD 2.4 trillion per year by 2030 and sixfold to USD 3.3 trillion per year by 2035 (including USD 1.3 trillion per year by 2035 from external sources). The gap is particularly large for adaptation. According to some sources[41], adaptation costs in developing countries will rise to USD 215–387 billion annually by 2030 compared to current spending of USD 68 billion to USD 80 billion. Although the gap estimates total investment costs and not international public finance needs, it implies a substantial increase. The financing needs are disproportionately heavy for least developed and small climate-vulnerable countries, as these have very limited domestic resources[42]. Costed needs reported in nationally determined contributions of developing country Parties are estimated at USD 5.1–6.8 trillion for up until 2030 or USD 455–584 billion per year[43].

The urgent need to scale up resources for adaptation was recognized in COP29 outcomes. CMA.6 noted with concern that the adaptation finance gap is widening[44]. It reiterated the call for developed country Parties to at least double their collective provision of climate finance for adaptation from 2019 levels by 2025, in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources, recalling Article 9, paragraph 4, of the Paris Agreement[45]. The final decision text of the New Collective Quantified Goal (NCQG)[46] on Climate Finance directly addresses this challenge by calling for a "*significant increase of public resources*" to be provided through the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund, with efforts to "*at least triple annual outflows from those Funds from 2022 levels by 2030*".

The NCQG also calls for efforts of multilateral climate funds to strengthen their efforts to enhance access and promote effectiveness by scaling up and prioritizing direct access, simplifying and harmonizing application pre-approval and post-approval requirements and disbursement processes, establishing flexible information requirements, promoting programmatic approaches, and streamlining reporting requirements. In a world where climate impacts are deepening inequality, development and climate agendas must be pursued in tandem to ensure a just and sustainable future.

Tracking and measuring such financing remain complex due to varying definitions, the diversity of financial instruments, and difficulties in assessing financial terms relative to market benchmarks. The

[39] OECD (2025). *Cuts in official development assistance: OECD projections for 2025 and the near term*. OECD Policy Briefs, No. 26. Available at: OECD report.

[40] Bhattacharya A, Songwe V, Soubeyran E, Stern N (2024). *Raising Ambition and Accelerating Delivery of Climate Finance*. London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. Available at: IHLEG report.

[41] UNEP (2024). *Adaptation Gap Report 2024*. Available at: UNEP report.

[42] According to WRI (2025), around 76% of adaptation finance to EMDEs (excluding least developed countries) is provided in the form of non-concessional finance.

[43] UNFCCC Standing Committee on Finance (2024). *Needs Determination Report*.

[44] Decision 2/CMA.5, para. 30.

[45] Decision 2/CMA.5, para. 31.

[46] Decision 1/CMA.6, para. 22.

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Paris Agreement establishes clear requirements for transparent and consistent reporting of climate finance support through its enhanced transparency framework under Article 13.

Public sector financial institutions, MDBs, DFIs, NDBs, PDBs, VECFs and local financial institutions shall be expected to consider the recommendations in this report respecting their respective mandates and governance frameworks.

1.2 Key Issues

1.2.1 Concessional finance is insufficient, fragmented and difficult to access.

Currently available concessional finance is largely inconsistent with the needs for climate action. In 2023, 43% of concessional climate-related development finance by bilateral and multilateral providers targeted mitigation objectives, 23% supported both mitigation and adaptation objectives and 34% targeted adaptation objectives[47]. Building climate resilience, adaptation, and nature restoration remain underfunded despite large and rising needs. There also remain challenges in responding to the increased scale and frequency of loss and damage. These financing requirements particularly of climate-vulnerable countries and local communities[48] will only be amplified by intensifying climate impacts. Institutional capacity constraints may hinder a faster employment of such instruments.

At the same time, concessional finance is highly fragmented – across bilateral channels, their contributions to VCEFs, trust funds in institutions such as MDBs, and philanthropy – leading to concerns about lack of coherence of roles, ineffective allocation of scarce resources, and inadequate monitoring of climate finance. Much of the finance remains at the project level, with limited programmatic approaches restraining scale and effectiveness.

Even where concessional finance is available, access is often complex, time-consuming, resource-intensive, unpredictable and highly project-based. This is particularly challenging for LDCs and SIDS, which often face multi-year delays due to lengthy accreditation processes, fragmented financing windows, and limited technical capacity.

1.2.2 Lack of consensus on how concessional finance is defined, measured and tracked

While there are existing efforts to track concessional climate finance flows, there is little consensus on its definition and measurement[49] and on common metrics to assess effectiveness[50]. In a context where ODA is declining[51], advancing on both issues would help to improve accountability, helping to reduce fragmentation and optimize the use of concessionality to where it is most needed. The focus also needs to shift from inputs to shared metrics on climate and development impact while considering countries' diverse pathways. These challenges have been recognized by multilateral climate funds, with the VCEFs adopting a joint declaration at COP28 emphasizing their commitment to enhance complementarity and coherence within the overall climate finance landscape. System-wide, the VCEFs are actively collaborating through structured platforms, such as the Multilateral Climate Funds (MCF) to harmonize results and indicators to enhance flexibility and complementarity and strengthen coordination of capacity-building support.

[47] OECD (2025). *Aid activities targeting Global Environmental Objectives*.

[48] Bourguignon F. (2025). *Climate Finance: An ill-designed instrument for financing development and environment assistance.* Financing for Development Lab, Policy Note. Available at: FDL Policy Note.

[49] Bhattacharya A, Songwe V, Soubeyran E, Stern N (2024). *Raising Ambition and Accelerating Delivery of Climate Finance.* London: Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science. Available at: IHLEG report.

[50] CPI (2024). *Understanding Global Concessional Climate Finance 2024.* Available at: CPI report.

[51] OECD (2025). *Cuts in official development assistance: OECD projections for 2025 and the near term. OECD Policy Briefs*, No. 26. Available at: OECD report.

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1.2.3 Existing concessional finance instruments cannot adequately address the scale of climate and nature financing needs

A common shortcoming is the lack of clear performance-links and incentives, failing to establish proper connections between verified climate outcomes and financial disbursements. Also, current mechanisms insufficiently account for the needs of the most vulnerable countries, which often struggle with low hard currency reserve levels and existing debt burdens that limit their access to traditional financing. To address these systemic gaps, several innovative solutions merit further exploration and use, such as debt-for-climate swaps, the potential use of Special Drawing Rights (SDRs) and various forms of climate risk insurance combined with concessional elements in the premium structure. The establishment of innovative sources of finance has the potential to channel new financing to support climate-vulnerable countries enhancing recipient country ownership of climate and nature programs (e.g. a group of countries co-chaired by Kenya, Barbados and France is studying a menu of potential solidarity levies). These approaches collectively offer promising avenues for transforming concessional finance to meet the scale and urgency of climate and nature challenges of developing countries.

1.2.4. Vertical Climate and Environmental Funds are also fragmented leading to insufficient delivery and mobilization

The fragmentation of VCEFs poses significant barriers to scaling up climate finance delivery. Complex institutional arrangements, funding uncertainties, and slow disbursements prevent these funds from operating at the required scale and speed[52]. This fragmentation results in duplication of efforts, unclear roles vis-à-vis MDBs—ultimately hindering their ability to serve as effective delivery mechanisms for developing countries[53]. VCEFs have recognized the urgent need for enhanced complementarity and coordination. They are striving to reduce bureaucracy, work more programmatically within the broader financing system, and better mobilize private sector resources through strategic use of concessional finance. Some VCEFs have undertaken institutional reforms, re-engineering institutional structure and systems to be able to channel finance at scale, enhance timely access to climate finance and achieve tangible impact in developing countries[54].

The evolving relationship between VCEFs and MDBs requires clearer delineation of comparative advantages and stronger alignment at the country level to avoid duplication and strengthen synergies. The IHLEG VCEF report[55] launched in 2024 and endorsed by the G20 identified critical challenges undermining fund effectiveness: lengthy processing times, fragmented in-country engagement, onerous reporting requirements, and protracted disbursement periods. These structural issues, combined with weak integration between climate finance and long-term development planning, prevent VCEFs from achieving their potential impact. Addressing these challenges requires improved governance, enhanced transparency, support for internal reforms, and a 'whole-of-government' approach that better connects NDCs with national development strategies while maintaining focus on adaptation, just transition, and support for LDCs, SIDS, and vulnerable populations.

1.2.5. Concessional finance fails to adequately take vulnerabilities beyond GDP into account

Traditional measures of economic output fail to capture the multidimensional challenges countries face in today's world. GDP alone overlooks structural weaknesses such as ecological fragility, informality of labor markets, inequality, and limited resilience to external shocks.

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[52] Lee, Nancy, Clemence Landers, and Samuel Matthews. 2023. *Concessional Climate Finance: Is the MDB Architecture Working?*. Center for Global Development. Available at: report.

[53] Taskin, Ö. (2024). *Making climate funds fit for more interlinked and mutually reinforcing agendas*. In OECD, *Development Co-operation Report 2024: Tackling Poverty and Inequalities through the Green Transition* (pp. 290-306). Available at: OECD report.

[54] One example is the "50 by 30 vision" whereby GCF aims to create a fit for purpose Fund that can efficiently and impactfully manage a capitalization of USD 50 billion by 2030, preparing to be a key vehicle in delivering the Baku to Belem Roadmap to USD 1.3 trillion vision by 2035, channeling significant increase in climate finance and tripling its annual outflow.

[55] G20 IHLEG (2024) *(n 36)*.

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As recent crises—the Covid-19 pandemic, climate and biodiversity emergencies, pollution, and renewed conflict—have shown, vulnerability is not confined to income levels, and countries may have very different capacities to cope with and recover from shocks.

Without integrating multidimensional vulnerability into the criteria that govern access to concessional finance, many countries at risk remain under-supported, limiting their ability to fight poverty, invest in resilience, and meet the Sustainable Development Goals. A shift toward frameworks that look beyond GDP is therefore essential to ensure that development finance is both equitable and effective in addressing the real risks societies face.

Public sector financial institutions, MDBs, DFIs, NDBs, PDBs, VECFs and local financial institutions shall be expected to consider the recommendations in this report respecting their respective mandates and governance frameworks.

1.3 Recommended Actions

R1.1. Scale up climate finance to developing countries, in line with the commitments under the UNFCCC, the Paris Agreement and the NCQG, with developed country Parties taking the lead on the new goal of at least USD 300 billion per year by 2035 to developing countries for climate action [short to medium term]

- Ensure delivery of bilateral climate finance in line with the NCQG commitments, and enhance effectiveness, including through improvements in access and tracking progress of both financial flows and impact, aiming to achieve a balance between adaptation and mitigation, considering country-driven strategies, and the needs and priorities of developing countries.
- Scale up adaptation finance, with particular attention to the specific needs of poor and vulnerable countries.
- Protect and enhance support for multilateral concessional channels, including the funds serving the Financial Mechanism of the Convention and the Paris Agreement (such as the GCF, GEF, and Adaptation Fund), as well as other relevant instruments such as International Development Association (IDA), Africa Development Fund (ADF), the Climate Investment Funds (CIF) and others.
- Improve access to concessional finance and technical assistance for adaptation and climate resilience, for countries with greater climate vulnerability, such as LDCs and SIDS, through public and grant-based resources and highly concessional finance.
- Promote simplified pathways tailored to the capacity of small administrations or with lower capacity.
- Provide clearer guidance on possible measures to enhance complementarity and coherence within the overall climate finance landscape, and VCEFs on an examination of their comparative advantages and roles.
- Work together to encourage developing country Parties to make contributions, including through South–South cooperation, on a voluntary basis

R1.2 The Standing Committee on Finance of the UNFCCC, the OECD, and other international organizations should collaborate with countries to improve definitions, tracking and measurement of concessional climate finance flows [short to medium term]

- Support the development of mechanisms to enhance data collection and reporting capacity to provide accurate and up-to-date concessional finance data.

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- Streamline data tracking and verification using digital registries and AI-driven analytics, ensuring concessional finance flows are effectively monitored and aligned with development and climate goals.
- Establish shared criteria for allocating concessional finance, including grants, and activities to optimize allocation.
- Promote a climate finance system that balances the focus on inputs (flows of finance) with a stronger emphasis on aggregated impact, helping overcome challenges defining additionality of adaptation finance when resilience and development are interlinked.
- Enhance coordination between VCEFs, MDBs, and NDBs to develop consistent methodologies for measuring and reporting mobilization and co-financing, financial leverage, and rate of concessionality, at both project and portfolio levels for better domestic and international outflow reporting.

R1.3 Concessional finance providers should increase innovation in financing structures and instruments [medium to long term]

- Continue to explore possibilities for expanding rechanneling of SDR to concessional instruments such as PRGT (Poverty Reduction and Growth Trust) and RST (Resilience and Sustainability Trust.
- Encourage countries to contribute to the SDR-based hybrid-capital channeling solutions by the African Development Bank and the Inter-American Development Bank, ideally by the end of 2025, while respecting relevant legal frameworks and preserving the reserve asset character of SDRs, and support exploring other voluntary SDR rechanneling initiatives through MDBs.
- Explore and expand transfer mechanisms, improve insurance coverage and pre-arranged finance for vulnerable countries, and consider debt-for-climate swaps on a voluntary basis as part of a wider debt toolkit.
- Enhance action and support for averting, minimizing and responding to loss and damage associated with climate change impacts in developing countries, especially those that are particularly vulnerable and have significant capacity constraints, such as the LDCs and SIDS.
- Explore options for new sources, including levies, to meet urgent climate and related development needs in developing countries, with a focus on the most vulnerable.
- Recognize the potential role of high-integrity carbon credit markets in mobilizing complementary resources for transition projects, and encourage country governments to develop and promote locally anchored and globally connected markets, in line with their national circumstances and priorities (see item 5F).
- Collaboration between VCEFs to integrate nature-related actions where necessary should be encouraged, and build on efforts already underway, such as the regular meeting of the Heads of the funds.
- Private philanthropy should leverage its strengths, including flexible and concessional capital that can leverage both public and private finance to:
    - Deliver grant financing in areas such as technical assistance, capacity building and project preparation, especially for adaptation and resilience to climate change.
    - Provide 'catalytic' investments at greater scale as part of blended structures, including grants catalytic equity investments into project and fund structures which can help to mobilize private finance at scale (e.g. by taking a 'first-loss' position, capping returns or by waiting longer to exit), especially for Adaptation and resilience building projects.
    - Explore and develop together with an integrated set of partners (PDBs, MDBs, philanthropies) instruments to especially address the needs of nature-based solutions, such as insurance and guarantee mechanisms that consider the specific risks and project timelines of NBS.

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R1.4 All countries should work together to improve concessional finance [short term]

- Recognize that, in the face of severe pressure in concessional finance, dealing with adequacy and allocation of concessional finance is crucial for the poor and vulnerable countries.
- Promote a transition by directing concessional finance toward mitigating the socio-economic impacts of climate action, including the transition on affected workers, communities, and regions.
- Support local and Indigenous communities, small and medium-sized enterprises (SMEs), and promote gender equality by addressing structural barriers to finance such as the lack of collateral, formal recognition and systemic bias.

R1.5 VCEFs should continue to pursue internal reforms aligned with the IHLEG recommendations welcomed by G20, to enhance access, responsiveness, and delivery, while improving systemic coherence and governance [short to medium term]

- Implement, through their governing bodies, recommendations from the IHLEG VCEF report on access to climate finance to address fragmentation and process challenges to effective delivery of climate finance. Key IHLEG recommendations include:
  - Developing mechanisms for enhanced engagement with and access for the most vulnerable countries and communities to VCEF resources.
  - "Strengthen coordinated country ownership of VCEF activities and supporting countries to establish country platforms
  - Clear individual VCEF implementation timelines and milestones supported by their Boards
  - Leverage the full potential and impact of VCEF capital through deploying innovative financial instruments and prioritizing market approaches. VCEFs should focus on early-stage innovative financial instruments and structures that de-risk wider investments and building markets by trialing new modes and partnerships for resilient investments.
- Enhance cross-fund collaboration building on each VCEF's unique comparative advantage to amplify benefits and impact across funds, while also strengthening the collaboration with MDBs and NDBs and mindful of countries with limited institutional relationship, without impairing beneficiaries' access.
- Assess common functions, including accreditation, monitoring and evaluation, learning activities and potentially some back-office operations, for potential integration across funds.
- Balance the call for increased financial mobilization, particularly from the private sector, with objectives set for these funds in terms of support to adaptation, just transition or reaching out to LDCs, SIDS and vulnerable population segments most affected by climate change.
- Improve governance of the VCEFs at the Board level towards enabling closer cooperation, facilitating knowledge sharing, collaboration and streamlining integrated operations.
- Build the capacity of local accredited and executing entities together with national designated authorities and focal points to support the preparation of robust programmatic proposals improving access to funds' resources, including dedicated support to LDCs and SIDS.
- Adopt regional approaches, where appropriate and according to national circumstances, to enhance the ability to address cross border challenges (e.g. basin levels of major rivers), thematic interventions to achieve economies of scale (e.g. a regional solar industry), or to address other common challenges including connectivity.
- Leverage instruments to attract market-based funding and increase the use of guarantees and catalytic equity investments, alongside grants and concessional loans.

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PRIORITY 2:
Reforming MDBs to scale up sustainable finance

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2.1 Background

Multilateral Development Banks (MDBs) are uniquely positioned to scale climate action in developing countries. Their ability to mobilize public and private investment, offer affordable long-term finance, mitigate risks, and provide targeted policy and technical support makes them unique and essential to enabling transformative change. In particular, they can play an important role supporting the systemic reforms needed to increase finance for adaptation and resilience. In a context of severely constrained aid budgets, MDBs stand out for their capacity to leverage their capital base to deliver sustainable finance and climate related investments at scale. By on-lending long-term, affordable resources and crowding in public and private capital, they can significantly amplify the impact of limited concessional funds. Delivering on the ambition of the "Baku to Belém Roadmap to USD 1.3T" will depend on scaling up MDB resources and fully harnessing their comparative advantages.

The central role of MDBs in advancing climate action has been widely acknowledged across major international fora. This includes G20 Leaders' declarations[56,57], deliberations of the World Bank Development Committee[58], the outcome document of the Fourth International Conference on Financing for Development[59] and agreements such as the Glasgow Climate Pact, the outcome of the Global Stocktake, and the "Baku Unity Pact"[60]. At COP29, parties reaffirmed the urgent need to tackle persistent barriers to climate finance—including the high cost of capital, limited fiscal space, elevated debt burdens, and limited access to funding. They also reiterated earlier calls for MDBs to scale up climate-related investments and accelerate progress on their evolution agenda[61].

In 2024, under the leadership of the Brazilian presidency, the "G20 Roadmap Towards Better, Bigger and More Effective MDBs" was launched and endorsed by G20 leaders. It provides a strong political and technical foundation for building a system-wide approach to MDBs that matches the scale and the urgency of the climate challenge, by closing the financing gap and addressing countries' development priorities and needs[62]. MDBs have already begun implementing a broad set of reforms aimed at scaling up their financing capacity, enhancing operational effectiveness, and maximizing development impact. As highlighted in the Viewpoint Note by the Heads of MDBs Group, they have committed to balance sheet optimization and financial innovation that are expected to unlock between USD 300 billion and USD 400 billion in additional lending over the next decade with strong contributions from shareholders and development partners[63]. These financial innovations are being pursued in parallel with efforts to mainstream climate considerations across institutional strategies and operations.

To fully align with global climate objectives and respond at the scale and speed required, MDBs must continue current efforts to fully implement the G20 Roadmap. In 2023, MDBs committed USD 75 billion in climate finance to developing countries[64]. At COP29, they estimated this figure will reach USD 120 billion and aimed to mobilize an additional USD 65 billion from the private sector annually to LMICs by 2030 [65]. However, meeting global climate and development goals will require significantly more ambition.

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[56] G20 (2023). *G20 New Delhi Leaders' Declaration.* Available at: G20 declaration.

[57] G20 (2024). *G20 Rio de Janeiro Leaders' Declaration.* Available at: G20 declaration.

[58] WBG Development Committee (2023). *From Vision to Impact: Implementing the World Bank Group Evolution*. Available at: WBG report.

[59] UN DESA (2025). *Sevilla Commitment - Outcome Document adopted at the Fourth International Conference on Financing for Development*. Available at: FFD4 Outcome.

[60] UNFCCC, "New Collective Quantified Goal on Climate Finance: Decision 11/CMA.5."

[61] UNFCCC "Outcome of the First Global Stock take."; UNFCCC "Report of the Conference of the Parties on Its Twenty-Seventh Session, Held in Sharm El-Sheikh from 6 to 20 November 2022; UNFCCC "Glasgow Climate Pact".

[62] G20 (2024). *G20 Roadmap Towards Better, Bigger and More Effective MDBs.*

[63] African Development Bank et al. *2023 Joint Report on Multilateral Development Banks Climate Finance.*

[64] African Development Bank et al. *2023 Joint Report on Multilateral Development Banks Climate Finance.*

[65] World *to Boost Climate Finance*. Available at: WBG website

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This section focuses specifically on Multilateral Development Banks. However, many of the recommendations may also apply to other publicly backed development finance providers - for instance, bilateral DFIs, national development banks and public development banks. Recommendations on how these organizations can mobilize private capital are made in R2.5; parts of this are expanded upon in greater detail in Priority 4. "Private Capital" in the scope of this section refers to commercial lending or investment from private-sector financial institutions; it does not include commercial-terms capital from the private sector arms of MDBs, DFIs, or other public-sector finance providers[66].

2.2 Key Issues

Strengthening the role of MDBs requires deepening and boosting ongoing transformative reforms to make them fully adopt risk-based operational policies and processes, as well as risk-transfer approaches, while managing risks to their balance sheets, and safeguarding their long-term financial sustainability, robust credit rating and preferred creditor status. These reforms go much beyond expanding financial capacity—they should also transform operational models and incentive frameworks to improve the accessibility, efficiency, and effectiveness of MDB support. MDBs must continue to be ever more responsive to country needs while contributing more decisively to global and regional public goods in a world that is increasingly riskier. A key priority is continuing to foster stronger collaboration across institutions, enabling the MDB system to deliver greater collective impact.

Looking ahead, MDBs must continue to adapt to the rapidly changing landscape. This includes equipping themselves with the right tools, governance mechanisms, and strategic frameworks to confront today's most urgent issues, in accordance with their mandates. Only through bold, systemic reforms can MDBs deliver on their full potential as drivers of sustainable development and resilience.

2.2.1 Making MDBs Better

Under the "better" pillar, advancing the accessibility, efficiency, and responsiveness of MDBs' support requires a more systemic and coordinated approach, with a strong emphasis on private capital mobilization, adaptation and resilience, and country-led initiatives. MDBs must intensify efforts to crowd in private investment by improving risk-sharing and risk-transfer instruments (e.g. use of guarantees) and market development initiatives—ensuring that their interventions unlock, rather than substitute, private financing.

Equally important is the need to support ambitious, country-owned and country-led platforms that align public and private resources behind coherent national development strategies and NDCs. Strengthening project pipelines through early-stage preparation support, especially at the design stage, by collaborating with the private sector to identify and develop bankable projects, is also essential to accelerate implementation and enhance development impact. As long-term provider of credit at affordable costs, MDBs are also essential in ensuring concessional resources are channeled – preferably in local currencies - where they are most needed, including the most poor and vulnerable countries and to those activities that can mitigate risks and make projects bankable.

2.2.2 Making MDBs Bigger

Under the "bigger" pillar, MDBs are expected to significantly expand their financing capacity to meet the scale of current and future development and climate challenges. This expansion must be pursued while managing risks to their balance sheets, and safeguarding their long-term financial sustainability, robust credit ratings, and uphold preferred creditor status. The broader adoption of the Capital Adequacy Framework (CAF) recommendations across several MDBs reflects growing consensus around

[66] This mobilization is typically captured within reported figures for direct & indirect mobilization due to the methodology used; however, this Report defines private capital as private-sector resources.

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the need to optimize the use of existing capital. By recalibrating risk tolerance and enhancing portfolio management practices, CAF recommendations enable MDBs to unlock additional lending headroom while maintaining sound financial fundamentals.

To meet growing demands from member countries and respond effectively to global and regional challenges, considering regular MDB-led reviews of strategies and the alignment between resources and strategies would lay a solid basis for MDBs' Boards consideration on whether and when additional capital may be needed or not.

2.2.3 Making MDBs More Effective

Under the "more effective" pillar, enhancing the development impact of MDBs hinges on strengthening their results frameworks and deepening coordination and cooperation across the system. To ensure their activities translate into meaningful outcomes, MDBs must align measurement and reporting practices with updated strategic priorities, enabling more consistent and transparent tracking of impact. Improving delivery and accountability also depends on establishing the right incentives—both institutional and operational—to foster collaboration among MDBs at the global, regional, and country levels.

MDBs should reinforce their impact tracking systems by increasing data transparency and improving the clarity of results reporting. This will not only support mutual accountability but also help identify what works and where efforts can be scaled. Encouragingly, MDBs jointly report climate finance outflows, have already advanced a joint methodology for assessing climate-related outcomes and have committed to launching a joint taxonomy on nature finance and providing baseline nature finance reporting at COP30. However, most existing metrics focus on institutional-level performance rather than capturing the collective impact of the system—an area where further progress is needed to fully realize the benefits of MDBs working as a coordinated system.

Public sector financial institutions, MDBs, DFIs, NDBs, PDBs, VECFs and local financial institutions shall be expected to consider the recommendations in this report respecting their respective mandates and governance frameworks.

2.3 Recommended Actions

R2.1 MDBs should be recognized and supported as a key pillar of long-term public finance for sustainable development [short to medium term]

- Reaffirm and safeguard MDBs' unique role as stable providers of affordable, long-term public finance for climate and development investments in EMDEs.
- Ensure that MDB long-term lending remains central to financing adaptation, resilience, and public infrastructure that cannot be delivered by private markets alone, while maintaining affordability and predictability.
- Acknowledge natural capital as a strategic asset class for long-term public finance, by encouraging MDBs to systematically integrate nature-based solutions into climate and infrastructure portfolios, and to design instruments that catalyze co-benefits for resilience, biodiversity, and inclusive prosperity.

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R2.2 MDBs should enhance their role in project preparation and implementation by expanding access to technical assistance and strengthening partnerships with Public Development Banks (PDBs) [short term]

- Set up and maximize the use of multi-partner project preparation and technical assistance facilities that can be used by PDBs, private sector entities, CSOs, and philanthropies, with standardized access criteria and streamlined governance.
- Simplify co-financing procedures with PDBs by reducing due diligence duplication, accelerating disbursement timelines, and offering standard templates for project documentation and risk-sharing.

R2.3 MDBs should maintain strong support for climate adaptation by prioritizing concessional resources and mainstreaming adaptation finance alongside mitigation efforts [short term]

- Ensure that adaptation finance remains a core pillar of MDB climate strategies and project pipelines – supporting resilience-building features, disaster risk reduction, and ecosystem-based adaptation.
- Prioritize concessional funding to mitigate risks and catalyze adaptation projects that deliver critical social and economic benefits but often lack commercial viability.
- Expand the definition of adaptation to better capture the full spectrum of development efforts that contribute to climate and nature resilience—recognizing the strong linkages between adaptation and broader economic development.
    - Better incentivize all MDB development spending to systematically integrate climate and nature risk, particularly by identifying and capturing Type 1 and Type 2[67] resilience results in project design and monitoring. Review and improve the joint MDB methodology to tracking adaptation finance.
- Deepen support for upstream reforms and the creation of enabling environments that foster sustainable development and attract greater private investment into adaptation sectors.
- Accelerate delivery of the MDB Joint Nature Statement (COP26), translating high-level commitments into concrete financing programs and measurable outcomes.

R2.4 MDBs should play a proactive and strategic role in helping countries accelerate climate investments and mobilize the necessary finance from private and public sources including where appropriate through the design, implementation, and scaling of Country Platforms (CPs), with short and medium-term programmatic goals [short to medium term]

- Support governments in strengthening country-led investment frameworks including in designing and operationalizing effective Country Platforms.
    - Assist countries—especially those with limited institutional capacity—in developing investment strategies that align with national development and climate strategies. MDBs should provide technical assistance to ensure platforms are country-owned, inclusive, and results-oriented.
- Use CPs to increase private capital mobilization.
    - Leverage CPs as vehicles to crowd in private investment by helping structure bankable pipelines, more effectively and dynamically assess private sector appetite for financing key sectors, coordinate the deployment of concessional and blended finance, and deploy risk-transfer tools (e.g., guarantees, subordinated capital, etc.).

[67] European Investment Bank (2022). *Joint Methodology for Tracking Climate Change Adaptation Finance: Extract of Joint Report on Multilateral Development Banks' Climate Finance 2021*. Available at: European Investment Bank.

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- Promote the use of CPs to enhance domestic resources and policy environments.
  - Use CPs as entry points for policy dialogue and reform, encouraging coherent regulatory and fiscal frameworks that improve the enabling environment for investment.
  - Use CPs to strengthen coordination with VCEFs, NDBs, and other key actors around a country-led long term investment plan, aligned with Long Term Strategies, NDCs, and/or National Adaptation Plans (NAPs).[68]
- Align financing and advisory support with projects and sectors identified in CPs.
  - For countries that have already established CPs, prioritize financing and technical assistance to projects identified in CP investment pipelines, particularly those with high development and climate impact.

R2.5 MDBs should step up their efforts to mobilize private capital [short to medium term]

- Adopt clear, ambitious, and transparent targets and incentives for PCM, including mobilization ratios, at the transaction, institution, and system-wide level, while keeping the incentive to select operations based on catalytic impact rather than mere mobilization volume.
  - Establish disaggregated PCM targets (e.g. by region/country, sector and financing theme) to set appropriate and realistic incentives for transaction teams according to country characteristics.
  - Recognizing PCM in MDBs' impact management frameworks as a critical element of financial additionality and market-wide impact.
  - Publishing PCM ratios in transaction-level impact and additionality reporting.
- Ensure adherence to the Cascade Principle by dynamically assessing market appetite.
  - Recognizing that private sector risk tolerance evolves in response to technological advancements and market developments, MDBs should undertake regular market soundings to determine the capacity and willingness of private financiers to engage. Where private capital is prepared to participate on terms viable for the project or borrower, MDBs should strategically reduce their own participation to crowd in private investment or prioritize the provision of risk-mitigation and risk-bearing instruments over direct financing.
- Expand the deployment of risk mitigation instruments to improve the risk-return profile of investments and catalyze commercial financing.
  - Substantially scale up the use of credit enhancement tools, such as first-loss guarantees, political risk insurance, and junior capital to support blended finance structures.
  - Align internal capital treatment of guarantees with their historically low default risk and strong recovery record and harmonize guarantee accounting across institutions.
  - Work with credit rating agencies and regulatory bodies to ensure that assets benefiting from MDB guarantees receive commensurate risk-based ratings uplift and capital relief for the holders of those assets.
  - Develop and support hedging platforms and instruments to manage currency risk.
- Enhance the use of risk-bearing instruments to support private sector engagement in early-stage or high-risk investments.
  - Increase MDB participation in equity and mezzanine finance, especially in sectors and regions where private capital is scarce.

[68] CPI, FiCS, AfDB. *Strengthening Collaboration to Scale Climate and Development Finance: Enhancing Partnership between Vertical Climate and Environmental Funds, Multilateral and National Development Banks*. G20 SFWG Input Paper 2025.

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- Increase MDB deployment of catalytic equity (e.g. first-loss, capped return or patient equity) in projects or funds to unlock larger volumes of private capital.

- Move from an "originate to hold" model to "originate to share/distribute".
  - Foster the development of securitization and syndication mechanisms to increase the velocity of MDB capital and create appropriate investment vehicles for institutional investors to support climate and sustainable development in EMDEs.
- Expand the use of local currency financing.
  - Provide more instruments in local currencies, including bonds, loans, and guarantees; support the development of hedging platforms tailored to market needs and the deepening of local capital and money markets to reduce currency risk and attract domestic and international investors.
  - Collaborate with central banks, regulators, and local financial institutions to strengthen enabling environments for local currency solutions.
- Scale up innovative instruments that attract private investment, e.g.:
  - Disaster and Climate Insurance: partner with governments and the private sector to expand access to insurance schemes and contingent financing that build resilience and reduce fiscal exposure to climate shocks, while creating entry points for private insurance markets.
- Continue efforts to make available increasingly detailed, granular decision-useful data on asset performance via the GEMs Consortium, and:
  - Partner with private sector FIs, financial data providers, and credit rating agencies to increase use of GEMs data, identify where further data are needed, and explore ways to work with private-sector data sources.
  - Explore the possibility of collecting and publishing performance data on equity investments, blended finance, and other asset classes beyond MDB/DFI credit.
- Undertake operational and business model reforms to enable greater PCM.

R2.6 MDBs should continue advancing the implementation of CAF reforms to expand their financing capacity while maintaining financial resilience [medium term]

- Where appropriate, leverage hybrid capital instruments and rechanneling of SDRs, while respecting legal frameworks and the reserve asset character of SDRs, to mobilize additional resources—both from shareholders and external partners—as equity-like financing that strengthens MDB capital positions.
- Develop portfolios of guarantees and securitization platforms to transfer risk off balance sheets, crowd in private co-financing, and free up headroom for new lending.
- Continue exploring options to enhance the value of callable capital by pursuing more consistent recognition by credit rating agencies, supported by improved transparency and stronger shareholder commitments where appropriate and necessary.

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R2.7 MDBs and their shareholders should explore general principles for reviews of the alignment of MDBs resources and strategies, with a view to helping countries achieve their sustainable development goals as well as to address global and regional challenges, while respecting the mandate of each institution. These regular reviews would lay a solid basis for MDBs' Boards consideration on whether and when additional capital may be needed of not [medium to long term].

R2.8 MDBs should strengthen system-wide coordination, transparency and collaboration to improve collective performance and development impact [short to medium term]

- Establish joint operational platforms and pooled instruments—such as multi-MDB guarantee facilities, project preparation funds, and thematic programs—to reduce fragmentation, leverage complementarities, and deliver greater scale and efficiency.
- MDBs should follow up on their efforts to adopt common definitions, metrics, and reporting standards in key areas to tackle remaining inconsistencies and agree on joint reporting, including PCM, climate and biodiversity finance, concessionality, and development effectiveness. With respect to PCM, they should reach a common methodology for catalyzation.
- Incorporate incentives for collaboration into internal performance systems, including embedding cross-MDB engagement metrics into institutional results frameworks and staff evaluation criteria.
- Allocate dedicated resources for collaborative programming, co-financing arrangements, and joint technical assistance to encourage deeper operational integration.
- Enhance system-wide data capabilities, including broader use of platforms like GEMS, to improve transparency, and support evidence-based decision-making.

2.4 Key Performance Indicators (KPIs)

Achieving the goals of the Paris Agreement will require an MDB system that is not only bigger in scale, but also better in quality and more effective in delivering results. A focused set of Key Performance Indicators (KPIs) can play a critical role in tracking progress across three strategic dimensions. The table below presents proposed KPIs grouped under each pillar, capturing operational efficiency (including system-wide collaboration), financial scale and effectiveness in delivery and impact. These indicators are designed to strengthen accountability, promote continuous improvements across the MDB system, and ensure that resources are better aligned with global development and climate priorities. These efforts are aligned with the G20 Monitoring and Reporting Framework (MRF) but also add value beyond its current scope.

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Table 1: Key Performance Indicators (KPIs) for tracking progress of reforming MDBs

Better	Bigger	More Effective
Volume of private capital mobilized based on joint MDB methodology	Leverage ratio (financing/MDB equity)	Number of joint diagnostics and country-level cooperation initiatives
Speed of project preparation, approval and disbursement	Additional lending capacity unlocked through balance sheet optimization (BSO) measures and use of innovative instruments	Adoption of common frameworks and outcomes to measure climate and biodiversity results
Number of climate and development diagnostics carried out individually or jointly	Additional lending capacity supported by capitalizations and fund replenishments.	Climate finance delivery rate (target vs. actual)
Number of country platforms supported by MDBs	Additional resources freed up through collaborative risk sharing approaches such as exposure exchange agreements	
Number of individual and joint project preparation facilities and the total financing commitments achieved by those projects	Volume of hybrid capital as % of equity	
Number of co-financed projects across MDBs; percentage of operations using the Co-Financing Portal meeting full financing needs.		
Share of MDB-prepared projects ultimately financed by private sector institutions.		

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PRIORITY 3:

Boosting domestic capacity and investment frameworks for climate finance, including country platforms

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3.1 Background

Achieving climate and development goals requires a robust domestic capacity to align policy incentives, identify investment priorities, and channel finance effectively though strong coordinated frameworks. This financing effort demands mature institutions to manage risks locally, develop project pipelines, ensure country ownership and track progress and impact. Scalability is achieved through coordination across finance, planning, and sectoral ministries as well as with sub-national governments to prioritize and implement investments in mitigation, adaptation, natural capital restoration, and resilience building. Targeted policy reforms and public-private collaboration are essential to mobilize both public and private investment at scale, supported by sector regulations that enable effective delivery of ambitious investment plans.

National strategies such as NDCs, NAPs, LTS-LEDS, Transition Plans and NBSAPs are critical tools to guide country-led investments and prioritize actions. They provide a foundation to mobilize and align finance through structured processes that translate these priorities into tangible projects and outcomes, ensuring coherence between climate and nature goals and broader development objectives. In this context, many countries and partners have begun exploring structured cooperation arrangements to better connect national strategies, investment priorities, and financing partners.

While strengthening domestic capacity requires multiple approaches - from fiscal reforms to institutional development - country platforms (CPs) have gained significant momentum as one particularly promising mechanism to *convene, coordinate, and align* support and finance with that vision and the investment pathways articulated in national strategies. An increasing number of countries, including low-income and small island developing states, are currently exploring their potential. Notwithstanding, clear safeguards should ensure that support is never conditional upon the creation of a Country Platform, and that countries remain free to determine for themselves whether and how to use them.

Building on outcomes from the Brazilian G20 Presidency - with South Africa continuing the agenda - CPs have emerged as a voluntary, country-led investment framework designed to align development partners around nationally defined vision and priorities[69]. CPs can be a key instrument to deliver on the COP30 Presidency's focus on implementation, while building on efforts from the G20, the Coalition of Finance Ministers for Climate Action, the private sector and the climate funds.

Their effectiveness and legitimacy rely on strong country ownership, flexibility to adapt to evolving contexts, and connectivity to finance - both public and private, international and domestic[70]. They should reflect individual country circumstances with core features including high-level national mandate, clear priorities, engagement of a broad set of actors, and progress tracking. The first generation of climate- and development-focused CPs, starting with South Africa's Just Transition Energy Partnership (JETP), focused on energy-related mitigation. Since then, CPs have expanded in scope to cover adaptation (e.g., Bangladesh), industrial decarbonization (e.g., Türkiye) and forests (e.g., Colombia) with varied institutional models such as Brazil's BNDES platform secretariat.

Ministries of Finance are pivotal to improving domestic investment frameworks, strengthening the institutional and fiscal foundations for climate-aligned investment[71]. This includes building capacity for debt management, fiscal planning, and domestic resource mobilization enhancing effectiveness of public investment and ensuring policy coherence[72]. Tackling debt burdens and improving countries' ability to manage debt sustainability are urgent priorities. Strengthening fiscal capabilities, including revenue mobilization strategies and subsidy reforms - considering national circumstances and priori-

[69] G20 Saudi Arabia (2020). *G20 reference framework for effective country platforms*. Available at: G20 Saudi Arabia.

[70] Tanaka, J., Garnak, A., Orozco, D. (2024). *Country climate and development investment platforms*. G20 TF-CLIMA Input Paper. Available at: Instituto Clima e Sociedade.

[71] CFMCA (2023). *Strengthening the Role of Ministries of Finance in Driving Climate Action*.

[72] Orozco, D., Jaramillo, M. (2021). *The centrality of the ministries of finance in a changing climate*. Available at: Orozco.

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ties of developing countries - will complement and support more predictable, non-debt creating external climate finance. Reversing the decline in public investment and improving delivery efficiency – it is estimated that one third of investment is lost in delivery gaps[73] - will require investing in systems and building capacity, including human resources, and inter-institutional coordination.

Public financial institutions, national and public development banks (NDBs and PDBs), are also critical partners. They bring deep local knowledge and support project preparation and delivery. Where relevant, Ministries of Finance can support NDBs/PDBs to play a more catalytic role for instance, by codesigning guarantee/first loss schemes to derisk private participation and by financing project preparation facilities that bring bankable pipelines to market.

A number of developing countries, including many low-income and lower middle-income countries, are facing much higher debt burdens than a few years ago. This is largely due to the global rise in interest rates and increase in the value of the US dollar following the post- pandemic inflation. The external debt servicing costs of emerging market and developing economies have more than doubled since 2014, to USD 1.7 trillion in 2023[74]. Least developed countries (LDCs) have been particularly hard-hit, with the ratio of public and publicly guaranteed (PPG) external debt service to government revenue nearly doubling to 14.6% between 2013 and 2023[75]. Since April 2025, frontier market bond yields have spiked to nearly 10% on average, reflecting heightened risk aversion by investors. The rising cost of debt servicing is preventing many developing countries from rolling over existing debt and investing in critical sectors. Simultaneously, declining sources of official financing and net withdrawals by private investors are limiting investment in sustainable development, including climate mitigation and adaptation. Many are facing hard trade-offs, some cutting essential investment such as health and education to cope with increased debt service costs. UNCTAD estimates that 3.4 billion people now live in countries that spend more on interest payments than on health or education[76]. With global growth slowing, heightened inflationary pressures in advanced economies and falling commodity prices, debt vulnerabilities experienced by many developing countries are at risk of deteriorating further.

Countries face hard trade-offs domestically, often cutting essential investment such as health and education[77] to cope with increased debt service. Tackling debt burdens and improving countries' ability to manage debt sustainability are therefore urgent priorities Scaling up investment while helping maintain fiscal sustainability will ensure those countries improve delivery of overtime and manage key risks and resources within challenging macroeconomic contexts.

3.2 Key Issues

3.2.1 Limited integration between climate risks and opportunities in long-term development planning

Despite growing momentum around climate ambition, climate strategies such as NDCs remain only partially integrated into national development plans, macro-fiscal frameworks and sectoral policies. Ministries of finance and planning often lack the analytical tools and technical capacities to incorporate climate risks and opportunities into fiscal policy, investment planning and long-term growth strategies. As a result, investment decisions tend to overlook both the benefits of climate action and

[73] World Bank (2024). *How can developing countries power up public investment?* Development Talk (blog). Available at: World Bank.

[74] The Report of the UN Secretary-General's Expert Group on Debt, 2025. "The debt crisis: 11 actions to unlock sustainable financing". Available at: UN.

[75] Ibid.

[76] UN Trade and Development (UNCTAD), "Global public debt hit a record USD 102 trillion in 2024, striking developing countries hardest," June 26, 2024, Available at: UNCTAD.

[77] Indermit Gill, "The Looming Global Debt Disaster," Project Syndicate, May 2025. Available at: Project Syndicate.

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the mounting costs of inaction. Public investment frameworks remain weakly linked to climate priorities, and instruments such as carbon pricing, climate-smart budgeting and subsidy reform remain underutilized, limiting both policy alignment and domestic resource mobilization.

3.2.2 Social inclusion and just transition gaps

Social equity and just transition considerations are often overlooked or introduced too late in the process. The transitions will follow different pathways and may entail significant social adjustments. Investment planning and project preparation processes often fail to consider the impact on vulnerable populations – both those at risk of losing livelihoods and those most exposed to physical climate risks with limited adaptive capacity. This disconnect weakens political legitimacy and long-term impact. Existing initiatives can provide lessons and models, including Principles for Locally Led adaptation or LIFE-AR, an LDC-led effort integrating adaptation into strengthened institutions and systems.

3.2.3 Institutional fragmentation and governance capacity constraints

Domestic institutional capacity and governance to design and deliver climate-aligned investments remains limited in many countries, particularly in low-income and climate-vulnerable contexts. Mandates[78] and staffing for climate-related investment planning are often unclear or inadequate, with weak coordination across government between regulators, development banks and line ministries. Public financial institutions, such as national development banks, while critical for project preparation and local delivery, often face capital constraints, limited access to long-term finance, and shallow domestic capital markets. Subnational governments — often responsible for key infrastructure and service delivery — lack both technical and financial capacity, further weakening the implementation chain and local ownership of climate strategies.

In this context, governance arrangements are key determinants of successful investment frameworks, including CPs, and vary across countries, reflecting local institutional and organizational context[79]. Existing models of CPs range from independent organizations to units embedded within government structures or coordinated by national development banks. Regardless of the model, they require a 'whole-of-government' mandate and dedicated institutional capacity, which can be challenging to establish and sustain. Even with strong political support, many countries face institutional and technical barriers that limit their ability to design, coordinate and implement effective investment frameworks. Common gaps include weaknesses in sector investment planning, project pipeline development, inter-ministerial coordination, and the management of complex policy and financing processes. These challenges are often exacerbated by fiscal pressures and limited human capital[80], particularly in low-income and climate-vulnerable contexts.

3.2.4 Project pipeline, investment readiness and data gaps

The development of pipelines for financeable projects remains a challenge. Persistent gaps include limited feasibility studies, inadequate early-stage risk capital, and the absence of bankability standards. Sectoral strategies often remain high-level and are not consistently linked to prioritization. Weak regulatory frameworks and permitting processes create additional bottlenecks, and the integration of physical climate risks into project screening remains uneven, particularly in infrastructure and adaptation-relevant sectors. These shortcomings delay implementation and discourage private investment, particularly in higher-risk or lower-return areas critical to resilience and inclusion. Where efforts exist

[78] CFMCA include specific suggestion on clarity of mandate for MoF

[79] Gilmour, A., Tanaka, J. and Colenbrander, S. (2024). *Designing and governing country platforms: what role for the MDBs?* ODI Report. Available at: ODI report.

[80] UNCTAD (2022). Policy Brief. *The least developed countries need to strengthen and broaden State capacity to operationalize policy space and achieve development goals*. Available at: UNCTAD report.

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to strengthen pipeline development, they are often fragmented across initiatives with duplicative requirements and weak alignment with national systems.

The lack of data constrains modelling, planning, and investment analysis limits integration of climate risks into budgeting and public investment management. Weak data systems also undermine understanding of the costs of inaction and reduce the ability to assess insurability at national and subnational levels.

3.2.5 Fiscal, debt and domestic financial system constraints limiting investment capacity

Stagnant tax-to-GDP ratios and limited progress on subsidy reform continue to constrain domestic resource mobilization. Lack of data on explicit and implicit subsidies is an impediment to concerted action. At the same time, debt and fiscal space constraints, combined with capital outflows from the private sector, are limiting public investment.

Bridgetown 3.0 highlights a structural asymmetry: current IMF–World Bank Debt-Sustainability Analyses records the costs of adaptation, clean-energy and nature investments but fail to account for growth and resilience-enhancing returns, while simultaneously underpricing climate risks[81]. Although borrowing from official sources such as MDBs has increased, a growing share of public resources is being diverted to debt service, undermining the intended benefits of multilateral support, and this is particularly the case for LMICs[82].

NDBs and PDBs are frequently under-capitalized and face short lending tenors, operating in shallow capital markets[83], which constrains local currency debt issuance. In Africa, for instance, a significant share of domestic savings flows abroad[84]. Regulatory frameworks for integrating climate risks into supervision and disclosure remain nascent, and domestic savings are not effectively channeled into long-term, climate-aligned investment.

3.2.6 Climate change and nature loss are increasingly interacting with higher debt burdens in a 'vicious circle'

As countries experience more severe climate impacts and nature loss, they are forced to spend more on disaster relief and recovery and adaptation. Many find themselves having to borrow more to do so. Yet at the same time increased climate and nature risks make their future growth prospects worse, raising the cost of borrowing. Countries find themselves in a 'vicious circle', with debt costs rising, leaving less fiscal space for investments in adaptation and resilience, and therefore even greater vulnerability, and lower growth[85].

As the Expert Review on Debt, Nature and Climate[86] (established as a joint independent initiative under the Pact for Prosperity, People and the Planet (4P) umbrella) has pointed out, this vicious circle could be turned into a 'virtuous circle', in which greater investment in climate and nature resilience reduced economic risks, thereby making future growth prospects better, in turn reducing the cost

[81] Bridgetown Initiative Secretariat (2024). *Bridgetown Initiative on the Reform of the International Development and Climate Finance Architecture – Version 3.0*. Available at: Bridgetown Initiative.

[82] Ishac Diwan, Brendan Harnoys-Vannier, and Martin Kessler (2025). *The pain of a high-interest rate environment: Five lessons from the new World Bank debt statistics 2024*. Finance for Development Lab Short Note. Available at: Findevlab.

[83] According to UCL 2025, it is estimated that around 70% of blended climate finance flows to international corporations. Source: Mariana Mazzucato (2025), "Reimagining financing for the SDGs: from filling gaps to shaping finance," UN DESA Policy Brief No. 170, Special issue. Available at: UCL website.

[84] Ulrich Volz, Yuen C. Lo, and Vaibhav Mishra (2024). *Scaling up green investment in the global south: strengthening domestic financial resource mobilisation and attracting patient international capital.* Technical Report. Available At: SOAS Centre for Sustainable Finance.

[85] Expert Review on Debt, Nature and Climate (2024). *Tackling the Vicious Circle: The Interim Report of the Expert Review on Debt, Nature and Climate*. Available at: Debt Nature Climate.

[86] Ibid

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of borrowing, and thereby creating more fiscal space for investment in sustainable growth. This will require additional finance being made available for resilient investments. But to do this, in many countries current debt burdens will need to be reduced.

It will also require reform of the current Debt Sustainability Frameworks used by the IMF and World Bank to assess countries' ability to pay their debts[87]. As currently carried out, debt sustainability analyses do not fully account for the impact of climate and nature risks on future growth. While they record the costs of adaptation, clean-energy and nature investments, they don't account for their growth and resilience-enhancing returns. This means that countries which invest in resilience are not rewarded for it in Debt Sustainability Analysis (DSAs), which inevitably reduces the incentive to do it. The IMF and World Bank have acknowledged these gaps and are now engaged in a revision of their methodologies.

3.2.7 Fragmented international support and financing challenges for domestic capacity and country platforms

Despite growing attention to the importance of strengthening domestic capacity, international support remains fragmented, unpredictable and insufficiently responsive to country-led priorities, including for NDBs. This affects both institutional development efforts more broadly and the early-stage design and implementation of country platforms. Technical assistance is often donor-driven and short-term, delivered through multiple uncoordinated initiatives, each with differing eligibility criteria, reporting requirements and modalities, which increases transaction costs and undermines long-term institutional strengthening.

For country platforms, access to predictable grant financing remains limited, particularly for initial needs such as coordination, governance, stakeholder engagement, and project preparation. Financing implementation also remains a major constraint. Countries continue to face difficulties in securing long-term, affordable, and country-owned resources to support CP investment pipelines. Financial instruments are dispersed across multiple institutions and mandates, and current blended finance models often place most of the risk on public actors, while private capital remains limited[88] (see Priority 4). A more coordinated, demand-driven, and predictable international architecture — including greater availability of grants and concessional finance — is essential to unlock the full potential of country platforms and enable effective delivery of climate and development investments.

3.2.8 Political economy, prioritization and scope challenges in designing and sustaining country platforms

Country platforms are a promising response to persistent barriers in climate and development finance, yet CPs are not a silver bullet confronting a range of issues to achieve full impact and benefits along a complex process to be sustained over the medium term. Designing and implementing CPs takes time, resources, commitment and continuity. Political buy-in is essential but difficult to sustain across electoral cycles. Achieving CP goals requires medium-term reforms and investments, which in turn demands consensus and ownership across political actors, civil society, economic sectors, subnational entities and the private sector. In this context, stakeholder engagement is not just a tool for legitimacy but is central to building durable broad-based coalitions and governance.

In context of limited capacity and resources, trying to address too many objectives simultaneously can undermine impact. Country-driven selection of specific priority goals and investments areas, grounded in national plans and long-term strategies, is essential to balance climate, nature, growth

[87] Ibid

[88] Mazzucato (n 83)

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and development goals[89] while responding to near-term urgency. Most CPs to date have focused on mitigation – particularly energy - with limited attention to adaptation and resilience. A shift is underway[90] as countries recognize the potential of CPs to mainstream resilience to physical climate risks across development investments and to target adaptation solutions that address the most pressing vulnerabilities. In climate-vulnerable countries with limited capacity such as SIDS, regional platforms require a tailored approach to reflect individual country ownership[91].

Public sector financial institutions, MDBs, DFIs, NDBs, PDBs, VECFs and local financial institutions shall be expected to consider the recommendations in this report respecting their respective mandates and governance frameworks.

3.3 Recommended Actions

Building national institutional capacity for planning and implementation is essential to succeed in scaling up investments for climate action and development. This is also crucial for effective country-led platforms. While countries need to commit to strengthening their own capacities, international institutions have a responsibility to step up their support and tailor advice and solutions to country circumstances. Both levels must work together to address binding constraints in key areas, including policy planning, investment delivery, building fiscal space, debt and macroeconomic management, and financial sector development.

R3.1 International Organizations should help governments mainstream climate, nature and just transition objectives into planning and investment frameworks, respecting national needs and priorities [short term]

- Support the alignment of ambitious investment programs with NDCs/NAPs/LTS-LEDS/NBSAPs; clarify climate mandates (including Ministry of Finance and Central Bank roles); expand staffing and public-investment capacity; and establish effective inter-ministerial, cross-sectoral, and ministerial-level coordination mechanisms to build pipelines of climate-aligned projects.
- Support Ministries of Finance to build their capacity to actively shape climate policy and drive investment, including through mainstreaming climate risks and opportunities into macro forecasting, modelling, and budget processes.
- Harness digitalization and machine-learning tools to overcome data gaps and inform macro-economic modelling, while mobilizing MDBs and DFIs to shape supportive regulatory environments and provide early-stage project-development assistance. Extend technical resources and training to local and regional authorities so they can plan, prepare, and implement climate-smart investments in line with national strategies.

R3.2 IFIs and development partners should support developing countries in strengthening fiscal capacity for climate action and reducing debt vulnerability according to nationally established priorities [short to medium term]

- ·Support reforms and instruments that lower vulnerability to shocks, including climate-resilient debt clauses, debt-for-nature/climate swaps, other state-contingent or pre-arranged facili-

[89] Mazzucato M., Songwe V., et al. (2024). *A Green and Just Planet: The 1.5°C Agenda for Governing Global Industrial and Financial Policies in the G20*. Independent Report of the G20 TF-CLIMA Group of Experts. Available at: G20 Website.

[90] Bangladesh, Madagascar and Vanuatu, for example, are developing platform concepts with a significant focus on resilience

[91] It is worth noting that the GCF has been actively promoting regional and country platforms, such as the Caribbean Regional Platforms, launched in June 2025, to support resilience investments across eight nations, fostering collaboration among governments, regional bodies, and partners to unlock opportunities beyond the capacity of individual countries. Another significant example is the Brazil Climate and Ecological Transformation Investment Platform (BIP), launched in October 2024. See Annex on Concrete and Potential Solutions for further details.

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ties—and provide hands-on debt-management assistance, especially in debt- and climate-vulnerable countries.

- Advance the ongoing IMF–World Bank review of the DSA so that projections explicitly factor in downside climate risks and the medium- to long-term growth and fiscal dividends of climate and nature-aligned investment, thereby improving the quality of policy advice and access to finance[92].
- Invite MDBs to review policies that preclude non-concessional lending in "high-risk" debt contexts when proposed operations demonstrably enhance resilience and debt sustainability, including climate action.
- Strengthen tax administration and spending transparency; roll out medium-term expenditure frameworks with climate-budget tagging, performance-based budgeting and Integrated National Financing Frameworks (INFFs); adapt domestic fiscal rules and medium-term fiscal frameworks to reflect climate investment needs, climate-related risks, and appropriate buffers, and consider establishing or strengthening independent fiscal councils to provide independent technical advice to Finance Ministers; and review environmentally harmful subsidies on a voluntary basis.
- Strengthen domestic capacities to measure and insure risks, like repositories of climate risk, working with insurers.

R3.3 MDBs, DFIs and institutional investors should support the development of climate-aligned domestic financial systems and capital markets [short to medium term]

- Scale up issuance of bonds that help link climate outcomes to financial returns.
- Expand the role of DFIs, MDBs, institutional investors, and NDBs in financing productive investments, reducing the need for external debt financing.
- Enhance the role of NDBs, including through collaboration with MDBs and VCEFs, and participation in CPs.
- Encourage public and development banks, supported by the Ministry of Finance, to offer flexible risk-sharing and co-investment facilities that lower barriers for private investors and attract greater private capital into climate- and development-aligned projects.

Foster partnerships between NDBs and DFIs to support developing countries to reduce and manage currency risks, enhance knowledge exchange around risk management frameworks and strengthen governance to provide credibility[93].

R3.4 Creditor countries, the IMF and multilateral development banks should work together to alleviate onerous debt burdens faced by developing countries, to give them greater fiscal space and enable them to invest in sustainable and resilient growth [medium to long term]

- The IMF and World Bank should continue to revise their Debt Sustainability Frameworks (DSFs) to better incorporate both climate-related and nature-related risks and the economic benefits of measures to reduce them. Credit rating agencies should also consider incorporating climate- and nature-related risks, as well as the economic benefits of measures to reduce them, into their credit-rating analyses.

[92] DSAs are only for IDA-eligible countries (p. 31). The same issues of factoring in growth and fiscal dividends from climate action and climate risks apply to middle-income countries.

[93] Volz, U., Lo, Y.C., & Mishra, V. (2024). *Scaling Up Green Investment in the Global South*. SOAS Centre for Sustainable Finance.

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- Creditors should consider giving additional debt relief in debt restructurings in return for binding nature- and climate-related commitments that are expected to enhance resilience and stimulate growth and thus prevent recurring debt crises. Non-market access EMDCs with high debt service obligations, but which are not yet in a debt crisis, should be able to undertake debt refinancing to enable nature- and climate-related investments.
- Climate related 'pause clauses' should be used more widely in debt contracts, alongside other forms of contingency clauses to manage debt burdens and borrowing costs in the event of an external shock or stress.
- MDBs, all countries and civil society organizations should work together to expand the use of debt-for-nature and debt-for-climate swaps and sustainability-linked financing, by developing standardized structures which make them easier and cheaper to transact.
- MDBs, the IMF, UN agencies and regional UN economic commissions should work together to create a 'one-stop shop' or single platform for technical assistance, better data and mutual support, to enable governments and international economic institutions to improve the design and management of fiscally and environmentally sustainable debt and investment.

R3.5 International organizations and development partners should scale, coordinate and tailor capacity-building and peer-learning support to country circumstances [short to medium term]

- Coordinate and deepen capacity-building efforts tailored to country needs. Expand joint programs by the IMF, MDBs, OECD, UN and other partners to help governments design climate-aligned macro-fiscal frameworks and ambitious investment programs (including Country Platforms), while aligning timelines and resources to avoid duplication and fill gaps.
- Consider simplified reporting harmonization across donors and climate funds to avoid duplicative burden.
- Leverage and systematize peer exchange. Use existing forums, the CFMCA, CVF-V20, NGFS and similar networks—to share practical lessons, promote South-South learning and connect countries with technical-assistance providers through a dedicated knowledge hub that curates tools, resources and implementation guidance.
- Mobilize and coordinate grant-based and highly concessional resources from MDBs/DFIs, climate funds, bilateral partners, and philanthropies to finance country-led project preparation at national and sub-national levels. Support should cover upstream sector planning, pre-feasibility/feasibility, environmental and social due diligence (including just transition, gender, and FPIC where relevant), community engagement, adaptation and nature integration, and transaction structuring/early-stage de-risking.
- Channel assistance through national systems and NDBs/PDBs, using standardized toolkits, open data, and performance-based tranches to build lasting capacity and deliver bankable, climate-aligned pipelines. Establish a simple, one-stop access window and set portfolio targets for underserved regions and adaptation to improve quality and equity of deployed climate finance.

R3.6 Interested developing countries can undertake country platforms to address individual country priorities [short term]

- Build on G20 momentum and lessons learned to launch CPs aligned with national priorities involving key stakeholders early, such as MDBs, PDBs, VCEFs, private sector and philanthropy. This approach builds on work by SIDS and LDCs through the Climate and Development Minis-

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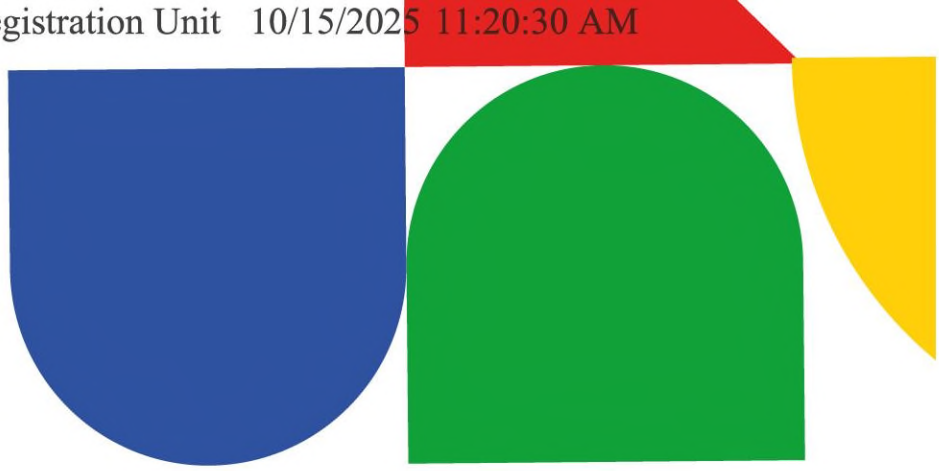

terial, including development of CP toolkits based on country experiences and programmatic approaches to transition delivery.

- New generation CPs to support a broad range of countries including LDCs and SIDS, and to respond to a range of specific country priorities involving mitigation, resilience and adaptation, and nature conservation and restoration whilst continuing to support existing CPs.
- Governments and technical partners can use CPs to mainstream resilience and adaptation across planning and investment by embedding resilience into national plans, policies, programs and project pipelines and by considering adaptation and resilience in CPs investment pipeline development and project preparation.

R3.7 Bilateral partners, MDBs, DFIs, international organizations and philanthropy should provide predictable and flexible support for investment frameworks development, including CPs, and aim to maximize finance mobilization from all sources (including private finance) for climate goals [short to medium term]

- Early-stage funding to support country engagement and program readiness is essential to support initial investment frameworks design, including CPs, and institutional arrangements. Early technical and institutional work can set the base for strong subsequent investment frameworks development – such as CPs – including policy formulation, platform coordination and management, pipeline development, high-impact project preparation and execution, and robust monitoring and impact assessment frameworks.
- Public financing sources, including bilateral partners and MDBs, should focus on promoting a concerted effort to reduce fragmentation and improve the quality and coordination of external support.
- Investment frameworks, including CPs, can be used as a practical mechanism to coordinate across financing sources including early engagement of the private sector and creating opportunities for them to provide financing on commercial terms where appropriate as well as longer term pathways for increased mobilization. Public sources should seek to maximize finance mobilized for investment frameworks, including private finance and seek to 'sound the market' as financing opportunities come forward and strategically reduce their size of the ticket (or focus on risk-mitigating or risk-bearing capital, versus direct financing) when private finance is willing to participate in a transaction on terms which are viable for a project.
- Funding sources should adapt their approach to support rather than lead investment frameworks, including CPs, working in partnership with national institutions, aligning policy advice with country priorities, and investing in local capacity and consultation.
- Shareholders in the governance of international partner entities and funding providers should encourage these entities to "operate as a system", including by setting incentives for collaboration and making necessary operational changes.

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PRIORITY 4:
Developing scalable and innovative financial solutions for private capital mobilization

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4.1 Background

The private financial sector must play a significant role to bridge the climate financing gap in EMDEs. This will require improvements in the policy and enabling environment, in particular growing the pipeline of bankable projects, providing catalytic capital, tackling actual, increasing data transparency, and revising regulatory requirements that impede financial flows to EMDEs.

Private capital encompasses diverse financial institutions—both domestic and international, including commercial banks, pension funds, asset managers, and insurers. Each category operates under different constraints regarding sector focus, geography, asset class, investment size, duration, liquidity, and risk-return profiles.

Private finance can accelerate the adoption and diffusion of new technologies, especially when they reach technical feasibility. Domestic finance typically sourced by local commercial banks, institutional investors, and capital markets, can closely match specific needs and provide currency-aligned financing, helping to give depth to capital markets. Cross-border private finance from developed markets to EMDEs brings scale and technical expertise and can accelerate innovation and its diffusion. These roles are mutually reinforcing, and a coordinated approach is needed.

Progress has been made on private sector mobilization, but the gap remains wide. Out of the USD 2.4 trillion of annual investment required by 2030 (and USD 3.3 trillion until 2035) to emerging and developing economies[94], around 40% would indicatively come from private sources, of which cross-border sources will contribute between USD 400-500 billion annually. Yet actual cross-border private flows to these countries remain around USD 30-40 billion, a fraction of the needs[95] .

In 2024, IEA estimates indicated that global energy investment was set to exceed USD 3 trillion for the first time, with USD 2 trillion going to clean energy technologies and infrastructure[96]However, significant investment gaps remain in adaptation, resilience, and nature-based solutions. The role of financial institutions is essential in these areas, while corporations and businesses also have a clear role, including in making their value chains more sustainable and resilient to climate impacts. Private capital may have played a bigger role in mitigation in the short term but can help scale up adaptation and resilience solutions across sectors such as agriculture, water, infrastructure and health, allowing countries and companies to protect capital, reduce volatility, and drive sustained growth. It can also lead to the development of new nature-positive value chains and networks of micro, small and medium enterprises (MSMEs), focused on protection and restoration of natural ecosystems, enhancement of biodiversity, and regenerative agriculture.

Private capital mobilized by development institutions remains concentrated in middle-income countries. Scaling proven financial instruments, backed by examples and successful proofs of concept, can attract new players to climate finance and address long-standing investment barriers to the world's poorest and most vulnerable nations, including LDCs and SIDS. Such measures are critical given the increasing constraints on public finance, including falling ODA levels and rising debt distress in over 60% of low-income countries.

Attracting private climate finance to EMDEs requires strategic policy support and DFI investments, especially by their private-sector arms, to encourage standardization and crowd in investment in large scale. This includes resolution of market failures, risk mitigation in early-stage investments and making climate related projects viable by streamlining catalytic capital to project preparation support, pilot

[94] Private capital mobilized by MDBs to middle- and low-income countries increased by USD 87.9 billion in 2023, marking a 24 percent increase from the previous year, according to the most recent report on mobilization by MDBs and development finance institutions (DFIs).IFC Report.

[95] See footnote 2 above.

[96] World Energy Investment 2024. Accessible at: IEA Website.

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projects with demonstrable impact, blended finance instruments, risk-sharing tools and insurance, guarantees, and technical assistance. Also, accurately pricing climate and nature risk is crucial to the adaptation and resilience (A&R) investment opportunity. The international community must enable a shared understanding of what resilience looks like and a more consistent approach to assessing physical climate and nature risk and benefits, underpinned by common metrics and standards, including financial ones (i.e. monetary value of resilience).

Innovation in how existing instruments are used is particularly essential to scale private capital mobilization into new areas of climate investment that have traditionally been underfunded, such as adaptation and resilience, nature and biodiversity.

New instruments under development help unlock forest finance at scale by crowding in capital through structured, risk-transfer vehicles. They are an additional tool for governments to foster sustainable land use, combat deforestation, and promote inclusive, nature-positive growth in forest regions, recognizing the important role of Indigenous Peoples and local communities as vital forest stewards, empowering community-led conservation, and strengthening local governance and land rights. The positive impacts of such instruments go well beyond the simple risk-return rationale, delivering lasting benefits for local populations.

All actors, including governments, regulatory bodies, financial institutions, PDBs, DFIs, MDBs, philanthropies institutional investors and companies have a role to play in the process of effectively deploying such instruments and reaching measurable impact. Private corporations' balance sheets are critical sources of investment capital; this section focusses specifically on private sector financial institutions, but many of the recommendations can also be extended to real-economy corporations.

4.2 Key Issues

4.2.1 Weak project pipelines

There is a persistent shortage of well-prepared, bankable climate projects, particularly in LDCs. Project developers face challenges in accessing early-stage equity and financing for project preparation, including technical, legal, and market studies needed to support bankability assessments. In LDCs, public-private partnership (PPP) frameworks often require consolidation and expansion to attract private capital. In upper-middle income countries (UMICs), efforts should focus on diversifying PPP models, enhancing project bankability[97], and promoting aggregation mechanisms to scale smaller initiatives into investable portfolios.

4.2.2 Insufficient Catalytic capital available

The high cost of capital remains a central constraint especially but not limited to lower-income economies. This reflects macroeconomic risks (e.g., macroeconomic volatility, high inflation levels and exchange rate volatility, challenges with debt sustainability, and growth fundamentals), perceived and real climate tech risks, and other risks such as political and policy instability or counterparty risk These factors significantly raise the financing costs to private sector companies compared to developed countries (by as much as x2-x3), making many climate investments in EMDEs commercially unviable. The rising climate risk combined with the failure to account for economic benefits of resilience investment in growth methodologies, as well as in debt sustainability and credit assessment frameworks is

[97] Projects are commonly termed "bankable" if lenders are willing to finance them. Though the assessment of whether a project is bankable may differ between specific financiers, they all need confidence that the regulatory, environmental, social, and economic factors are unlikely to prevent the project from being completed.

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leading to sovereign downgrades that drive up the cost of capital, particularly for the poorest and most vulnerable countries[98].

Given these constraints, the deployment of catalytic capital with the objective of achieving proof of concept and achieving specific climate, social and environmental objectives is fundamental. It takes the form of equity, debt and mezzanine investments that are designed specifically to mitigate risks, but which also differ in terms of regular commercial terms financing, with different degrees of concessionally. Small portions of catalytic capital can have a decisive impact on projects and on the creation of new markets in EMDEs and LDCs. However catalytic capital sources remain limited relative to the scale of opportunities.

4.2.3 Inefficient risk mitigation, sharing and transfer

Underdeveloped insurance markets pose a critical obstacle to attracting private climate finance. Over 90% of disaster-related economic losses go uninsured in EMDEs, as noted by the Insurance Development Forum. This protection gap is widening as insurance premiums rise, and market withdrawals leave investors facing elevated and unmanaged risks. The fundamental challenge lies in the non-diversifiable nature of climate risks – droughts, floods and extreme weather and onset events can simultaneously negatively impact multiple sectors and regions, undermining traditional risk pooling mechanisms and forcing insurers to either price in systemic risk premiums or exit markets entirely. The insufficient use of climate-specific instruments such as parametric insurance (a risk-transfer instrument) and sovereign risk pools further reduces the bankability of infrastructure and nature-based projects, while inconsistent regulations, ambiguity over construction and procurement standards create additional barriers to private sector engagement and effective risk sharing. Without improvements in climate-related risk prevention as a first step, the long-term availability and affordability of respective insurance products is at risk (due to raising claim levels as already mentioned). Hence, to ensure efficient insurance markets in light of climate change and in the long run, it is important to improve the mitigation and prevention of climate-related risks in a first step.

Risk mitigation tools that can reduce investors' exposure and improve their confidence in returns, such as guarantees, insurance, and blended finance, remain underutilized—blended finance flows stayed below USD 20 billion per year in 2021-23.[99,100] Existing tools are often bespoke, complex, and fragmented, and in some cases have never been tried in emerging markets. There is also institutional inertia—many DFIs and MDBs still operate under mandates that prioritize lending volume or profitability over mobilization,

4.2.4 Gaps in data for risk assessment

Reliable data remains limited, both on financial risks, such as creditworthiness and project risk, as well as on physical climate risks, such as flood exposure or biodiversity loss. These gaps in both availability and access to data hinder accurate risk assessment and decision making, while also deterring long-term investment or even leading to unintentional increases in risk exposure. Moreover, data gaps lead to undervaluing investments in resilience and effectiveness of nature-based solutions, may feed increased risk perception that is not evidence-based. The obstacles to adequate project preparation also demonstrate that there is not sufficient data about the underlying opportunities in each country or sector, including information about potential sponsors and the local market. This puts EMDEs at a particular disadvantage, as most high-quality climate risk data remains proprietary rather than open.

[98] This is issue has also been raised during G20 in South Africa's Presidency. Available at G20 Website.

[99] Climate Policy Initiative. "*Global Landscape of Climate Finance 2023*" (November 2023), Available at CPI Website.

[100] Convergence. "State of Blended Finance 2024: Climate Edition" (April 2024). Available at: Convergence.

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4.2.5 Regulatory and policy framework challenges

In many EMDEs, underdeveloped domestic capital markets are unable to extend long-term financing, source equity investment locally (particularly for earlier-stage ventures or projects), and provide the scale of financing needed for capital-intensive projects. Adequate regulatory support, key market infrastructure and policy frameworks and proven aggregation platforms are essential for developing local capital markets which address ticket-size barriers, expand local currency financing options, and increase the "investability" of climate projects. EMDE markets also may lack the sophisticated governance frameworks that institutional investors require to meet their fiduciary duties and regulatory compliance obligations.

Global institutional investors, banks, pension funds, insurers, and asset managers—often face mandate restrictions to invest in EMDEs, driven by a mix of regulatory constraints and challenges associated with dedicating resources and building presence in smaller-sized markets where investment opportunities are limited. This limits their ability to identify and evaluate new investment opportunities, particularly adaptation and nature-related investments of national and subnational relevance. This knowledge gap is compounded by asymmetric information and behavioral biases that can create self-fulfilling risk assessments. More details in this section are also available in Priority 5.

Public sector financial institutions, MDBs, DFIs, NDBs, PDBs, VECFs and local financial institutions shall be expected to consider the recommendations in this report respecting their respective mandates and governance frameworks.

4.3 Recommended actions

R4.1 PDBs, DFIs, MDBs, and private investors should co-create investment pipelines and build market momentum through collaborative partnerships [short to medium term]

- Significantly expand project preparation facilities and strengthen project preparation ecosystems by leveraging local networks with ministries, MDBs, national development banks, local corporations, subnational governments, and private financial institutions to ensure complementarity and cooperation between entities supporting projects across their life cycle.
- Strengthen PPP frameworks and governance structures, particularly in LDCs, to improve project structuring, bankability and risk allocation between public and private actors.
- Deploy catalytic equity alongside private investors to support early-stage project development and help build markets.
- Engage institutional capital by working with institutional investors, private equity firms, venture capital firms, family offices, and high-net-worth individuals (HNWIs) to participate directly alongside public entities, particularly in equity for early-stage projects.
- Develop conceptual frameworks/typologies of instruments and interventions related to different investment stages, and different interventions based on scale and maturity/riskiness.
- Improve market access by creating central repositories of pipeline opportunities and expanding standardization and co-investments in local currency to ease private investor participation.
- Build local market presence by co-investing with PDBs (at national and subnational levels) that have established networks with local corporations and financial institutions to reduce information asymmetries, improve social and environmental safeguards, and accelerate project preparation and development in EMDEs.

R4.2 Public sector financial institutions, including MDBs, DFIs, NDBs, and PDBs, supported by their shareholders, should assess options to further originate-to-distribute and originate-to-share business models, which can create a new, scalable asset class for pri-

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vate-sector institutional investors and increase the velocity and impact of public development capital [medium term]

- Scale the use of loan syndication programs (on both an individual asset and 'blind pool' basis); seek to minimize the share of public finance participation to the minimum necessary to maximize private sector participation
- Develop investment-grade rated pools of securitized assets originated by public sector FIs (particularly relatively well-performing loans to private sector counterparties) which can be sold on, either one-off synthetic securitizations, Significant Risk Transfers or true-sale CLO securitizations (which can have secondary market liquidity). Develop standards for origination which can support assets being pooled in this way and potentially pooled across institutions.
- Develop the warehousing infrastructure and other key enablers (including regulatory) to support greater use of originate-to-distribute by commercial banks active in EMDEs, supporting greater velocity of capital and lending volume for banks in these markets.

R4.3 PDBs, DFIs, MDBs, private investors and local financial institutions should scale the use of "Fit-for-Purpose" risk mitigation tools, risk-sharing mechanisms and catalytic financing instruments to crowd in private sector participation in climate investments [medium to long term]

- Expand the use and availability of affordable risk-mitigation instruments to ensure that private finance can deploy within the risk-return appetite set by fiduciary duty to investors and obligations to regulators. These can include:
  - Guarantees for credit and political risk, including deploying in more deeply subordinated positions (e.g. covering first losses), use for funds and portfolios alongside individual projects and innovating to increase capital deployment capacity.
  - Cost effective, long-term FX hedging facilities, which can help borrowers to better manage repayment of hard currency loans amidst local currency fluctuation
  - Governments and governmental agencies and institutions need adequate risk management frameworks to avoid unbalanced risk sharing between government and private companies.
- Grow the share of local currency finance by issuing in local capital markets and developing partnerships with local commercial banks to on-lend excess deposits. This should include specific actions to build climate resilience such as promoting sustainable and resilient bond frameworks and robust public financial management.
- Expand the volumes of risk-bearing catalytic capital they deploy. This includes equity, particularly in subordinated (i.e. "first loss") positions, with capped returns patient investment horizons, deployed through projects or blended funds. Such types of capital fundamental capital formation, as it enables early development of companies and projects while facilitating risk-transfer for other debt and equity investors.
- Design tailored insurance solutions including climate risk insurance products that takes into account climate scenarios at project level, improving project design, reducing financial exposure and protecting investors from natural disaster risks specific to climate-related projects.
- Explore the application of insurance products for the operationalization of parametric coverage, resilience-linked products and modalities of pre-arranged finance (PAF) frameworks, while deploying capital proactively in EMDEs to drive resilience investments.
- Create securitization platforms for pooling sustainable assets, such as renewable energy projects or energy-efficient resilient buildings, making it easier for investors to participate and diversify investments into pulverized assets.

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- Deploy proven market making mechanisms to scale sustainable commodity markets (hydrogen, SAF, ammonia) such as advance market commitments (AMCs), contracts for difference (CfDs), and aggregated offtake facilities.
- Strengthen technical assistance facilities that run alongside financial vehicles to build financial management capacity and reduce default likelihood, particularly for projects targeted at MSMEs and women- led MSMEs, farming cooperatives, smallholder producers and urban development adaptation elements for small and medium cities.

R4.4 PDBs, DFIs, MDBs, ministries, and regulatory bodies should coordinate to develop and scale innovative climate, nature and resilience-focused financial instruments [short to medium term]

- Develop dedicated nature and resilience finance mechanisms through climate funds or blended finance structures that leverage public funds and attract private investment for nature-based solutions, biodiversity, urban adaptation, and resilience-focused vehicles, especially in vulnerable and SIDS countries
- Scale nature-positive models by leveraging expertise, networks, and funds to ensure success of innovative instruments as proof of concept for attracting institutional investors to nature-positive investments.
- Strengthen enabling regulatory environments by coordinating action around regulations that impact on private investment, in areas such as land tenure, land use regulations, sanitary standards for bioeconomy products, and building codes.
- Promote policy dialogue to identify barriers that hinder diffusion of technology and investment in resilient infrastructure while ensuring proper mitigation of social and environmental risks.
- Develop mechanisms to facilitate technology transfer and reduce costs, partnerships, or intellectual property reforms; notes conspicuous absence of leveraging developed nations' strengths in technology transfer.
- Integrate nature and resilience into financial frameworks by enabling businesses and governments to view natural capital as a vital driver of long-term resilience and value creation:
  - Improve coordination between ministries of environment and finance, MDBs/PDBs, and standard-setting bodies to promote interoperability of high integrity carbon markets[101].
  - Promote adoption of sustainability disclosure frameworks (Section 5E)
  - Ensure the adoption of safeguards protecting local communities and indigenous peoples.

R4.5 PDBs, MDBs, DFIs, local financial institutions, and institutional investors should collaborate to expand the investor base and unlock diversified sources of capital for climate investments [short to medium term]

- Engage the broader financial ecosystem by partnering with insurers, sovereign wealth funds, pension funds, family offices, philanthropy, and impact investors to co-create innovative financial instruments and expand participation in climate investments.
- Develop tailored insurance solutions by collaborating with the insurance industry and insurance commissioners to design innovative products that close the protection gap, including:
  - Micro-insurance, pre-arranged finance, and parametric products.
  - Performance risk coverage and resilience incentives through reduced premiums.

[101] Standardization and coordination should also not limit access of funds, especially for LDCs and vulnerable countries.

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- Deploying insurance assets toward investments in resilience and adaptation.
- Parametric insurance for ecosystem-based adaptation.

- Build investor capacity and familiarity through capacity building programs (together with ministries of finance) to increase institutional investors' understanding of climate investment opportunities in EMDEs.
- Channel patient capital toward climate action by encouraging institutional investors, philanthropy, impact investors, and family offices too:
  - Expand the deployment of transition finance, particularly towards companies, cities, vehicles, projects, focused on key climate-related infrastructure and nature-based solutions.
  - Set milestones related to investing in nature-based solutions and resilience.

R4.6 Ministries of finance and of environment, central banks, capital markets regulating agencies, and private financial institutions should work together to improve the availability and quality of decision-useful data [short to medium term]

- Build foundational data infrastructure, strengthening data collection systems, statistical capacity, and digital connectivity, supporting low-cost scalable solutions, particularly in countries with limited institutional capacity.
- Implement, where appropriate, data sharing approaches through anonymized, harmonized, publicly accessible platforms to help investors make more informed decisions and lower barriers to engagement.
- Share comprehensive climate and policy data including:
  - Climate risks, projections, scenarios, physical climate risks, and hazard mapping.
  - Environmental performance data, vulnerable asset inventories, and climate-related policies and regulations.
  - Fiscal planning data, policy changes, private investment flows, and carbon markets.
- Enhance financial market transparency by sharing:
  - Regulatory and market data, credit ratings, and financial performance of climate investments.
  - Risk-return disaggregated data from development finance institutions.
  - Information on available financing mechanisms and investor protections.
- Strengthen private sector data contributions and capacity to increase the quality, granularity and use of data on EMDE investment performance (including probability of default, loss given default and returns), building from existing efforts taken by the MDBs on the GEMs data:

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PRIORITY 5:
Strengthening regulatory approaches for climate finance

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PRIORITY 5 PRINCIPLES FOR IMPLEMENTATION

The analysis and suggested issues for further discussion and action under Priority 5 are non-prescriptive and respect national mandates, legal frameworks, and institutional independence. They fully respect the independence of central banks and supervisors, promote interoperability, and do not prejudge UNFCCC processes or domestic policy choices. Nothing in this section should be interpreted as agreed by central banks or challenging central banks' mandates or independence.

5.1 General Background

Regulations play an essential role in reducing market failures and promoting stability across sectors. By determining the "rules of the game" for investments and capital to flow globally and guiding domestic standards, regulations also have the potential to accelerate capital flows and therefore will be also crucial to scaling up climate finance flows. Understanding regulations and their application by different jurisdictions and institutions is important to ensure a level playing field for capital do flow to EMDEs for long term projects related to climate finance. This is particularly relevant given that over 90% of EMDE investment needs for clean energy finance are in countries with underdeveloped capital markets[102], where international financial sector support is critical. Cross-border bank financing to EMDEs has remained flat[103] for the last five years, with credit to non-financial corporations in decline, precisely when climate urgency demands unprecedented scaling of investment flows while maintaining prudential soundness.

Given the importance of the regulatory environment for climate finance and for ensuring a scaling up of finance to EMDEs in the years ahead, developing an agenda based on further research and evidence that highlights the complexity of the regulatory environment and issues for further consideration, including in the financial sector, will contribute to the enabling conditions. While there are many barriers to EMDE outside the regulatory framework, many globally active financial institutions report that elements of the regulation framework present a unique set of constraints[104].

The "Compromiso de Sevilla" recognizes that "investment remains hampered by underdeveloped financial and capital markets in many developing countries, high cost of capital and misalignment between short-term financial incentives and long-term sustainable development impact."

There is significant room for improvement in how the financial system reflects the risk/return profile of climate-related investments. While much has been done in the last ten years to course-correct, and to strengthen what the IMF refers to as the "climate information architecture"[105], more can still be done —on an evidence-based and risk-proportionate basis—, based on existing international agreements, to ensure that climate risks and the risk-reducing potential of climate investment are accurately reflected in financial system rules and information flows.

This section includes seven subsections. It first examines prudential regulation and suggests issues for further discussion. It then discusses five transversal issues that serve as critical underpinnings for

[102] International Energy Agency (2024). "The landscape for clean energy finance in EMDEs".

[103] BIS international banking statistics and global liquidity indicators at end-December 2024

[104] See GFANZ Submission to the Basel Committee on Banking Supervision. November 2024.

[105] Ferreira C., Rozumek D., Singh R., Suntheim F., 2021. "Strengthening the Climate Information Architecture". Washington: International Monetary Fund.

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sound financial investment allocation and risk assessments: institutional investors and non-bank regulators; private sector disclosure mechanisms and transition plans; credit ratings; pricing in climate risks; and taxonomies.

Finally, carbon market regulations—when grounded in high-integrity standards and supported by interoperable infrastructure, are critical to channel finance into verified mitigation outcomes, especially in EMDEs. As explored in Section 5F, strengthening the regulatory foundations, MRV and accounting standards and governance of carbon markets is essential to ensure they complement prudential and disclosure reforms, while unlocking new flows of cross-border climate finance.

5.A Prudential Regulation

5.A.1 Key Issues

5.A.1.1 Need to integrate climate risk into prudential frameworks

Prudential regulation broadly refers to a set of rules, regulations and supervisory guidelines, whose primary purpose is to secure the safety and soundness of the financial system. Prudential regulation is enacted at the jurisdictional level; however, international coordination on these standards and the definition of global best practices are essential to ensure a level playing field.

When it comes to commercial banks, defining this global baseline is the primary responsibility of the Basel Committee on Banking Supervision (BCBS); for insurance companies, it is the task of the International Association of Insurance Supervisors (IAIS); and for securities markets, the International Organization of Securities Commissions (IOSCO) provides the key standard-setting framework. The Financial Stability Board (FSB) provides a coordinating role across these and other financial sector standards.

In the aftermath of the Global Financial Crisis, G20 leaders agreed to significantly strengthen prudential regulation for internationally active banking groups to better mitigate both entity-level risk (addressed via micro prudential regulation) and system-wide risk (addressed via macroprudential regulation).

In July 2021, the FSB published a multi-year Roadmap for Addressing Climate-Related Financial Risk[106], which was endorsed by G20 member countries. The Roadmap included a request to the BCBS that it "consider how to ensure that climate-related financial risks are appropriately incorporated in the Basel Framework", both through a report on effective supervisory practices and a gap analysis of Basel Framework and "exploration of regulatory proposals/options to address any identified gaps".

Significant progress has been made in recent years to address these challenges[107]. The BCBS established a Taskforce on Climate-Related Financial Risks in 2019 and has since revised its Core Principles for Effective Banking Supervision to include strong references to climate-related financial risks. More recently, the BCBS published a framework for the voluntary disclosure of climate-related financial risk.

BCBS considers climate risk as a driver of other traditional risk types (e.g. credit or operational or market risk). This Committee[108], along with other central banking authorities, has acknowledged the "highly uncertain evolution" of climate risk drivers due to the very specific nature of climate change -

[106] FSB Roadmap for Addressing Climate-Related Financial Risks," Financial Stability Board, 7 July 2021. Available at: FSB.

[107] Kammourieh, Sima. 2024. Next Generation Prudential Regulation for Global Financial System Resilience. Policy Paper, Sustainability-linked Sovereign Debt Hub.

[108] Basel Committee on Banking Supervision, "Climate-related risk drivers and their transmission channels" (Basel: Bank for International Settlements, April 2021). Available at: BIS.

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including its non-linear progression and the potential for tipping points. This line of enquiry is relevant and should be continued.

This is especially important in EMDEs, where climate adaptation investment projects can mitigate the economic and financial costs of extreme and rapid onset weather events – and therefore improve prospects for EMDE creditors – and where climate mitigation projects can also boost growth and improve creditworthiness[109,110].

This could inadvertently disincentivize cross-border investment, even where sound risk assessment would support greater capital flows. Ensuring that firms receive proper recognition for the use of credit enhancements and that project finance[111] risk weights are calibrated to genuine risk outcomes should be grounded on further evidence-based research.

Given the central role of global standard-setting bodies such as BCBS, FSB, IOSCO, IAIS, as well as technical fora such as the NGFS, their coordination for the implementation of agreed agendas and their continuous work on gathering evidence and deepening research on prudential frameworks, disclosure standards, or taxonomies is crucial. This coordination could be formalized through joint working groups, clear timelines transparency, and pilot projects to ensure that these works are consistent with international standards, avoid conflicting requirements, and reflect the mandates and operational realities of central banks and supervisors. The role of the FSB here with the G20 is of particular importance.

In addition, the gradual integration of climate finance risks in the regulatory frameworks must proceed in parallel with a strong reaffirmation of the core Basel III principles of adequate capital, sound risk management, and transparency.

5.A.1.2 Limited supervisory capacity and challenges for implementation

Supervisory authorities in many jurisdictions, especially in EMDEs, face capacity constraints in identifying and managing climate risks. These include insufficient access to climate scenario modeling tools, limited data on physical and transition risks, and a lack of clear methodologies for integrating climate factors into supervisory reviews.

Also, global initiatives such as the NGFS have improved climate-and nature-related risks analyses, methodologies and tools across jurisdictions as its membership significantly expanded. However, the adoption of tools and methodologies remains uneven and continuous engagement and investment will be essential for technical advancement in this domain. Even in jurisdictions where climate-related stress testing is being piloted, these exercises often lack the granularity and mandatory follow-up mechanisms necessary to drive meaningful change in capital allocation or risk management practices.

Another challenge is that more explicit integration of climate risk into the prudential frameworks could have different effects across contexts. Proper identification and mitigation of such risks can help ensure correct risk pricing, reduce uncertainty and information asymmetry, and ultimately foster climate finance.

[109] The Expert Review on Debt, Nature and Climate (2025). "Healthy Debt on a Healthy Planet: Towards a Virtuous Cycle of Sovereign Debt, Nature and Climate Resilience".

[110] Batini N., Di Serio M., Fragetta M., Melina G. and Waldron A. (2022). "Building back better: How big are green spending multipliers?" Ecological Economies, 193, 107305.

[111] International Chamber of Commerce (2025). "How to Finance the Emerging Climate Opportunity".

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5.A.1.3 Scenario-based climate risk evaluation frameworks

Prudential frameworks mainly focus on risk mitigation and capital preservation, aiming to ensure the soundness of institutions and the stability of the financial system. Though the objective stemming from prudential regulatory frameworks is not to reward climate-aligned investments, the use of forward-looking tools such as scenario analysis and transition plans, alongside setting mandatory climate-related disclosures, is crucial to mitigate climate-related risks and capitalize on climate-related opportunities. Therefore, prudential frameworks may indirectly contribute to climate resilience and emissions reduction by considering the effects of climate change and the transition on the global financial system's stability.

Some argue that these dynamics are not yet adequately captured in existing macroprudential supervision frameworks and deserve further study. Under the UK EMDE Investor Task Force, special consideration has been given to investigating the current evidence on the potential impacts of a delayed or failed transition in EMDEs on global financial stability, to help identify if further targeted research on this topic would be desirable.

Addressing these feedback loops is essential for integrating long-term systemic climate risk into supervisory approaches and aligning financial stability with climate stability.

5.A.1.4 Need for international coordination, standard harmonization and capacity building

Current efforts by global standard setters (e.g., FSB, BCBS, IAIS, ISSB) have led to some progress but diverging national approaches to climate-related prudential regulation risk fragmenting global financial markets and increasing compliance costs for cross-border financial institutions.

Greater international coordination is needed to define a coherent global baseline for climate-related prudential approach. This could include agreeing on core principles (such as agreed by BCBS), disclosure requirements, scenario analysis methodologies, and supervisory expectations. For EMDEs, alignment with international standards should be accompanied by tailored and domestically defined transition pathways, technical assistance, and capacity building.

5.A.2 Issues for further consideration and action in relevant fora

I5.A.1 Strengthen Climate Stress-Testing in Prudential Frameworks International standard setters (e.g., BCBS) and national regulators, within their mandate and where appropriate [short to medium term]

- Promote consistency and knowledge sharing across jurisdictions by encouraging peer learning from front runners.
- Address challenges related to transition risk, such as uncertainty in timing and policy pathways, by encouraging transparency in methodology and, where useful, convergence around shared assumptions.

I5.A.2 Continue working on how to best embed climate stress-testing requirements into supervisory reviews and bank risk management practices [medium to long term]

- Disclosure of methodologies, assumptions, and results from climate stress tests.
- Supervisory expectations on how banks should integrate climate stress test results in risk appetite frameworks, strategic planning, and capital buffers.
- In coordination with ministries of finance and environmental agencies, availability of physical and transition risk data to support robust scenario design.

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I5.A.3 Continue assessing how Basel III capital requirements may capture climate-related financial risks[112] [medium to long term]:

- Treatment of direct and implicit risk mitigation and credit enhancement provided by MDBs, DFIs and public institutions (e.g. degree of capital relief for credit guarantees and benefit of preferred credit status in co-financing structures, capital charges for highly rated institutions and treatment of subsidiaries).
- Treatment of project financing (e.g., risk mitigants at borrower level and over project implementation time), in particular for resilient
- infrastructure and in light of available information on recovery rates from initiatives such as the GEMS database.

5.B Institutional investors and non-bank regulation

5.B.1 Key Issues

5.B.1.1 Non-bank regulatory frameworks

While banking regulation is highlighted in this report, significant pools of long-term patient capital—sovereign wealth funds (~USD 11 trillion AUM), pension funds (~USD 60 trillion), and asset managers (~USD 110 trillion)—operate under different regulatory regimes (e.g. Solvency II for insurers, IORP II for pension funds). Current regulatory reform efforts focus primarily on banking supervisors, with limited coordination among non-bank regulators such as IOSCO, OECD, and sovereign wealth fund networks, preventing coherent approaches to unlock institutional capital for climate finance.

5.B.2 Issues for further consideration and action in relevant fora

I5.B.1 Coordinate (i.e. non-bank regulators) to adapt risk-based and fiduciary frameworks [medium to long term]

- Consider a risk-based and evidence-based review of relevant frameworks to ensure capital requirements for EMDE climate investments reflect actual risk profiles, particularly when enhanced by credit guarantees or blended finance structures.
- Improve coordination mechanisms between banking supervisors (BCBS, FSB) and non-bank regulators (IOSCO, IAIS) to develop consistent approaches to credit enhancement recognition and climate risk assessment.
- Clarify fiduciary duty interpretations and develop regulatory guidance, if appropriate, that supports long-term climate-aligned investment strategies for sovereign wealth funds, pension funds, and asset managers.

5.C Climate data and disclosures

5.C.1 Key Issues

5.C.1.1 Inconsistent and fragmented climate-related disclosure standards

Ensuring that financial actors account for and disclose climate-related information that is comparable, consistent and high-integrity is critical to assess and manage climate-related financial risk and investment opportunities. Such information allows investors to correct for shortcomings where climate-related risk/return is poorly accounted for.

[112] These issues have drawn largely from the GFANZ submission to the BCBS (November 2024).

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Disclosure remains essential to the proper functioning of financial markets. Inadequate pricing of transition, physical, and litigation risks have the potential to pose significant systemic vulnerabilities. For example, the Bank of England's 2024 Financial Stability Report found that, even under an orderly transition, less than 35% of transition risk impact is priced into energy sector valuations[113].

There has been progress on this front in recent years, with the design by the International Sustainability Standards Board (ISSB) of climate and sustainability-related disclosure standards.

Private sector transition plans are also key: to properly account for the opportunities and risks related to climate change, financial institutions need to know and understand how their clients and sectors of the real economy are managing these risks and opportunities. Transition plans, covering both mitigation and adaptation, can provide this crucial forward-looking information. However, transition plans should be viewed not merely as disclosure instruments but as strategic tools. Building an ecosystem where corporate plans inform financial sector allocation, and both feed into and are shaped by national transition plans and appropriate regulatory environments, can support a more efficient and orderly transition. This dynamic approach can help move beyond static reporting to adaptive transition management.

5.C.1.2 Insufficient support for EMDEs to meet evolving data and disclosure expectations

Even when climate data is available, it is not always used effectively in financial decisions. Financial institutions often struggle to integrate climate metrics into risk models, investment mandates, and supervisory reporting.

This is due in part to lack of decision-useful formats, data comparability challenges, and insufficient internal expertise and because of the complexity involved in the climate data, cost of providing the required information, lack of infrastructure and reliable data and the costs associated with technology and digitalization to promote disclosure. Moreover, standard financial risk frameworks do not always recognize how climate-related factors affect creditworthiness or asset valuation. Bridging the gap between disclosure and decision-making requires further guidance, regulatory alignment and interoperability, and capacity-building, especially in EMDEs.

5.C.1.3 Limited adoption and uneven implementation of disclosure standards

While firms have paid significant attention to climate mitigation, including in their disclosures, adaptation and resilience have received significantly less focus. Yet, understanding how companies and governments are managing physical climate risks is essential for accurate credit risk assessment, pricing of insurance, and long-term investment decisions.

In 2024, the G20 Sustainable Finance Working Group analyzed the implementation challenges related to sustainability reporting standards, including for small and medium-sized enterprises (SMEs) and EMDEs. The group identified the main challenges and proposed a set of recommendations to overcome them. In 2025 the group is working on scaling up adaptation vis-à-vis mitigation investments in transition planning—highlighting growing recognition of this gap. However, concrete methodologies, metrics, and incentives for integrating adaptation into standardized disclosure regimes are still lacking.

5.C.2 Issues for further consideration and action in relevant fora

I5.C.1 Jurisdictions should continue to adopt and implement climate disclosures, such as ISSB standards and BCBS's voluntary disclosure of climate-related financial risks, in the

[113] Bank of England, *Financial Stability Report*, November 2024, p. 36.

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case of financial institutions, at their level, ensuring consistency and interoperability with existing national frameworks, circumstances and priorities [short to medium term]

- Encourage alignment of corporate climate disclosures with ISSB, building on the G20-endorsed global baseline.
- Provide technical assistance and capacity-building for EMDEs to accelerate implementation.
- Promote interoperability between ISSB standards and other regional frameworks (e.g., EFRAG, SEC).

I5.C.2 Relevant authorities could define clear expectations for private sector transition plans [short to medium term]

- Encourage financial institutions and corporates to publish credible, time-bound, and science-aligned transition plans.
- Integrate private sector plans into an ecosystem where they inform financial sector allocation, and both feed into and are shaped by national transition plans and appropriate regulatory environments.
- Use the G20 Common Principles on Transition Plans as a guided framework[114].
- Integrate transition plan expectations into supervisory reviews and corporate disclosure requirements, where applicable.

5.D Credit Rating Agencies (CRAs)

5.D.1 Key Issues

5.D.1.1 Credit rating methodologies may overestimate the risks associated with investing in EMDEs (particularly in infrastructure) and/or not accurately reflect the risk mitigation provided in blended transactions

Credit rating methodologies tend to overstate the risks of investing in EMDEs, especially in infrastructure. Sovereign ratings often rely on income levels and broad macro indicators, rather than project fundamentals or long-term growth potential. As a result, infrastructure projects in EMDEs, which typically offer predictable cash flows and high social returns, could appear riskier than they truly might be. This not only inflates the cost of capital but also diverts investment away from the places where it could deliver the greatest impact.[115]

Conventional rating methodologies could be not well equipped to reflect the risk mitigation that blended finance and innovative structures provide. Guarantees from MDBs, concessional capital, and co-financing arrangements can significantly lower the probability of default, but these protections are often not incorporated into sovereign or project-level assessments. As a result, projects that are deliberately structured to mitigate risks for private investment still face high risk premiums. This disconnect could weaken the ability of blended finance to deliver on its purpose—mobilizing private capital at scale—and reinforces the perception of excessive risk in EMDE markets[116].

Addressing these issues is both a matter of fairness and global efficiency. Adequately reflecting real risks—including the protections offered by blended finance—could unlock private capital for in-

[114] GFANZ Secretariat, "Key considerations for G20 Principles for Transition Planning," Non-Paper submitted to G20 Sustainable Finance Working Group (June 2024). Available at G20 SFWG.

[115] Columbia Center on Sustainable Investment (2025). "Lowering the Cost of Capital for Climate and SDG Finance in Emerging Markets and Developing Economies (EMDEs)".

[116] ODI Global (2025). *Cost of Capital: Drivers and Policy Options for Africa.*

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frastructure and climate transitions in EMDEs. Further exploring potential refinements in credit rating practices to recognize growth potential, institutional improvements, and structured risk mitigation is essential. Such refinements, while fully respecting rating agencies' independence, could reduce borrowing costs, expand fiscal space, and accelerate progress toward the SDGs, while offering investors access to high yielding yet well-protected opportunities.

5.D.2 Issues for further consideration and action in relevant fora

I5.D.1 Encourage, through appropriate structured dialogue, the continued refinement of credit rating approaches by Credit Rating Agencies while maintaining their independence [short to medium term]

- Promote structured dialogue with CRAs to explore ways in which methodologies could better reflect EMDE realities, while fully respecting their independence.
- Encourage consideration of how project fundamentals, long-term growth potential, and the presence of risk-mitigation instruments (such as MDB guarantees, blended finance, and concessional elements) can inform risk assessments more comprehensively.
- Invite further reflection on how methodologies can broaden the basis of assessment beyond single macro indicators, such as GDP per capita, and better reflect growth trajectories, repayment performance, and the economic returns of investment.

I5.D.2 Continue to encourage, through appropriate structured dialogue, the enhancement of transparency in methodologies and industry-wide data-sharing initiatives, where appropriate, by Credit Rating Agencies [short to medium term]

- Encourage greater communication on the criteria and assumptions underpinning credit ratings, with a view to fostering mutual understanding among market participants.
- Support international efforts to expand access to high-quality, granular data on project performance- particularly in infrastructure and climate investments in EMDEs- through initiatives such as GEMs.
- Foster collaboration with regulators and standard setters to align expectations on transparency and disclosure, including, where relevant, the treatment of climate and natural capital considerations in credit assessments.

I5.D.3 Continue to encourage climate-informed credit rating approaches by Credit Rating Agencies, while maintaining their independence [short to medium term]

- Support the incorporation of climate-related risk and investment considerations into sovereign ratings, leveraging tools such as climate-smart DSAs developed by the IMF and World Bank.
- Invite analysis and, where appropriate, recognition of the positive impact of credible, science-aligned corporate transition plans and climate adaptation, resilience and nature-related investments in LICs on their long-term creditworthiness.
- Promote transparency in data and methodologies of corporate credit ratings, enabling improved comparison when transition plans are demonstrably on track, thereby supporting more stable sovereign risk profiles in climate-sensitive sectors.

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5.E Pricing in climate risks

5.E.1 Key Issues

5.E.1.1 Central banks mandates in the context of climate-related financial risks

The role of central banks in addressing climate change through integrating climate risk considerations in their frameworks is generally justified on the grounds that climate risks—both physical and transition-related—pose systemic threats to financial stability. Markets are already distorted by the failure to price climate risks, and central banks have a role in addressing these market externalities, as seen during the Covid-19 crisis when extraordinary measures were taken to address systemic threats.

5.E.1.2 Data Gaps, Modeling Challenges, and Risks to Credibility

Significant data and modeling gaps hinder central banks' ability to assess and integrate climate risks effectively. Reliable data on financial institutions' exposure to physical and transition risks, as well as macroeconomic models capable of capturing the long-term, nonlinear impacts of climate change, are still under development. Additionally, central banks face reputational and political risks, as their involvement in climate risk management could be perceived as conflicting with other aspects of their mandates. Balancing these risks while maintaining credibility and autonomy will be critical, especially as unchecked climate change could lead to severe economic and financial instability.

5.E.2 Issues for further consideration and action in relevant fora

I5.E.1 Within their mandates, Central banks and interested institutions could continue to examine approaches to support the Financial system's alignment with nationally determined transition pathways [medium to long term]

- Consider incorporating sustainability and climate-related criteria into monetary policy operations, risk management and reserve management as a complement to current policies, as their publicity and monitoring may improve market development and potentially reduce risk premia for green financial instruments.
- Consider the application of international practices, if deemed useful and appropriate, such as:
  - The People's Bank of China's green lending facility, which supports emissions reductions, given its sustainability mandate.
  - The European Central Bank's measures to incorporate climate risk considerations in its monetary policy implementation framework.
  - A framework that can provide liquidity while ensuring market neutrality by using a scheme to back-finance investments and loans made by private financial institutions.

I5.E.2 Central Banks, Supervisors, Financial Regulations, Governments, and Financial Institutions could continue to explore Dialogue, Coordination, Transparency, and Data Sharing to Overcome Barriers [medium to long term]

- Promote research simulations and pilot programs to test the feasibility and effectiveness of green monetary policy tools in different economic contexts.
- Enhance transparency and data sharing through harmonized platforms that provide climate-related risks, financial performance, and investment opportunities.
- Support, on a voluntary basis, the adoption of climate disclosure frameworks
- Engage in international cooperation through initiatives like the Network for Greening the Financial System (NGFS) to share knowledge, develop global standards, and contribute to the development of environment and climate risk management in the financial sector.

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5.F Taxonomies

Today, there are more than 60 sustainable finance taxonomies published or in development around the world, including 25 adaptation taxonomies[117] [118].

The NGFS' latest synthesis report[119] highlights that whilst almost all advanced economies have some sort of sustainable finance taxonomy or framework in place, this is the case for less than a third of developing economies. In these economies, where the financing need is the greatest, taxonomies can provide useful guidance and enable the development of a pipeline of investable projects, providing investors with useful guidance.

Lack of mutual recognition and interoperability limits the international usability of sustainable finance labels and taxonomy divergence may increase transaction costs, reduce market confidence, and hinder mobilization of global capital to sustainable goals, making it harder to fully achieve the "Baku to Belem Roadmap to 1.3T" aspiration. MDBs also use sustainable finance taxonomies as part of project identification and preparation, and for monitoring the impact of their lending[120].

Building greater interoperability between taxonomies is highly desirable where countries voluntarily seek such alignment, because mutual recognized methodological alignment can provide certainty to the market and reduces complexity. The usual caveat on the need to respect national priorities while building interoperable frameworks also holds for this case. International consistency is beneficial as a route to scaling up overall labeled finance flows including climate finance for EMDE meet their needs to fight climate change. However, sustainable finance taxonomies emerged and proliferated very quickly, which led to the usage of slightly different approaches, differently to what happened with climate related financial disclosures, for instance.

5.F.1 Key Issues

5.F.1.1 Multitude of scope and design choices across jurisdictions

Jurisdictions have taken different prioritization decisions in relation to the scope of sustainable finance taxonomies, in accordance with their development strategies and priorities. Although that is relevant to reflect national strategy towards sustainable development, it can represent an obstacle to scaling up labeled finance instruments. Existing sustainable finance taxonomies are mainly aimed at stimulating inward sustainable development investment and enabling the alignment of finance flows with climate and environmental goals. Promoting the usability of taxonomies will benefit from addressing many of the issues considered above.

There is a range of different approaches regarding the breadth of environmental coverage and, to a lesser extent, a variety of approaches to social issues. Even in the context of climate change, taxonomies will generally address climate mitigation but may take a range of approaches to climate adaptation and resilience.

Initiatives are starting to emerge to develop taxonomies focused on adaptation and resilience, such as the partnership between UNDRR and CBI launched in 2024. In addition, there is a divergence be-

[117] Green Finance Institute. 2025. "International Taxonomies Tracker." Available at: GFI. The Sustainable Banking and Finance Network (SBFN) counts 76, including 59 already issued, 7 in-development and 8 in discussion.

[118] Spacey Martín, Roberto and Ranger, Nicola and England, Kit, "The (in)coherence of adaptation taxonomies" (June 24, 2024). Available at SSRN:

[119] Peñasco, Dr Christina, Antoine Bakewell, Ludivine Berret, and Dr Elsa Allman. 2024. "Synthesis Report on Greening the Financial System, Insights for financial actors in advanced and emerging economies". Occasional Paper, Network for Greening the Financial System.

[120] Such as the common approach developed between MDBs (including the AfDB, ADB, EBRD and World Bank) through the International Development Finance Club. (European Investment Bank. 2024. 2023 Joint Report on Multilateral Development Banks' Climate Finance. Luxemburg: European Investment Bank.)

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tween 'green' climate approaches which identify end-goal economic activities, and 'transition' climate taxonomies which identify transitional approaches.

Lastly, there is also a divergence between green taxonomies and sustainable taxonomies, which seek to incorporate social aspects into the assessment. Broadening the usage of taxonomies for social goals, aimed at reducing inequalities, may also be critical to expand their support and better address the three dimensions of sustainability. In this regard, it is crucial to have broad stakeholder engagement, spanning from the financial sector to the real economy and civil society, including indigenous peoples and local communities.

5.F.1.2 Sectoral coverage reflects national economic contexts

Differences in sectoral coverage among national taxonomies directly reflect the specific productive structures and economic contexts of each country. These variations highlight the need for interoperability solutions that respect national diversity.

Recognizing this challenge, the *Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies* proposed the development of a set of common economic activities that could be agreed upon among developing countries, aiming to enhance international comparability without disregarding local specificities.

5.F.1.3 Multiple use cases and the need for market integration

The diversity observed between different taxonomies may be a result not only of local conditions but also of their intended beneficiaries and use cases. Taxonomies have a diverse set of possible use cases for both public and private sector actors. Key use cases include defining and measuring financial flows, directing investment towards sustainable activities, and avoiding greenwashing.

To enhance the liquidity of those labeled instruments, it is crucial to advance mutual recognition mechanisms that can better integrate markets and enable international investments, helping EMDEs to partially overcome their capital constraints.

5.F.1.4 Regulatory burden and accessibility for smaller economic agents

An additional pressure on taxonomies comes from scrutiny of regulatory burden and moves to reduce it at the jurisdictional level.

To secure broader support, the benefits and uses of taxonomies may need to become clearer and better evidenced but also designed to reflect the accessibility and reporting capacity of smaller enterprises.

If taxonomies are to be impactful, it is crucial that they have the support and backing of authorities, the private sector, and broader civil society. Rather than being seen as a tool only for the financial sector, they need to be embedded into wider policy frameworks and integrated into financial mechanisms such as green guarantees, monetary policy, and fiscal incentives.

This is particularly important if one of the desired use cases for taxonomies is to support investment into EMDEs.

5.F.1.5 Different levels of climate ambition and transition alignment

Sustainable finance taxonomies have also been subject to scrutiny from stakeholders regarding their level of climate ambition and the extent to which they are aligned with the goals of the Paris Agreement.

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Fossil gas, deforestation criteria, mining, and forestry have been the most frequent activity areas stimulating debate. These discussions reflect broader questions about appropriate Paris-aligned economic transition pathways for different jurisdictions and regions.

Related debates have also arisen in relation to transitional activities and sectors within taxonomies. These raise a variety of methodological issues—for example, at what speed different sectors are expected to decarbonize and whether this should vary by jurisdiction or region, how to define "transition" for the purposes of transition finance, and how transition taxonomies relate to other tools such as national and corporate transition plans. This topic has also been under debate on the Taxonomy Roadmap initiative.

5.F.1.6 Beyond the climate focused instruments

Most existing taxonomies have primarily focused on climate objectives, with few addressing other dimensions of the planetary crisis. In Latin America, a multi-institutional initiative is underway to develop a common framework for biodiversity, while the IFC has issued guidelines for integrating circular economic practices into financial instruments. These efforts can encourage jurisdictions to adapt such frameworks to their national contexts.

In parallel, these initiatives should align with the advancement of nature-related financial disclosures. There remains an opportunity to better integrate financial materiality reporting with impact assessments that reflect broader environmental dimensions.

5.F.2 Issues for further consideration and action in relevant fora

I5.F.1 Finance ministers, supervisors, and market conduct regulators could voluntarily seek interoperability in their taxonomies - preserving national priorities - supporting interoperability across taxonomies, consistent with Paris goals and science, to facilitate cross-border capital flows while respecting domestic mandates enabling a Paris- and science-aligned global taxonomy framework that supports EMDEs' access to sustainable finance [short to medium term]

Forum: COP, G20 SFWG & G7, NGFS, Taxonomy Roadmap, IPSF, CFMCA

- Develop voluntary high-level "taxonomy interoperability principles" that are recognized as core guidance for setting definitions on what are green, sustainable, transition, and resilience-aligned activities, while respecting domestic approaches.
- Support the establishment of an inclusive technical cooperation to develop interoperable, science-based sustainable finance taxonomies that with attention to the needs of emerging economies.
- Allow flexibility in approaches to reflect different country contexts, while upholding integrity and transparency
- Design minimum safeguards based on international conventions.

I5.F.2 Finance ministers, supervisors, and market conduct regulators could identify a common core set of economic activities relevant to developing countries that align with SDGs and climate goals, to serve as a reference taxonomy across jurisdictions [medium term]

Forum: COP, G20 SFWG & G7, NGFS, Taxonomy Roadmap, IPSF, CFMCA

- Ensure that this reference set reflects the real investment needs and opportunities in EMDEs.
- Use it to enhance consistency across national taxonomies and build investor confidence.

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I5.F.3 Finance ministers, supervisors, and market conduct regulators could promote cooperation on comparability and interoperability, to enable the cross-border use of taxonomy-aligned finance, while preserving domestic regulatory sovereignty [short to medium term]

Forum: COP, G20 SFWG & G7, NGFS, Taxonomy Roadmap, IPSF, CFMCA

- Voluntarily develop bilateral and multilateral approaches (such as comparability assessments or common reference tools) for recognition of taxonomies across jurisdictions.
- Facilitate cross-border green capital flows and reduce market fragmentation.

I5.F.4 Finance ministers and financial regulators could develop methodologies to measure sustainable financial flows using taxonomy-based approaches [short to medium term]

Forum: COP, NGFS

- Promote interoperability of metrics and reporting mechanisms for classifying green and sustainable finance.
- Support interoperable public and private sector reporting frameworks.
- Exchange of experiences on best practices for Monitoring, Reporting and Verifying taxonomy aligned financial flows.

I5.F.5 Finance, environment, and development ministers could integrate taxonomies into broader sustainable finance policy frameworks, providing guidance on regulatory alignment, fiscal, and monetary policies with taxonomy thresholds and definitions, while respecting domestic fiscal and monetary policy mandates [medium to long term]

Forum: UN climate change regional collaboration centers

- Provide guidance on policy coherence and regulatory alignment.
- Build institutional capacity in EMDEs to monitor and manage green financial flows.

I5.F.6 Finance ministers, supervisors, and market conduct regulators could build a shared understanding of taxonomy use cases and evidence of their benefits for scaling investment and challenges for effective adoption [medium term]

Forum: COP, G20 SFWG & G7, NGFS

- Document and disseminate case studies and impact evaluations.
- Encourage on a voluntary basis practical guidance on phase-down activities within taxonomy frameworks, including timelines and appropriate applications.
- Stimulate the setting of regulatory sandboxes for taxonomy experimentation.

5.G Carbon markets

Carbon credit markets both compliance and voluntary carbon pricing mechanisms represent one of the most scalable instruments to deliver verifiable emission reductions. Carbon pricing has demonstrated effectiveness by internalizing the cost of emissions, incentivizing domestic investment in low-carbon technologies. These mechanisms raised over USD 100 billion in domestic revenues in 2024[121] .

[121] World Bank, "State and Trends of Carbon Pricing 2024" (Washington, DC: World Bank, 2024). Available at: http://hdl.handle.net/10986/41544.

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Building on this growing role of carbon markets and carbon pricing mechanisms, recent international decision and governance developments are creating enabling conditions for cross-border climate cooperation. The Baku COP decisions officially launched the Paris Agreement Crediting Mechanism under Article 6.4 and further elaborated guidance for international cooperation under Article 6.2 to support the financing of Internationally Transferred Mitigation Outcomes. Important contributions are the work undertaken by the Integrity Council on the Voluntary Carbon Markets (ICVCM) and the IOSCO to facilitate the governance processes and standards for internationally recognized high-integrity verified carbon credits. In parallel more than 50 countries and 90 jurisdictions are now implementing domestic carbon pricing mechanisms (carbon taxes or Emissions Trading Schemes (ETS) which are increasingly embedded into national mitigation strategies. Together, these major developments represent an unprecedented opportunity to leverage private sector investment to achieve Paris-aligned climate outcomes via a common set of operating principles for carbon-market-based cooperation.

While these developments are promising, the full potential of carbon markets to advance global mitigation efforts remain hindered by fragmentation, differing rules and standards, and continued work on ensuring high-integrity carbon credits as suitable instruments under the international, regional and domestic systems. This undermines the comparability and cost-effectiveness of mitigation results across jurisdictions, creates uncertainty, and limits, the scalability of market-based cooperation. Governments are uniquely positioned to address this challenge by advancing regulatory and policy frameworks under a common set of principles that recognize the potential of carbon crediting and carbon pricing (carbon tax and ETS) systems for delivering measurable, verifiable, and comparable mitigation outcomes, and for enabling international cooperation at scale.

5.G.1 Key Issues

Addressing the following issues is essential to ensure the effectiveness of carbon markets, particularly when guided by principles of fairness and equity, as this fosters cooperation, incentivizes countries to meet their climate commitments, and helps address disparities in vulnerability and capacity across nations.

5.G.1.1 Fragmentation of technical standards and MRV systems

Different monitoring, reporting, and verification (MRV) protocols and methodological standards for similar activities prevent mutual recognition of mitigation outcomes across jurisdictions. This creates isolated markets that cannot leverage global efficiencies in delivering high-integrity mitigation outcomes. Moving towards enhanced interoperability across domestic and regional systems with common principles of carbon accounting and MRV, including but not limited to Article 6.4 methodologies, facilitates the interoperability enabling buyers to more easily navigate the market, and to link systems where appropriate to scale up international cooperation.

5.G.1.2 Regulatory uncertainty

Inconsistent credit eligibility criteria and fragmented approaches to governance expose carbon markets to regulatory uncertainty. Divergent national regulations undermine predictability for investors and reduce confidence in carbon credit as a credible instrument to achieve mitigation and promote cooperation. Harmonized rules for credit eligibility can be further developed under Art 6.4. It is the choice of governments to adopt those as benchmarks or to deviate when developing bilateral collaborative approaches.

5.G.1.3 Lack of Integrity

Concerns about the environmental and social integrity of carbon credits continue to undermine trust and constrain demand, especially when issues of additionality, permanence, and verification are

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not fully addressed. Without robust integrity standards, carbon credits risk losing credibility and diminishing their contribution to global mitigation.

5.G.1.4 Capacity constraints, infrastructure gaps, and weak governance in developing countries

Many countries lack the enabling environment, market infrastructure, and institutional capacity to implement carbon markets – including establishing registries and conducting transparent authorization processes – and to attract carbon investment, despite possessing significant mitigation outcome potential. These constraints, coupled with insufficient governance processes to coordinate technical rules and validate data, create a paradox where countries with the greatest opportunities for cost-effective mitigation outcomes cannot access carbon market financing.

5.G.1.5 Absence of coordinated and inclusive governance for interoperability

To build upon and catalyze the foregone effort in plurilateral and open forums, there is potential for further advancing absence of a structured and participative mechanism to guide discussions on interoperability and, integration across carbon pricing jurisdictions has left efforts fragmented, highlighting the opportunity for increasing the effectiveness of jurisdictional systems, and reflect informing conditions and circumstances for linking of carbon markets at a mature stage or regional level where relevant.

Fragmented approaches risk undermining global coherence, and delaying the emergence of robust, high-integrity international carbon markets that share common features to enable scaled investments. While a few linked initiatives exist, they face challenges such as limited liquidity and risks of carbon leakage. A cooperative framework helps build convergence and enable mutual recognition of high-integrity carbon credits for compliance, unlocking cross-border finance and strengthening confidence in mitigation outcomes.

5.G.1.6 Lack of convergence in carbon pricing frameworks across jurisdictions

Approaches to carbon pricing vary widely across jurisdictions in terms of scope, price levels, and allocation rules reflecting heterogeneous national contexts and climate ambitions. In the absence of shared principles, this diversity undermines mutual recognition and impedes efforts to link systems or align border carbon measures. Establishing a credible framework aimed at advancing ETS policy and credible use of high-integrity carbon credits is essential to enhance policy coherence and reduce trade frictions.

5.G.1.7 Fragmentation of MRV and carbon accounting systems

Inconsistent MRV protocols, and carbon accounting methodologies weaken trust, hinder transparency, and increase compliance costs. These discrepancies challenge the comparability of mitigation outcomes and the effectiveness of trade-related carbon measures. A key source of divergence is the use of locally tailored emissions factors, which are often necessary to reflect country-specific circumstances such as the energy mix and industrial technologies. Without a shared reference framework, comparability and the recognition of mitigation outcomes is undermined. Promoting alignment of MRV systems with shared principles can strengthen interoperability and support the environmental and economic integrity of climate policies.

5.G.1.8 The need for improved coordination and inclusive governance

The lack of a legitimate, transparent, and participatory governance structure to advance the ambition and effectiveness of ETS policies fosters fragmented national initiatives and limits the scalability

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of cooperation. Without a forum to stimulate such ambition and effectiveness, manage incentives for participation, and guide MRV and pricing convergence, political trust remains low.

5.G.2 Issues for further consideration and action in relevant fora

I5.G.1 Regulators and carbon market authorities could work towards enhanced interoperability and consistency of MRV protocols and accounting standards to enable integration of carbon markets across jurisdictions [short to medium term]

- Establish standardized, reliable high-integrity MRV (Monitoring, Reporting, and Verification) protocols that accommodate sectoral, technological, and geographical differences and tier methodologies per emissions output.
- Advance the use of robust carbon accounting principles based on scientifically reliable, transparent, and accurate level data enable consistent quantification of emission reductions and removals.

I5.G.2 Finance ministries and market regulators could explore approaches, including benchmarks, to enhance regulatory certainty and unlock large-scale investment [short to medium term]

- Benchmarks could guide the use of high-integrity credits for both compliance schemes and corporate claims, where deemed appropriate by policy makers (e.g., net zero, carbon neutrality), with clear rules on how companies implementing credible transition plans can use carbon credits.
- Promote the Paris Agreement Article 6.4 mechanism as the international quality benchmark, while recognizing and exploring complementarities with existing high-integrity initiatives such as CORSIA, ICVCM and Voluntary Carbon Markets Integrity Initiative (VCMI).
- Reduce fragmentation and redundancies of global carbon credit markets.

I5.G.3 Governments, MDBs, and private sector actors could invest in digital infrastructure to facilitate secure, transparent, and connected carbon markets [medium term]

- Support interoperable registry systems, real-time data platforms, and digital MRV technologies.
- Dedicate financial and technical assistance to help developing countries build and operate modern carbon market infrastructure.
- Underpin registry and trading platform design with international initiatives for data standardization, such as the CCCDM, developed by the Climate Data Steering Committee in the context of the 2025 SFWG workplan.
- Support the development of long-term strategies for participation in carbon markets to achieve national climate and development targets and catalyze transition enablers and co-benefits.

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I5.G.4 Climate finance providers and carbon market authorities could ensure fair benefit distribution and institutional support for developing countries [short to medium term]

- Establish dedicated technical and financial assistance windows to support capacity building, verification institutions, legal readiness, and MRV infrastructure.
- Ensure rights holders—including Indigenous Peoples and local communities—are recognized and empowered to control and benefit from their carbon rights in voluntary carbon markets.
- When appropriate, develop transparent practical, enforceable benefit-sharing principles for carbon market transactions.

I5.G.5 Finance ministries and relevant regulators should explore development-sensitive design into carbon pricing and market rules and tools [medium term]

- Account for differing national circumstances, development goals, and mitigation potential.
- Ensure that Linkage design element integrates fairness and just transition considerations to support ambitious mitigation efforts that reflect diverse national circumstances.
- Address interpretations of permanence that disproportionately limit NbS in compliance carbon markets but prioritize use for hard-to-abate residual emissions.
- Support innovations in system-wide risk mitigation tools (e.g. buffers, insurance) to ensure durable and high-integrity outcomes for NbS within linked markets.

I5.G.6 Carbon market regulators and governance bodies should adopt adaptive management approaches to ensure continuous learning and system effectiveness [medium to long term]

- Establish regular review, feedback, and update mechanisms to ensure carbon market governance reflects evolving climate science, economic conditions, and investor needs. Promote transparency, learning-by-doing, and stakeholder engagement to build long-term confidence in market-based approaches.

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CONCLUSION

The road to deliver on the USD 1.3 trillion ambition

Reflecting on the long journey since the Paris Agreement, it is important to acknowledge both the efforts of nations, international and civil society organizations, private sector, communities, and Indigenous Peoples - and the critical gaps that remain in addressing climate change. While progress has been made, the urgency of this collective challenge demands greater ambition and concrete action.

At the heart of this transformation lies the financial architecture that can enable and accelerate the low greenhouse gas emissions and climate-resilient development pathways and implement nationally determined contributions and national adaptation plans. Throughout this process, diverse stakeholders across the climate finance ecosystem have contributed their expertise and commitment, helping craft essential pieces of this architecture. The establishment of the NCQG and the aspiration of scaling up climate finance to developing countries marked an important decision—but ambition alone is not enough. It is now crucial to shift from ambition to implementation.

The engagement of Finance Ministers in the climate agenda represents a paradigm shift, bringing financial expertise, implementation focus, and systemic thinking to climate action. Finance Ministers ground aspirations in fiscal realities while orienting public policies toward concrete, coordinated delivery.

This Report was prepared by the Brazilian Ministry of Finance in extensive consultation with other ministries and partners as a contribution, external to the UNFCCC, to the COP30 Presidency for the Baku to Belém Roadmap. It is not a negotiated outcome and does not exhaust the realm of possible solutions, but offers a carefully selected set of proposals informed by the perspective of finance ministries to highlight options that could be relevant and actionable to advance climate finance agenda.

The road ahead is clear: no single actor, instrument, or forum can deliver this transformation alone. Progress will depend on sustained engagement across platforms—multilateral development banks, vertical climate and environmental funds, standard-setting bodies, private sector coalitions, and domestic public institutions—all moving in the same direction. The COP30 Circle of Finance Ministers contributes to this alignment by engaging ministries of finance, bringing their perspectives to help translate political commitments into possible implementation pathways that are realistic, sequenced, and grounded in national contexts.

Each of the five priorities addressed in this Report contributes essential elements to this collective effort:

1. **Concessional finance** must undergo both quantitative expansion and qualitative evolution, considering its contribution to the new goal of at least USD 300 billion annually by 2035. There is a need to adequately address mitigation and adaptation finance, nature-based solutions, and just transition initiatives, as well as support for responding to loss and damage. Given the large and rising needs for concessional and debt-free finance, we should consider tapping all poten-

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tial sources — including guarantees, catalytic equity, debt swaps, new levies and private philanthropy. Vertical Climate and Environmental Funds shall continue to undertake comprehensive reforms to enhance access and impact. Enhanced coordination through country platforms and harmonized systems could ensure concessional finance catalyzes broader transformation

2. **Multilateral Development Banks (MDBs)** have been the backbone of development and climate finance. Their role must expand significantly. Besides fulfilling the existing commitments of USD 75 billion in climate finance[122], they pledged to increase this figure to USD 120 billion by 2030 and the additional finance, they have the potential to unlock additional lending over the next decade[123] through enhanced private capital mobilization, expanded local currency financing, and innovative instruments. System-wide coordination, common metrics and joint operational platforms can enhance collective impact, with a strong focus on adaptation finance and support for SIDs and LDCs.

3. **Domestic capacity and enabling environments** are essential to ensure that countries can absorb and deploy increased flows effectively. This includes integrating climate objectives into national planning, strengthening fiscal sustainability through climate-adjusted growth models, avoiding a vicious circle of climate impact on debt, and developing robust domestic financial systems and making full use of PDB. Investment frameworks, including country platforms, can play a central role in strengthening enabling environments and bankable project pipelines necessary to unlock additional external finance.

4. **Private sector mobilization** represents the greatest opportunity—and challenge—to scale up climate finance, requiring a substantial leap from the current levels of USD 30 billion[124]. This demands coordinated action from PDBs, DFIs, and MDBs to support pipeline development, deploy catalytic capital, and scale risk-mitigation instruments. At the same time, private sector must scale commitments, develop innovative business models, and align investment strategies with low-emission and climate-resilient pathways, embracing the responsibility of deploying capital at scale. Enhanced data transparency and innovative solutions for currency and climate risks will be essential to unlock the cross-border flows needed to bridge this gap.

5. **Regulatory frameworks** should evolve to support sustainable finance while maintaining financial stability. This includes strengthening climate risk assessment, enhancing coordination on disclosure standards, and developing interoperable taxonomies for cross-border flows. Well-designed carbon markets can unlock additional benefits, potentially mobilizing debt-free finance resources for climate and nature-based solutions.

Each of these five interconnected priorities presents targeted recommendations and actions that, when pursued collectively, form an integrated agenda. They are mutually reinforcing and should advance in parallel to multiply their impact: concessional finance can help unlock broader flows; MDB reforms enhance leverage and effectiveness; stronger domestic systems and country platforms make all sources of finance more impactful; private investment at scale is essential to close the gap; and regulatory frameworks provide the enabling conditions for all actors. Progress across these fronts, pursued simultaneously, can create a virtuous cycle capable of delivering the USD 1.3 trillion ambition.

[122] G20 IHLEG (2024) *(n 36).*

[123] African Development Bank (n 59)

[124] Bhattacharya A, Songwe V, Soubeyran E and Stern N, (n 84).

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Implementation Pathways

The work initiated with the COP30 Circle of Finance Ministers does not finish with this Report. Rather, it is part of a living effort—a platform to connect workstreams that have been developed over many years across fora, and a steppingstone to more ambitious coordination and delivery. Some aspects, such as the costing of needs and the effectiveness of instruments, will require further refinement and iteration. This agenda will evolve and will need continued shaping.

Recognizing that not all recommendations will receive immediate universal endorsement, the Circle reflects on possible implementation pathways using the principle of 'variable geometry' in climate finance reform—enabling coalitions of willing countries, MDBs, and development partners to proceed with implementation where political alignment exists. Such coalitions would be able to pool resources and commitments into joint facilities or platforms hosted by MDBs, climate funds, or alliances such as Finance in Common (FiCS); pilot CAF reforms, capital optimization tools, or guarantee platforms within a subset of MDBs whose shareholders agree, allowing demonstration effects to inform later adoption; launch blended finance SPVs and structured instruments open to any contributing sovereign or institution, without requiring all G20 members to participate; use existing multi-actor clubs—e.g., V20, Bridgetown Initiative, CFMCA —to operationalize specific recommendations and report progress back to the broader Circle; and maintain interoperability of reforms with global standards, allowing eventual integration if appropriate, in line with national pathways and approaches, and when consensus broadens.

This approach acknowledges that transformative change in climate finance often emerges through pioneering coalitions rather than waiting for universal consensus. By creating pathways for early adopters to demonstrate effectiveness and build momentum, these partial coalitions can generate the proof of concept and competitive pressure needed to achieve broader system-wide transformation over time.

As we look ahead to COP30 and beyond, the focus now shifts increasingly towards implementation. Ministries of finance can play a critical role—not only in resource mobilization and allocation, but also in ensuring coherence across public policies, strengthening fiscal and institutional foundations, and embedding climate and nature outcomes in national development strategies. Delivering the USD 1.3 trillion ambition is not just about more finance, it is about better finance, about putting it to work for a more sustainable, resilient, and just future. In Belém, there is an opportunity to lay the foundation for a climate-resilient world. This is our road of transformation.

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ANNEX

Concrete and Potential Solutions

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This Annex presents illustrative initiatives and mechanisms from countries, advisory groups, and international organizations that align with the recommendations outlined in the Report and may support their implementation. The list is non-exhaustive and does not imply endorsement by the Circle of Finance Ministers. Its purpose is to showcase a range of innovative approaches that demonstrate potential for scaling up climate finance, improving effectiveness, and fostering cooperation, in line with the priorities identified.

PRIORITY 1: Scaling up Concessional Finance and Optimizing Climate Funds

1. CIF Capital Markets Mechanism (Global)

The Capital Markets Mechanism (CCMM) is the first multilateral climate fund to raise private capital directly through bond issuances, offering a new source of concessional finance for clean and low carbon technologies in low- and middle-income countries. CCMM was established under the Climate Investment Funds (CIF) in 2024 to raise funds for Clean Technology Fund (CTF) projects, implemented through six multilateral banks. Enabled by a novel legal structure and supported by the World Bank as treasury manager and trustee, CCMM marks a major shift from traditional donor-based models to a scalable, market-based approach that marks a significant milestone in development finance and represents a new pathway for climate finance. It provides a replicable framework for other global funds aiming to access capital markets, blending public credibility with private sector efficiency.

Implementation Status

CCMM raised USD 500 million in its inaugural bond issuance on the London Stock Exchange in January 2025, six times oversubscribed. The inaugural three-year bond received strong credit ratings with AA+ from Fitch and Aa1 from Moody's. This pioneering initiative aims to unlock billions of dollars in private sector capital to accelerate the scaling up of clean energy and sustainable infrastructure in emerging economies.

2. BRK Maranhão Water & Sanitation (Brazil)

In 2024, IDB Invest and Proparco partnered with BRK Ambiental, a major private sanitation operator in Brazil, to offer a financing package to expand water and sanitation services in the state of Maranhão, Brazil. IDB Invest and Proparco each contributed R$ 225 million (~USD 37 million), with Proparco also providing a guarantee to secure long-term local currency financing from other development financial institutions. The financing includes a 14 million performance-based incentive package, a USD 4 million grant, as well as a USD 5 million senior loan from the United Kingdom Sustainable Infrastructure Program (UK SIP), and a USD 5 million senior loan from the Canadian Net-Zero and Climate Resilience Accelerator. The model demonstrates how concessional finance can bridge the viability gap in infrastructure sectors like sanitation that have long payback periods and lower commercial returns, while also expanding the number of bankable projects in vulnerable and undeserved regions.

Implementation Status

The project aims to achieve a 60% reduction in CO_2-equivalent emissions, as well as reach 70% sewage collection and treatment coverage. The financing will support the depollution of local watercourses, including the Rio Paciência, reaching more than 350,000 beneficiaries in the region. The project is currently being implemented with disbursements underway, and full-service improvements expected by 2029.

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3. Climate Investor One (Global)

Climate Investor One (CI1), managed by Climate Fund Managers (CFM) and anchored by FMO (Dutch development bank), is designed to finance renewable energy projects in emerging markets. The blended finance facility has three components: a development fund, construction equity fund, and a refinancing fund, with the construction equity fund being the largest of the three (USD 550 million) and featuring concessional and commercial tranches to crowd in private investors. CI1 leveraged USD 100 million in grant capital from the GCF, mobilizing over USD 720 million in additional capital, with the total facility size reaching USD 930 million. DFIs, private institutional investors, as well as governments have invested in the fund.

Implementation Status

CI1 was launched in 2019 and is expected to run until 2039. CFM has since launched a second climate-focused, blended finance initiative, Climate Investor 2 (CI2), modeled after CI1. While CI1 focused on renewable energy, CI2 supports the private sector in developing and constructing climate-resilient infrastructure projects in emerging markets in the water, sanitation, and ocean sectors – areas that usually do not attract interest from the private sector.

4. REDD-plus Results-Based Payment for 2014-2016 (Papua New Guinea)

The Papua New Guinea REDD-plus Results-Based Payment (RBP) for the 2014–2016 period is a significant initiative aimed at mitigating climate change through forest conservation. Approved by the GCF in July 2025, this project recognizes PNG's verified emission reductions achieved during the period 2014 and 2016. Between 2014 and 2015, Papua New Guinea successfully reduced emissions by 6.5 million tCO_2e, followed by an additional 10.5 million tCO_2e in 2016. This achievement was verified by international experts under the UNFCCC framework. GEF supported Papua New Guinea's REDD+ Readiness Project, which enabled the country to achieve the reductions and thus be eligible for the REDD+ performance-based climate financing.

The GCF has allocated USD 63.4 million in grant-based payments to support the country's efforts in reducing deforestation and forest degradation. These funds are intended to reinforce Papua New Guinea's National REDD+ Strategy and enhance forest governance and sustainable land-use practices. It has two main components: strengthening institutional coordination and forest governance at national and provincial levels; and promoting sustainable livelihoods for customary landowners and vulnerable communities (including climate-resilient agriculture, restoring degraded forests, and enhancing ecosystem services).

Implementation Status

The project is currently under implementation and is expected to be completed by July 2031.

5. ASEAN Catalytic Green Finance Facility (Southeast Asia)

The ASEAN Catalytic Green Finance Facility (ACGF) was launched in 2019 to mobilize green infrastructure financing across Southeast Asia. Managed by the Asian Development Bank (ADB), ACGF uses blended finance structures to de-risk and structure bankable infrastructure projects across various sectors including clean energy, sustainable transport, climate-resilient water systems, and nature-based solutions, while also offering technical assistance, policy support, and capacity-building. Key partners include the EU, AFD, KfW, EIB, and others, with total pledged support exceeding €783 million under the Team Europe initiative. ACGF also plays a key role in strengthening green capital markets through initiatives like green bond frameworks and taxonomy development (e.g., in Thailand).

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Implementation Status

As of 2025, ACGF has supported 47 projects across seven ASEAN countries, mobilizing over USD 7.5 billion in total project value and avoiding approximately 3.1 million tons of CO_2e annually. One example of such a project is Cambodia's Sustainable Coastal and Marine Fisheries Project, which leverages nature-based solutions, supporting climate-resilient development and capacity-building. The facility has delivered more than 100 capacity-building events and over 60 knowledge products, helping countries align projects with climate goals. With the adoption of the AIF Action Plan 2025–2028 and strengthened cooperation with institutions like the Asian Infrastructure Investment Bank (AIIB), ACGF is scaling up its impact and continuing to build a strong regional pipeline of climate-aligned infrastructure.

6. Green Climate Fund's Efficient GCF Initiative (Global)

Under its "50by30" vision, GCF aims to create a fit for purpose fund that can mobilize USD 50 billion in investments by 2030. As such, the Efficient GCF Initiative was launched in 2023 as a comprehensive reform agenda aimed at enhancing the GCF's effectiveness in supporting climate action. The reforms are designed to streamline processes, reduce delivery times, and ensure that climate finance is more accessible and impactful for developing countries.

Implementation Status

Efficient GCF is a part of GCF's 2024-2027 strategic plan and reforms are currently being implemented. The reforms include:

- A target to complete Secretariat reviews of project proposals in nine months or less. This includes early and clear feedback on Concept Notes to indicate whether they merit development into full Funding Proposals.
- A new accreditation framework to make it more fit for purpose, providing enhanced transparency, responsiveness, and efficiency, whilst increasing fairness and country ownership. The reforms include a nine-month service standard for GCF's review of new applications, which will greatly speed up accreditation and facilitate an even more diverse and extensive partner network, building upon GCF's existing network of over 150 accredited entities.
- Reforms to the GCF Readiness Programme (the largest climate capacity building programme for developing countries) to make it easier to access, including moving from a yearly grant cycle to a 4-year programming cycle, easier access to a pre-qualified pool of delivery partners through mini-tenders, and an expert placement scheme to enhance engagement with the Fund.
- Increased country impact through regional structure and presence. The reorganization of the Secretariat into regional teams has allowed it to provide integrated, end-to-end support for countries, from readiness through to project implementation. The Board decision to establish regional presence will give GCF a presence closer to the ground, allowing GCF to respond more closely to country priorities.

7. Catalyst Fund (Africa)

The Catalyst Fund is a pre seed venture capital/accelerator focusing on early stage, tech enabled startups in Africa that build climate adaptation and resilience solutions. Key verticals include fintech for climate resilience, sustainable livelihoods, and climate smart essential services (such as ag-tech, water, waste, and energy adapted to climate needs). The Fund also maintains an ecosystem hub (a grant funded facility) to foster shared learning, build community ties, and engage ecosystem stakeholders to strengthen the broader climate resilience innovation ecosystem in Africa. Catalyst Fund's capital base is a blend of concessional capital from development / philanthropic sources (used especially for

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the pre seed stage, venture building support, and risk mitigation) and commercial equity, demonstrating the potential of concessional capital usage.

Implementation Status

As of 2025, Catalyst Fund has completed two accelerator cycles, supporting 61 portfolio companies, which between them have raised over USD 800 million in follow on funding, and serve more than 14 million underserved individuals MSMEs.

8. Credit Guarantee Vehicle (South Africa)

The Credit Guarantee Vehicle (CGV) is a 2025 initiative led by the South African government in collaboration with the World Bank Group to unlock private investment in critical transmission infrastructure. The CGV is being structured as a non-life insurance company that will issue payment, and termination guarantees to Independent Transmission Project (ITP) developers. With an initial capitalization target of USD 500 million, the CGV is designed to reduce risks for investors, such as regulatory uncertainty and counterparty payment defaults. South Africa's National Treasury will provide the first-loss capital (around 20% of the fund), helping to attract concessional and development finance partners, and setting the stage for private sector participation.

The CGV will support the development of new high-voltage transmission corridors, especially in renewable energy-rich regions that are currently grid-constrained. The first phase includes over 1,100 km of new lines and significant transformer capacity, aimed at enabling more than 3,000 MW of renewable energy integration. The CGV's guarantee structure is meant to operate independently of the sovereign balance sheet, allowing greater financial flexibility and investor confidence without burdening the state with contingent liabilities.

Implementation Status

CGV is expected to launch in 2026 and could serve as a model for climate-aligned infrastructure financing and public-private partnerships across Africa.

9. Pro-Congo Initiative & Central African Forest Initiative (Africa)

The Central African Forest Initiative (CAFI) is a multilateral partnership that supports the preservation of forests in the Congo Basin, the world's second-largest tropical rainforest after the Amazon. In 2025, CAFI partnered with UNEP and UNCDF in the Pro-Congo Initiative to unlock nature positive, climate resilient business opportunities for MSMEs in critical green sectors. With an initial funding of USD 15 million, Pro-Congo is intended to serve as a catalyst to mobilize a larger pool of both public and private finance and a total target of USD 30 million in investments in the Congo Basin region. The initiative will leverage blended finance instruments to de-risk investments and channel concessional resources, in the form of loans and reimbursable grants, to MSMEs with the potential to scale. Pro-Congo will support business models that do not depend on deforestation and will target four countries in the region: Cameroon, Democratic Republic of the Congo (DRC), Gabon, and Republic of Congo.

Implementation Status

The Pro-Congo Initiative was announced in May 2025.

10. Amazonia Impact Fund (Peru, Colombia, Ecuador)

Amazonia Impact Fund I is a USD 25 million impact-linked debt fund by Amazonia Impact Ventures (AIV) aimed at building a forest-based bioeconomy and strengthening local value chains, en-

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hancing forest conservation, empowering indigenous and local communities, and unlocking new pathways for private capital to drive sustainable development into one of the world's most critical ecosystems. The fund uses tools like structured debt, blended finance, and impact-linked loans that incentivize biodiversity conservation and forest restoration, along with technical support to local SMES. Concessional and catalytic capital allows the Amazonia Impact Fund I to offer loans at more competitive interest rates than what local banks or typical lenders in the Amazon region would charge. This is essential since many local producers or Indigenous groups have limited access to finance at all, or only at very high cost.

Implementation Status

As of September 2025, the Amazonia Impact Fund I supported over 4,000 local producers supported (many are Indigenous or women-led initiatives), managing or influencing over 160,000 hectares of forest, by deploying impact-linked finance to various Amazonian value chains including açaí, Brazil nuts, and ungurahui (also known as Patauá in Brazil). As of September 2025, the fund has deployed USD 10 million to Amazon-based MSMEs with no defaults. While the fund is currently operating primarily in Peru, Colombia, and Ecuador, with planned expansion into Brazil and other Amazon countries.

11. West Africa Blue (Sierra Leone)

West Africa Blue is centered around the issuance of high-quality blue carbon credits, focused on mangrove restoration and protection in West Africa and a benefit sharing agreement that allows for a share of carbon revenues to flow back to local communities. The flagship project of this program targets the Sherbro River Estuary in Sierra Leone, with an objective of about 94,000 hectares of mangrove restoration and conservation across 11 chiefdoms.

Implementation Status

The Sierra Leone Sherbro River Estuary project is underway, with FSDAi committing USD 2.5 million to the project in July 2025. West Africa Blue secured a USD 10 million political risk insurance from the U.S. International Development Finance Corporation (DFC), to attract investor confidence and protect against non commercial risks.

12. Zephyr Power & Mangroves Protection (Pakistan)

Zephyr Power is a 50 MW wind farm near Karachi, Pakistan. Because its turbines and infrastructure are located in a coastal / intertidal environment, Zephyr has faced risks from coastal erosion, saltwater intrusion, and sea level rise. To reduce those risks and enhance resilience, the project incorporated a mangrove protection and restoration component as a NbS. Mangrove nurseries, planting of propagules, conservation of existing mangroves, and collaboration with the local forestry department (Sindh) were built into the project's plans. These efforts both protect the integrity of infrastructure (roads, turbine bases, access paths, etc.) and provide ecosystem and social co benefits for local communities (e.g. improved fisheries, nursery jobs, enhanced buffer to storms).

Zephyr's mangrove component helps unlock multiple streams of value and funding. By reducing physical risk to infrastructure, it lowers O&M and damage costs over the lifetime of the wind farm, making the investment more bankable. It also helps meet ESG standards, which improves access to concessional or blended finance. The project has attracted development finance institutions such as BII (formerly CDC) and FMO, which have provided debt & equity finance conditioned on environmental safeguards. Moreover, the mangrove work positions Zephyr to potentially access carbon finance or blue carbon credits in markets valuing ecosystem services.

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Implementation Status

Zephyr Power has been operational since about 2019. As of 2023, over 121 hectares of mangrove planting have been carried out in the site, supported by several nurseries (brackish water nurseries, with fresh water ones being developed) under coordination with the Sindh Forest Department.

13. 4P Roadmap for Better Inclusion of Multidimensional Vulnerability (Global)

The 4P Roadmap for Better Inclusion of Multidimensional Vulnerability is an initiative that promotes incorporating a multidimensional vulnerability framework into concessional finance criteria. The framework is designed to enhance how development programs and policies identify, address, and integrate complex and overlapping vulnerabilities that individuals and communities face, particularly in contexts of climate change, poverty, and social exclusion. It emphasizes a more holistic and inclusive approach beyond single-dimensional indicators. This initiative proposes to advance international efforts to integrate vulnerability into global financial architecture. Building on the outcomes of the Summit for a New Global Financing Pact, it supports the implementation and operationalization of the Multidimensional Vulnerability Index (MVI) as a tool to inform more equitable financing decisions.

Implementation Status

4P Roadmap for Better Inclusion of Multidimensional Vulnerability is in early stages of implementation and was launched during the FfD4 in Sevilla in 2025.

14. Jamaica Blue Carbon (Jamaica)

The Jamaica Blue Carbon project is a large-scale mangrove restoration initiative focused on the degraded coastal wetlands of Southern Clarendon, Jamaica. Supported by the IDB and the UK's Blue Carbon Fund, the project targets the recovery of approximately 1,600 hectares of severely degraded mangroves (out of a total of 3,500 hectares) through hydrological restoration and ecological regeneration. The initiative is part of Jamaica's broader strategy to improve coastal resilience, reduce disaster risk, and contribute to climate change mitigation via enhanced carbon sequestration in blue carbon ecosystems. The projects also focus on market preparation by securing land tenure, building baselines for carbon accounting, and restoring degraded ecosystems to a state where private actors (e.g. carbon market participants, insurers, or resilience investors) could participate in later stages. While no private finance is involved yet, the project demonstrates how MDBs and governments can use technical cooperation and concessional resources to de-risk early-stage nature investments, expand investable landscapes, and incubate projects that may attract private capital in the future.

Implementation Status

The project received USD 2.45 million committed by the UK Blue Carbon Fund and is actively in implementation, with hydrological works underway and baseline data collected. Completion of the current phase is targeted for 2026, positioning it as a regionally significant pilot for blue carbon financing and ecosystem restoration.

15. Land Degradation Neutrality Fund (Global)

The Land Degradation Neutrality Fund (LDN Fund) is an impact investment vehicle created to support sustainable land management, land restoration, and avoidance of land degradation worldwide in developing countries. It is a blended finance fund, promoted by the UN Convention to Combat Desertification (UNCCD) and managed by Mirova, with a technical assistance facility managed by IDH. Its goal is to mobilize public, private, and philanthropic capital to finance sustainable land use projects (agri-

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culture, agro forestry, forestry, land reclamation, etc.) that deliver environmental, social, and financial returns. The fund has a targeted size of USD 300 million. The technical assistance facility component of the vehicle helps with deal flow, where project developers get investment ready, implement environmental and social management systems, and build capacity to monitor land degradation

Implementation Status

As of 2025, the LDN Fund has successfully mobilized over USD 200 million in commitments from both public and private investors, including institutions like the EIB and private entities such as Allianz France and BNP Paribas Cardif. One investment includes a 10-year commitment to Mountain Hazelnuts in Bhutan, which supports sustainable hazelnut orchards on degraded mountain slopes, providing long-term income for rural communities while restoring the land.

The LDN Fund is transitioning to the Mirova Sustainable Land Fund 2 (MSLF2), which commenced operations in 2024. This successor fund aims to raise €350 million by the end of 2025 and continues to focus on sustainable land use in the Global South, leveraging the lessons learned from the LDN Fund to scale up impact.

16. The Responsible Commodities Facility (Brazil)

The Responsible Commodities Facility (RCF) developed in 2018 provides incentives to produce soy in existing cleared and degraded lands in the Brazilian Cerrado (tropical savanna) to discourage further agricultural expansion. Managed by Sustainable Investment Management (SIM), RCF channels low-interest loans to farmers committed to zero-deforestation cultivation. RCF was able to secure concessional capital from private actors: UK supermarkets such as Tesco, Sainsbury's, and Waitrose provided debt at concessional terms by investing in the subordinated tranche of the fund through green bonds (Green CRAs: Agribusiness Receivables Certificates). This acted as a buffer for senior investors by proving the success of the instrument, leading to credit enhancement and reducing the cost of capital. Commercial banks and impact funds have since leveraged the initial investments made by food retailers and invested around USD 36 million in debt into the instrument.

Implementation Status

RCF launched in 2022 and has since scaled significantly with investments from Rabobank and Agri3 Fund, in addition to the retail actors. For the 2025/2026 crop season, RCF aims to expand into a USD 200 million initiative, with investments from Mobilizing Finance for Forests (MFF) and IDB Invest into the senior tranche. In 2025 RCF was also included in Brazil's GCF climate finance pipeline under the Brazil Country Programme 2025-2026, reflecting strategic alignment with GCF.

17. &Green Fund – Investing in Inclusive Agriculture and Protecting Forests (Global)

The &Green Fund, supported by the Green Climate Fund, promotes sustainable agricultural commodity production while protecting tropical forests that act as critical biodiversity hubs and carbon sinks. The initiative aims to transform commodity supply chains—such as livestock, palm oil, soy, rubber, cocoa, and forestry—by financing producers under conditions that require forest conservation and restoration. By reducing pressure to clear forests and increasing productivity on existing land, the fund contributes to emissions reductions, biodiversity protection, and resilience of local communities.

Implementation Status

Approved by the GCF Board at B.36 in July 2023, FP212 is under implementation. The Fund is channeling financial and technical assistance to producers in tropical forest countries, focusing on transforming supply chains toward sustainability. Activities include investment deployment, technical support, and monitoring frameworks to ensure forest protection commitments are met.

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18. The Amazon Bioeconomy Fund (Amazon Region)

The Amazon Bioeconomy Fund, supported by the Green Climate Fund, is a USD 600 million regional programme designed to unlock private capital by valuing bioeconomy products and services with clear climate mitigation and adaptation results. Implemented across six Amazon countries, the Fund seeks to shift production models away from deforestation-driven practices by financing sustainable enterprises, restoring natural capital, and promoting resilient livelihoods. It builds on the region's biodiversity to develop scalable markets for sustainable products while delivering climate, social, and economic co-benefits.

Implementation Status

Approved at GCF Board meeting B.30 in October 2021, the Fund is under implementation through accredited entities and local partners, with activities running until 2029. Investments are being deployed in bioeconomy value chains, enterprise financing, and technical assistance, prioritizing forest conservation and climate adaptation in vulnerable communities.

19. The Green Climate Fund's Results-Based Payments (RBP)

The RBP modality provides ex-post finance to countries that demonstrate verified emissions reductions, particularly through REDD+ activities. By compensating countries for measured and reported forest-related mitigation outcomes, RBP creates a predictable revenue stream to sustain forest conservation, enhance livelihoods, and support national climate strategies. This mechanism not only incentivizes higher ambition in reducing deforestation and degradation but also strengthens country ownership by channeling finance directly to governments and accredited entities under transparent MRV systems.

Implementation Status

Since its operationalization in 2017, the GCF has approved multiple RBP projects, including in Brazil, Chile, Ecuador, Colombia, Indonesia, and others, covering tens of millions of tonnes of verified CO_2 reductions. Disbursements are ongoing, with funding tied to UNFCCC REDD+ Technical Annex submissions and independent verification processes. The RBP portfolio is evolving into a significant channel for performance-based forest finance, while informing future design of market and non-market approaches under the Paris Agreement.

20. Jurisdictional REDD+ (JREDD+) (Global/Tropical Forest Countries)

Jurisdictional REDD+ (JREDD+) is an evolution of traditional REDD+ that operates at national or subnational scales, providing financial incentives for verified reductions in deforestation and forest degradation. By crediting results at the jurisdictional level, JREDD+ strengthens government leadership, integrates safeguards for Indigenous Peoples and local communities, and enhances coherence across landscapes. The approach can mobilize substantial finance from both compliance and voluntary markets—potentially USD 3–6 billion annually by 2030—while providing countries with predictable revenue streams to support forest stewardship, sustainable livelihoods, and climate commitments.

Implementation Status

JREDD+ is already operational, with Guyana pioneering the first jurisdictional issuance in 2023. A pipeline of other jurisdictions is under validation and verification, with more than 300 million credits expected to be certified under ART/TREES and Verra JNR. Credits are eligible for ICVCM's CCP label and for use under ICAO's CORSIA scheme. Transactions have demonstrated market viability, with prices exceeding USD 20/tCO_2 in some cases. Multilateral, bilateral, and philanthropic partners are sup-

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porting readiness, technical assistance, and demand aggregation (e.g., through the LEAF Coalition), making JREDD+ one of the most advanced large-scale forest finance solutions on the path to COP30

21. ClimateWorks Adaptation & Resilience Fund (Global)

Launched in 2025, the ClimateWorks Adaptation & Resilience Fund brings together over 50 philanthropic organizations to target accelerated climate resilience for vulnerable communities, especially in low- and middle-income countries. The EUR 50 million pooled fund aims to catalyze locally led adaptation solutions against extreme climate risks such as heat, floods and droughts. Focus areas include supporting early warning systems, innovative finance solutions for resilience, and locally driven projects that reduce health risks and economic impacts for the most climate-vulnerable, especially informal workers.

Implementation Status

The Fund is operational, channeling resources toward vulnerable LMICs with initial projects under preparation and deployment.

22. CIF Pilot Program for Climate Resilience (PPCR) & ARISE (Accelerating Resilience Investments and Innovations for Sustainable Economies) Program (Global)

Launched in 2008, PPCR has provided more than USD 1 billion to highly vulnerable countries to integrate climate resilience into strategic development plans, then deploy innovative solutions to execute them— from irrigation systems to disaster risk reduction. It invested in 31 countries and two regional projects, supporting 90 projects that unlocked over USD 2.7 billion in co-financing.

A key achievement has been embedding resilience at institutional and policy levels, moving beyond project-based approaches.

PPCR has helped protect more than 65 million people from the impacts of climate change; enhanced the resilience of nearly 27,000 businesses; supported the integration of climate resilience into more than 840 government policies and plans; and built or upgraded nearly 17,000 small-scale infrastructure units.

Implementation Status

After 16 years of operation, the PPCR concluded having exceeded performance targets across all categories, becoming the largest dedicated source of concessional finance for MDBs in adaptation and resilience. Building on this legacy, the new **CIF ARISE (Accelerating Resilience Investments and Innovations for Sustainable Economies) program** is set to scale up support, advancing economic stability and livelihoods through country-led, multi-stakeholder approaches, stronger engagement of central agencies, and catalytic use of concessional finance for high-risk, frontier investments. It is a next-generation adaptation and resilience platform.

23. Dedicated Climate Adaptation and Resilience Funds (Global)

In recent years, a new generation of private equity and venture funds has emerged, showing that climate resilience can generate both solid returns and transformative impact. These funds are backing companies that deliver practical solutions in agriculture, water, risk analytics, and sustainable infrastructure, helping markets adapt to climate risks while attracting institutional capital. Lightsmith Climate Resilience Partners (USD 185m) invests in growth- and venture-stage firms, with deals such as WayCool (USD 100m, agri supply chain), Solinftec (USD 60m, digital ag-tech), and SOURCE (USD 50m, hydro panels). Mirova Environment Acceleration Capital Fund (USD 250m) supports smart cities,

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agri-tech, and circular economy ventures, including GridBeyond (USD 57m, AI-enabled energy), Naïo Technologies (USD 33m, agri-robots), and Vestack (USD 21m, sustainable buildings). InsuResilience Investment Fund PE II (USD 100m target) deploys capital across Asia, Africa, and Latin America in insurtech and agri-tech, with investments in Pula (USD 20m, farmer insurance), Igloo (USD 27m, digital insurance), and Newe Seguros (USD 8m, rural crops and SMEs).

Implementation Status

All three funds are operational, with portfolios demonstrating the commercial viability of resilience solutions across emerging and developed markets.

24. The Global Solidarity Levies Task Force

Launched at COP28 in November 2023 as part of the Pact for Prosperity, People and Planet (4P), and co-chaired by Barbados, France and Kenya, the Global Solidarity Levies Task Force explores feasible, scalable and sensible options for climate levies. In line with the objectives and principles of the Pact for Prosperity, People and Planet, this taskforce brings together a coalition of countries committed to the progress on international taxation for sustainable development and climate action, with the aim to identify the most promising avenues and formulate concrete proposals at COP30, to be implemented by the relevant decision-making institutions and frameworks.

Implementation Status

Based on the expertise gathered by the Global Solidarity Levies Task Force, France, Kenya, Barbados, Spain, Somalia, Benin, Sierra Leone and Antigua & Barbuda announced the launch of a coalition, under the Seville Platform for Action (SPA), to work towards COP30 on a better contribution of the aviation sector to fair transitions and resilience, with a special focus on premium flyers, in view of investing all or parts of the proceeds into resilient investments and fair transitions.

PRIORITY 2: Reforming MDBs to Scale Up Sustainable Finance

1. Egypt DPF Program with the World Bank (Egypt)

In 2024, Egypt announced the USD 700 million Development Policy Financing (DPF) program, approved by the World Bank, to align MDB support with Egypt's structural reform agenda. The program targets reform across fiscal policy, SOE governance, and the green transition to enhance private sector participation, fiscal resilience, competitiveness, and climate integration. It enables MDBs to support national-level reforms beyond single projects, using performance-based disbursements tied to measurable outcomes including clear policy makers, measurable improvements in SOE governance, competition, and climate readiness. DPF will support advances in Egypt's renewable energy scale-up while also ensuring better financial management within the water and sanitation sectors.

Egypt's DPF is a key component of a broader, coordinated effort among IFIs to support Paris-aligned co-financing. By aligning closely with Egypt's Nationally Determined Contributions (NDCs) and the goals of the Paris Agreement, the DPF helps reduce policy risk and clarifies climate priorities. This, in turn, enables MDBs to accelerate climate finance deployment in Egypt and provides a replicable model for other countries. The program builds confidence that new investments will be consistent with climate objectives. As MDBs increasingly apply Paris alignment frameworks—assessing both project-level emissions and the overall policy environment—the DPF sends a strong macro-policy signal that mitigates regulatory and governance risks. This facilitates co-financing, guarantees, and blended finance structures for clean energy, climate-resilient infrastructure, and other sustainable projects.

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Implementation Status

Implementation of DPF is underway through structural reforms while progress, and thus disbursement, is being tracked and monitored with World Bank support. The DPF is the first in a planned three-year series of reform-linked budget support operations, designed to work in tandem with the IMF's Extended Fund Facility and parallel operations by the African Development Bank, AIIB, and bilateral partners including the UK, France, and Germany. The Egyptian Ministry of International Cooperation leads government coordination, alongside the Ministries of Finance, Water and Sanitation, Electricity, and the Competition Authority.

2. World Bank Group Guarantee Platform

The World Bank Group launched a new guarantee platform on July 1, 2024, to streamline product offerings and maximize the limited capital available for development in EMDEs. The new guarantee platform, housed at the Multilateral Investment Guarantee Agency (MIGA), consolidates the WBG guarantee products and experts, enhancing efficiency, simplicity, and speed. The Platform looks to streamline product offerings and simplify access to credit enhancements by enabling efficient delivery of partial credit guarantees, unfunded risk participation, and bespoke risk-sharing instruments. The Platform brings together the guarantees' capabilities from the Multilateral Investment Guarantee Agency (MIGA), IFC, and World Bank into a unified service.

Implementation Status

The WBG Guarantee Platform has been in operation since 2024. South Africa provides an example of the platform's results, supporting USD 200 million in private investment and covering up to 90% of equity investments in wind farms and solar plants across the country.

3. FiCS Lab (Global)

Established at COP28 through a partnership between CPI, FiCS, and the IDB, the FiCS Lab supports PDBs in EMDEs to develop innovative solutions that help bridge the climate finance gap. The FiCS Lab was designed to foster innovation and collaboration among PDBs in accelerating climate finance efforts, particularly in strengthening relationships and knowledge flows from MDBs to NDBs and sub-NDBs, through a series of PDB-led working groups and a financial instrument incubator. The working groups support the sharing and advancing knowledge and best practices on financial innovation gaps, initiatives, and implementation, and facilitate structured dialogues to harmonize approaches to instruments across banks. The FiCS Lab Incubator partners with PDBs to develop specific financial instruments aimed at overcoming climate finance challenges in the PDB's market, with an eye towards regional MDB support and potential replication.

Implementation Status

The incubation pillar of the FiCS Lab is currently in its first cycle with three standout proposals that have been selected to receive both financial support and technical assistance to develop an innovative solution and bring it to pilot: the Uganda Development Bank, tackling currency risk challenges by developing a novel risk distribution instrument involving an innovative tail-end guarantee; the Development Bank of Southern Africa (DBSA) to conduct critical assessments to establish a voluntary carbon market platform, addressing existing barriers to effective market development; and the Development Bank of Minas Gerais (BDMG), Brazil, to create a Credit Guarantee Fund to assist local farmers in transitioning to regenerative agriculture practices.

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4. The Asian Development Bank's IF-CAP Guarantee Mechanism (Asia)

The Asian Development Bank's IF-CAP guarantee mechanism is a strategic initiative to strengthen ADB's climate lending capacity across the Asia region. Launched in 2023, IF-CAP uses a two-part structure: a guarantee window and a grant window. The Guarantee Window allows financing partners to provide first-loss guarantees on a diversified reference portfolio of ADB's sovereign loans, reducing ADB's risk exposure and enabling it to unlock additional lending capacity, while the Grant Window may be used for project preparation, capacity building, and knowledge solutions through technical assistance and grants. Backed by various governments, IF-CAP exemplifies MDB reform by using innovative guarantee mechanisms to scale climate finance and implement G20 recommendations on enhancing multilateral development bank leverage through risk-sharing tools.

Implementation Status

IF-CAP commenced operations in November 2024, marked by a kickoff event during COP29 in Baku. Since then, two private sector projects, SAFCO Aviation Fuel Project in Pakistan and Thai Union Sustainable Shrimp Value Chain Project in Thailand, have been committed with climate finance components enabled by IF-CAP.

5. Climate Action Window (Sub Saharan Africa)

The Climate Action Window (CAW) is a financing facility launched by the African Development Bank (AfDB) to scale concessional climate finance across 37 low-income countries in Sub-Saharan Africa. It is designed to close the persistent climate finance gap in climate-vulnerable sectors like agriculture, water, sanitation, renewable energy, and adaptation. The CAW is notable for its reform-oriented structure: it prioritizes adaptation (75% of total funds), concessionality (delivering 64% of funding as grants and 36% highly concessional loans); and investing in technical assistance to support LIC countries to efficiently attract quality climate finance from existing sources.

Implementation Status

The CAW is launched and operational, with fundraising and project pipelines underway and technical support activities already active. Full capitalization is targeted by end-2025.

6. Task Force on Credit Enhancement for Sustainability-linked Sovereign Financing (Global)

The Task Force on Credit Enhancement for Sustainability-linked Sovereign Financing comes from an agreement by multilateral development banks and other IFIs to mobilize credit enhancement for sustainable climate and nature-linked sovereign financing during COP28. The objective of the Task Force is to improve access and affordability of credit enhancement instruments while also streamlining sustainability-linked financing as a relevant and accessible source of financing for developing country sovereigns and public sector entities.

Implementation Status

The Task Force has proven a valuable venue for the exchange of knowledge and expertise between participating members and will continue to work on a consistent and harmonized approach to developing impactful credit enhancement solutions. It would be important for the task force to meet regularly and issue a work plan as foreseen in December 2023.

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7. Seville Debt Swaps Hub (Global)

The Seville Debt Swaps Hub is a pioneering global initiative launched during the 4th International Conference on Financing for Development (FfD4) in Seville, Spain. Established through a partnership between Spain and the World Bank, the Hub aims to facilitate debt-for-development swaps, enabling countries to convert portions of their sovereign debt into investments for sustainable development projects. Spain has committed € 3 million to support the Hub, which will provide technical assistance, share best practices, and help countries design and implement debt swap agreements. By offering a centralized platform for knowledge exchange and capacity building, the Seville Debt Swaps Hub seeks to make debt-for-development swaps more accessible and effective, thereby helping countries alleviate debt burdens and redirect resources toward achieving the SDGs.

Implementation Status

The Seville Debt Swaps Hub was recently launched in July 2025 and is in its early stages.

8. Adaptation Benefits Mechanism (Africa)

Launched in 2019 by the AfDB, the Adaptation Benefits Mechanism (ABM) is designed to mobilize public and private climate adaptation actions across Africa to increase climate adaptation into the AfDB lending portfolio. ABM quantifies and validates the positive impacts of adaptation projects, facilitating access to finance and encouraging investment in resilience-building activities. The mechanism certifies adaptation benefits in terms of incremental benefits and costs and offers two modalities to finance adaptation benefits (ex post and ex ante). This way, ABM is designed to enable GHG emitters to contribute towards the costs of adaptation to climate change and the SDGs. Certified Adaptation Benefit Certificates are issued to project developers free of charge to encourage early adoption, while replication and maintenance benefits aim to attract investors and expand financing. Examples include projects enhancing the climate resilience of smallholder cocoa farmers in Ivory Coast.

Implementation Status

ABM completed a pilot phase in 2019-2023 and in January 2025 was registered as the first non-market approach under the UNFCCC's Article 6.8 framework, formalizing it as a tool to support implementation of Nationally Determined Contributions (NDCs) specifically on adaptation.

9. Amazon Finance Network & Amazonia Bonds (South America)

The Amazonia Finance Network (AFN) is a coalition of financial institutions launched by IDB Invest and IFC during COP28 in late 2023. The goal is to mobilize private capital and improve access to sustainable investment in Amazonian countries, combining environmental, social, and financial objectives. AFN is part of the broader Amazonia Forever program under the IDB, which aims to support biodiversity conservation, sustainable agriculture/forestry, inclusive development, and institutional capacity. Membership is open to banks, DFIs, microfinance institutions, impact investors, and others. There are currently 55 members including new members Proparco, DEG, Aqua Capital, and Amazonia Impact Ventures.

Implementation Status

In mid 2024, AFN held a selection process ("Tambaqui Tanque") to choose innovative pilot proposals. A total of 30 proposals were submitted, covering areas including financial inclusion, SMEs, agribusiness & forestry, carbon finance, outreach/partnerships, and innovative product design. The pilot set aims to benefit 2.1 million direct beneficiaries, conserve or reforest 1.2 million hectares, and sequester 6 million metric tons of CO_2 by 2030 if fully scaled. One financial instrument has already

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been issued: a BRL 50 million bond (USD 9-10 million) by IDB Invest, directed at green and social initiatives in the Amazon under the "Amazonia Forever" framework. This is the first Amazon-region bond. This is aligned with IDB and the World Bank's broader collaboration to establish Amazonia Bonds with standardized guidelines around use of proceeds, ESG/sustainability performance indicators, environmental & social safeguards, and engagement with indigenous and local communities. The effort also includes technical assistance to build institutional and technical capacity for sovereigns, public banks, and private entities to issue Amazonia Bonds.

10. Climate Finance PPF (Global)

The World Bank's Climate Finance Project Preparation Facility (PPF) is a dedicated mechanism designed to support developing countries in preparing and structuring climate-resilient projects that are eligible for financing. The PPF provides technical assistance and funding to help countries design projects that align with climate goals, ensuring they are ready for implementation and financing.

Implementation Status

As of 2025, the PPF is actively operational, assisting countries in developing projects that address both mitigation and adaptation needs. The facility plays a crucial role in the World Bank's broader climate finance strategy, which aims to increase the share of climate-related projects in its lending portfolio. In fiscal year 2024, the World Bank Group delivered a record USD 42.6 billion in climate finance, representing 44% of its total financing for that year. This includes support for both adaptation and mitigation efforts across various sectors. The PPF's activities are aligned with the World Bank's commitment to enhancing climate resilience and supporting countries in their transition to low-carbon economies. By providing early-stage support, the PPF helps ensure that projects are well-prepared to attract financing and achieve their intended climate outcomes.

11. IFC–World Bank Joint Capital Markets Program (J-CAP) (Global)

The Joint Capital Markets Program (J-CAP), launched in 2017 by IFC and the World Bank, is a flagship initiative to develop deep, efficient, and resilient local capital markets in emerging and developing economies. J-CAP supports governments, regulators, and market participants to strengthen legal and regulatory frameworks, broaden the investor base, and expand the range of financial instruments, including green and sustainable bonds. By leveraging IFC's transaction expertise and the World Bank's policy advisory capacity, J-CAP mobilizes both public and private capital to enhance financial stability, reduces dependence on foreign currency borrowing, and creates scalable pathways for financing climate and development priorities. It provides a replicable platform for countries to foster local market ecosystems that are better able to channel domestic savings into productive, climate-aligned investments.

Implementation Status

Since its launch, J-CAP has been implemented in over 20 countries, including Bangladesh, Egypt, Kenya, Peru, Vietnam, and the Philippines. The program has supported pioneering bond issuances—such as local-currency green bonds in Egypt and Bangladesh—and contributed to the development of regulatory reforms in capital market supervision and sustainable finance frameworks. By 2024, J-CAP had facilitated transactions and reforms mobilizing billions in local capital while building institutional capacity, and it continues to expand its pipeline of country engagements.

12. IDB FX Edge (Latin America and the Caribbean)

On July 1, 2025, the Inter-American Development Bank (IDB) formally launched FX EDGE, a new platform to help countries attract private investment in sustainable development. FX EDGE seeks

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to tackle one of the oldest and most pressing barriers to investment, currency volatility, while boosting resilience and unlocking capital. It builds on Brazil's Eco Invest, a pioneering collaboration between the IDB and the Brazilian government and is enabled by technical cooperation from the United Kingdom.

At the core of FX EDGE is a flexible and scalable package that includes:

- Blended-Finance and Project-Preparation Facility, customized to each country's needs to strengthen market readiness and attract co-investment.
- FX Liquidity Facility: A contingent credit line that activates when a country's currency sharply depreciates. It helps projects with local-currency revenues meet their repayment obligations in foreign currency, ensuring they can continue servicing debt during periods of exchange-rate volatility.
- FX Derivatives Program: A structure that channels long-term currency-hedging instruments via local central banks and financial institutions, backed by the IDB and other multilaterals' strong credit ratings.

With support from the UK government, through the UK Sustainable Infrastructure Programme, the IDB will provide technical assistance and financial backing to help countries across Latin America and the Caribbean tailor and implement FX EDGE. Brazil will act as co-implementer in the region, sharing its experience and lessons learned from its work with the IDB.

Implementation Status

FX EDGE is now evolving into a regional and global platform to expand investment in infrastructure, renewable energy, and climate-aligned projects.

13. AIIB Equity Investments in Sustainable Infrastructure (Asia/Global)

The Asian Infrastructure Investment Bank (AIIB) deploys equity investments alongside its sovereign and non-sovereign lending to catalyze private capital in sustainable infrastructure. Through equity stakes in funds and platforms, AIIB supports projects in renewable energy, transport, water, and green capital markets. Examples include its participation in the Asia Climate Bond Portfolio and commitments to blended funds targeting climate-resilient infrastructure. By sharing risks with private investors and demonstrating market viability, AIIB's equity operations aim to accelerate the energy transition, scale sustainable finance, and deepen regional capital markets.

Implementation Status

As of 2024, AIIB had approved more than USD 2.5 billion in equity investments, leveraging significantly larger amounts of private co-investment. Its portfolio includes anchor participation in climate-related infrastructure funds and the expansion of the Asia Climate Bond Portfolio, which mobilizes international investors into emerging Asian markets. Importantly, climate finance has become central to AIIB's operations: in 2023, 60% of its regular financing was climate-related, rising to 67% in 2024, underscoring the Bank's shift toward sustainable development pathways.

14. The Resilience Challenge (Global/DFI Coalition)

It is a collaborative initiative of DFIs that aims to overcome barriers that currently limit the scale of adaptation and resilience (A&R) finance. It provides a common approach - a flexible set of criteria - that makes it easier for public investors to work together, for private sector co-investors and investees to engage in deals with greater clarity, and ultimately to mobilize more private capital into A&R. The

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Challenge helps investors not only integrate resilience into their own portfolios but also demonstrate to partners and markets how resilience is being delivered.

Implementation Status

The framework is now being applied by investors and DFIs to structure resilience-aligned deals and scale climate-smart investment pipelines.

15. AIIB Climate Adaptation Bonds (Asia/Global)

Blended finance instruments are increasingly being used to bridge public and private capital for climate resilience. Public finance plays a catalytic role by absorbing early-stage risks, funding project preparation, and deploying guarantees that make new markets investable. Building on this approach, the Asian Infrastructure Investment Bank (AIIB) issued two Climate Adaptation Bonds of AUD 500 million each, in 2023 and 2025. The proceeds are earmarked for infrastructure projects with built-in resilience standards, demonstrating how capital markets can be leveraged to support adaptation at scale. By directing bond flows to climate resilience and clearly signaling investor demand, these instruments reduce risks, expand the pipeline of bankable projects, and create pathways for private financiers to engage in resilience-focused markets.

Implementation Status

The bonds were oversubscribed, confirming strong investor appetite for resilience assets and reinforcing AIIB's role in shaping investable markets for adaptation.

16. IFC's Building Resilience Index (BRI)

The Building Resilience Index (BRI) is a web-based tool designed to evaluate the resilience of buildings to natural hazards such as floods, storms, earthquakes, and fires. By combining hazard data with a structured questionnaire on design, materials, and operational features, the tool assigns standardized ratings (AA, A, B), with a "+" grade for buildings equipped with continuity measures such as backup power, water supply, and emergency protocols. For financial institutions and insurers, the BRI provides a transparent benchmark to assess risk exposure in property portfolios, improve underwriting, and integrate resilience screening into investment decisions.

Implementation Status

The BRI is operational and being piloted with banks, developers, and insurers, offering a scalable framework to embed resilience criteria in real estate and financial markets.

17. World Bank's Catastrophe Deferred Drawdown Option (Cat-DDO)

The Catastrophe Deferred Drawdown Option (Cat-DDO) is a contingent credit line product from the World Bank (IBRD) designed to provide immediate liquidity to member countries facing natural disasters (e.g. hurricanes, floods, earthquakes) or adverse climate shocks. It helps governments access funds quickly after a declared disaster without waiting for full damage assessments, subject to predefined triggers. The instrument supports policies in disaster risk management, climate adaptation, and strengthens fiscal resilience by giving countries buffer financing that can be drawn when needed.

Implementation Status

One recent example: Colombia's Cat-DDO IV was approved by the WB Board on February 6, 2025, signed June 27, 2025, and became effective July 7, 2025, with USD 200 million to enhance subnation-

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al disaster risk management and climate resilience. Another case: Colombia's Cat-DDO III, approved December 2021 and fully disbursed by November 2022 after La Niña floods, supporting national DRM policy and improving resilience in key sectors.

PRIORITY 3: Boosting Domestic Capacity and Investment Frameworks for Climate Finance, Including Country Platforms

1. Brazil Investment Platform (Brazil)

The Brazil Climate and Ecological Transformation Investment Platform (BIP), housed by BNDES and led by a four-ministry Steering Committee (Finance, Environment, Development, and Energy), accelerates sustainable investment aligned with Brazil's net-zero transition. Launched in 2024 with support of the GCF Readiness and Preparatory Support Program, UNDP and GFANZ, BIP aims to bridge investors and climate-aligned projects in Brazil, specifically targeting three high-impact areas: nature-based solutions/bioeconomy, energy transition, and industry decarbonization/mobility. BIP delivers an end-to-end investment facilitation mechanism by identifying and certifying projects tied to national climate plans, connecting them to investors and making Brazil a replicable model for country platforms. BIP connects with R3.5 (new generation CPs) and R3.1 (mainstreaming climate into investment frameworks) by showing how a nationally led platform with strong ministerial coordination can accelerate project pipelines aligned with net-zero goals.

BIP is not only a matchmaking instrument but a locus to connect projects aligned to national climate programs to global financiers, while allowing for the constant identification of policy and institutional bottlenecks to accelerate investment decisions. Through regular project meetings it identifies potential investors and actively addresses hurdles with finance or policy solutions.

Implementation Status

As of August 2025, BIP has yielded 16 projects representing USD 22.5 billion in investment. This includes sustainable aviation fuel; green hydrogen; low-carbon steel; industrial scale green fertilizer and bio inputs; low-emission mining methods; and ecological corridors and restoration.

2. Climate Adaptation & Renewable Energy (CARE) for Water (Global, with pilot in Egypt)

The CARE for Water initiative, piloted in Egypt, exemplifies a country-led platform approach to adaptation finance that can be applied globally. CARE's four step process is intended to help governments and financiers develop climate-resilient, low-carbon water infrastructure projects and ultimately unlock private sector participation in the water sector. The four steps include: (1) prioritizing resilient water systems; (2) designing investable solutions; (3) creating the appropriate enabling environment; and (4) matching projects with capital. The process integrates climate risk assessments, investment planning, and capacity building to deliver systemic impact and help private actors identify how they can scale up adaptation finance in the space.

Implementation Status

The CARE for Water program is in the diagnostic and early implementation stages, with the pilot having taken place from 2022-2024 in Egypt.

3. London Coalition on Sustainable Sovereign Debt (Global)

The London Coalition on Sustainable Sovereign Debt brings together government and private sector stakeholders to find pragmatic solutions to sovereign debt financing in developing economies.

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Its primary objectives include advancing debt contract innovations (such as natural disaster clauses and majority voting provisions) to enhance transparency, facilitate orderly restructurings, and promote more resilient borrowing frameworks. Convened by the Sustainable Sovereign Debt Hub, the coalition seeks to provide a more formal avenue to engage with private lenders on issues affecting both bonded and non-bonded lending and implement solutions that will ensure developing economies can access steady, long-term investment from the private sector. The coalition is co-chaired by the UK Economic Secretary with support from the Children's Investment Fund Foundation.

Implementation Status

The Coalition was launched in June 2025 and is operational with future meetings being planned, focusing on two technical working groups: bonded and non-bonded debt.

4. IDI Sao Mai Green Bond & GuarantCo (Vietnam)

GuarantCo, part of PIDG, mobilizes private sector local currency investment for infrastructure projects and supports the development of financial markets in lower income countries. With GuarantCo's investment grade credit rating (AA-/A1), their guarantee products support eligible companies to offer credit-enhanced structured credit to private sector lenders and bond investors, allowing them to participate in transactions. In 2024, GuarantCo provided a guarantee to support the issuance of a VND 1 billion green bond by IDI Sao Mai, a market-leading seafood producer in Vietnam. The transaction demonstrated the potential of green bonds to attract institutional investment for climate adaptation as well as the commercial viability of issuing internationally verified green bonds in local currency, helping to deepen Vietnam's sustainable finance market. GuarantCo's credit guarantee and capacity building efforts (maintaining global standards) were key to facilitating the deal.

Implementation Status

The bond was issued in late 2024 and was oversubscribed and privately placed with insurance investors including Manulife Vietnam and AIA Vietnam. Proceeds from the green bond will support IDI to expand its aquaculture infrastructure and build its climate resiliency, with Vietcombank Securities as the lead arranger for the bond offering.

5. Lagos Climate Adaptation & Resilience Plan (Nigeria)

The Lagos Climate Adaptation and Resilience Plan (LCARP) is a strategic roadmap developed to help Lagos State, Nigeria's economic center, adapt to worsening climate threats while building long-term resilience. Supported by FSD Africa and launched in phases since 2023, LCARP responds to the city's acute exposure to sea-level rise (up to 3 meters), extreme rainfall and flooding, and urban heat. In 2024, the Lagos Climate Innovation Fund was proposed under LCARP as a dedicated mechanism to access and scale up climate finance flows through bankable adaptation projects, particularly via instruments like concessional and blended finance, supported by risk mitigation to attract private capital.

By translating complex urban risks into bankable, blended-finance-ready investments, LCARP attempts to bridge the critical gap between climate vulnerability and investable resilience.

Implementation Status

Over 30 projects have been identified, with 14 bankable projects structured with proposed PPP models and blended finance mechanisms. So far, USD 575 million in project financing has been secured, with another USD 1.2 billion in feasibility. Two high-priority projects, Waste-to-Energy and Wastewater Treatment, are advancing with support from AfDB and SwedFund.

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6. The Global Capacity Building Coalition (Global)

The Global Capacity Building Coalition (GCBC) is a global initiative launched at COP28 in December 2023, with GFANZ serving as Chair. It brings together leading organizations (MDBs, DFIs, UN agencies, philanthropic bodies, regulatory/ standard setting bodies) to help scale and improve capacity building and technical assistance for climate and transition finance. GCBC aims to streamline access to climate finance resources and improve the effectiveness of capacity-building efforts, particularly for financial institutions and professionals in EMDEs. A key component of GCBC's strategy is its Digital Platform that will serve as a centralized resource hub, offering access to climate finance training, case studies, and tools to support financial institutions in developing and implementing climate action strategies. Additionally, GCBC has introduced the GCBC Accelerator, an initiative designed to identify and scale impactful capacity-building efforts.

Implementation Status

The GCBC Digital Platform website has been launched, as well as the first round of the accelerator program.

7. Just Energy Transition Partnership & the Energy Transition Mechanism Country Platform (Indonesia)

Indonesia has made significant strides in advancing its long-term decarbonization strategy, notably through the launch of the Just Energy Transition Partnership (JETP) and the Energy Transition Mechanism (ETM) Country Platform during its G20 Presidency in 2022. These initiatives aim to facilitate a fair and accelerated energy transition by mobilizing public, private, and blended finance. The JETP focuses on six key investment areas: energy efficiency, early coal retirement, variable and dispatchable renewables, grid infrastructure, and renewable energy supply chains. Its Comprehensive Investment and Policy Plan was finalized in November 2023 and is scheduled for an update in late 2025. Public finance is prioritized for high-impact national transition projects like grid expansion, while blended finance is being designed for higher-risk activities such as early coal retirement. The Climate Policy Initiative (CPI), as a knowledge partner within the JETP Secretariat, is helping design alternative financing models—especially for the grid—that could scale private sector participation.

Alongside JETP, the ETM Country Platform, hosted by PT SMI (a state-owned entity under the Ministry of Finance), serves as a financing coordination hub using blended finance to fund coal plant retirements and renewable energy development. Country platforms like Indonesia's are evolving to become inclusive, transparent mechanisms that integrate domestic priorities with climate goals, aiming to remove systemic investment barriers and attract large-scale private capital through national-level concessional finance strategies.

Implementation Status

In 2022 PT Sarana Multi Infrastruktur (PT SMI) was formally designated as the Country Platform Manager of the ETM CP under the Ministry of Finance and has already entered into a number of strategic partnerships under the ETM CP and JETP efforts (including an MoU with EIB Global to create up to €500 million credit line for sustainable infrastructure via PT SMI). The Indonesia government has allocated USD 500 million in concessional funds through the ETM CP, intended to attract up to USD 4 billion in additional private/public investments to support early retirement of coal fired power plants totaling about 2 gigawatts capacity.

8. Sustainable Infrastructure & Public Asset Management (Costa Rica)

Since 2023, Costa Rica has undertaken a national initiative to enhance sustainable infrastructure planning and public asset management, supported by a coalition of UN agencies, GIZ, and Costa Rican government bodies including the Ministry of Public Works and Transport, the Ministry of Finance, and

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six local municipalities. Through training programs, diagnostics, and tailored action plans, the project built local capacity to integrate climate resilience and data-driven asset management into infrastructure systems such as roads and stormwater drainage. The initiative lays the foundation for a national asset management strategy and improved climate-resilient infrastructure planning in Costa Rica.

Implementation Status

The pilot was completed in 2024.

9. Climate Resilient Green Economy Facility (Ethiopia)

Ethiopia's Climate Resilient Green Economy (CRGE) Facility is a dedicated financing mechanism designed to support the country's ambitious Climate Resilient Green Economy strategy. Its main role is to mobilize and channel climate finance into projects that promote low-carbon development while enhancing climate resilience across key sectors such as agriculture, forestry, energy, and transport. The CRGE Facility operates as a coordinating and financing platform, often working closely with these ministries, development partners, and international donors to mobilize and manage climate finance in support of Ethiopia's green growth and resilience goals. The facility helps package individual initiatives into larger, integrated investment programs, making them more attractive and bankable for international donors, development partners, and private investors. By bundling proposals, the CRGE Facility improves efficiency in fund allocation and accelerates the implementation of Ethiopia's green growth objectives. Managed by the Ministry of Finance and Economic Cooperation and the Ministry of Environment, Forest and Climate Change, the facility also supports capacity building, monitoring, and evaluation to track progress and maximize impact.

Implementation Support

The CRGE Facility has been in operation since 2013, and has since supported various projects, including a USD 500 million plan for nature-based solutions, including degraded land restoration, forest protection and bolstering food security, backed by CIF, AfDB and the World Bank.

10. Climate Focused Policy Based Financing (Asia, Bangladesh)

The Climate-Focused Policy-Based Financing (CPBF) project by the AIIB was launched in 2024 as a part of its Sovereign Based Financing toolkit. The idea is to support member countries in designing and carrying out policy and institutional reforms to help them transition to low carbon, climate resilient growth. Key goals include scaling up adaptation finance, mobilizing private capital, and increasing the supply of bankable infrastructure projects. AIIB has set a target of 50% of overall approved financing to be climate aligned by 2025: in 2022, AIIB exceeded that target: 56% of project approvals were climate finance and in 2023, reaching 60% of total financing approvals.

Implementation Status

The first project to use CPBF is Bangladesh's Climate Resilient Inclusive Development Program (co financed with ADB and AIIB, USD 400 million each) to support reforms and institutional strengthening to mainstream both adaptation and mitigation in key sectors (agriculture, water, urban, energy, transport). The project is in early implementation stage.

11. Debt-for-Climate Resilience Swap (Barbados)

Barbados has executed the world's first sovereign debt-for-climate resilience swap, refinancing approximately USD 293 million in high-interest domestic bonds through a Sovereign Sustainability

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Linked Loan (SSLL) arranged by regional banks and backed by USD 150 million guarantees each from the IDB and EIB. The swap secured an interest rate of ~3.25%, significantly lower than rates of up to 8% on the replaced bonds, generating an estimated USD 125 million in interest savings over time. This fiscal space has been earmarked for climate adaptation priorities, agriculture irrigation and aquifer recharge infrastructure, mangrove restoration, and enhanced water security and food resilience. The SSLL is tied to ambitious sustainability performance targets on the volume and quality of reclaimed water, with penalties directed to the Barbados Environmental Sustainability Fund should benchmarks not be met. The SSLL includes resilience provisions like disaster and pandemic clauses, allowing principal deferral for up to two years following qualifying.

Implementation Status

Implementation is currently underway, with the Barbados Climate Resilient South Coast Water Reclamation Project (SCWRP)—supported by USD 40 million in grants and further loans from the GCF and IDB—now in progress under the debt swap framework.

12. RegeneraRS (Brazil)

RegeneraRS is a collaborative, philanthropic fund and platform aimed at reconstruction and regeneration in the Brazilian state of Rio Grande do Sul, following severe floods that struck the region in May 2024. RegeneraRS mobilizes local actors, community organizations, and private sector partners with access to local knowledge of vulnerabilities, critical for effective adaptation efforts. It also provides relatively rapid deployment of resources for adaptation related work (e.g., repairs of infrastructure, possibly nature based solutions). It operates largely through philanthropic capital and private sector donations, with initial large contributions from industrial actors (e.g. Vale, Gerdau, Helda Gerdau Institute). The fund is explicitly a philanthropic instrument and aims to leverage further donations or grants from both businesses and broader civil society in Brazil. It also uses a match funding mechanism where every R$ 1 raised by a community project, additional matching funds are contributed (R$ 1 from RegeneraRS, plus R$ 1 from BRDE), effectively tripling donations.

Implementation Status

Launched in 2024, RegeneraRS has already raised BRL 18.9 million and supported 23 projects, directly benefiting 855,000 people. The fund is currently in active deployment, with additional co-financing and match-funding mechanisms being developed for scale-up.

13. Ecuador Debt for Nature Swap (Ecuador)

Ecuador's Debt for Nature Swap, structured by Bank of America with multiple partners including DFC, IDB, and The Nature Conservancy, represents the largest transaction of its kind in international capital markets. The operation refinanced USD 1.5 billion of sovereign debt through a USD 1 billion bond issuance, generating an estimated USD 800 million in fiscal savings by 2035. Of these, USD 400 million will fund long-term conservation of the Amazon Biocorridor, protecting 4.6 million hectares of forests and safeguarding 18,000 km of rivers. The deal demonstrates the power of liability management to simultaneously address fiscal sustainability and biodiversity conservation.

Implementation Status

The transaction closed in 2023 and is already operational, with proceeds channeled to the conservation endowment. The Amazon Biocorridor Program rollout is scheduled through 2042, with annual monitoring and reporting mechanisms in place.

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14. Coalition on Sovereign Debt Conversions for Nature (Global)

The Coalition on Sovereign Debt Conversions for Nature is a multi-stakeholder platform that brings together creditor and debtor governments, international financial institutions, and conservation organizations to accelerate and scale the use of debt-for-nature swaps and related instruments. Its objective is to reduce debt burdens in vulnerable economies while securing long-term financing for biodiversity conservation, climate resilience, and sustainable development. By promoting standardized structures, knowledge sharing, and cross-country collaboration, the Coalition seeks to improve efficiency, reduce transaction costs, and enhance credibility of sovereign debt conversions as a mainstream tool for nature finance.

Implementation Status

The Coalition was launched in 2022, co-convened by The Nature Conservancy and a group of sovereign partners, and has since supported the design and execution of landmark transactions, such as those in Belize, Barbados, and Ecuador. It is currently working to expand its pipeline of deals, facilitate engagement with rating agencies and creditors, and build consensus around high-integrity principles for debt conversions. Ongoing efforts focus on developing a scalable framework to move beyond case-by-case deals towards a systematized approach that can mobilize billions in debt relief for nature and climate.

15. Integrated National Financing Framework (INFF) Facility (Global/EMDEs)

The Integrated National Financing Framework (INFF) Facility, established in 2020 and managed by UNDP with support from the UN system and partners, provides technical and financial assistance to countries seeking to align national financing strategies with the SDGs, climate action, and development priorities. INFFs are country-led frameworks that bring together public, private, domestic, and international finance into a coherent investment plan, helping governments identify financing gaps, strengthen policy coherence, and integrate climate and nature objectives into macro-fiscal planning. The Facility serves as a global platform for knowledge exchange, capacity development, and partnerships, enabling governments to mobilize resources and design investment frameworks that crowd in private capital and donor support.

Implementation Status

By late 2024, 86 countries had engaged with the INFF Facility, with over 15 countries adopting operational financing strategies. Countries such as Mongolia, Indonesia, and Zimbabwe have advanced INFF implementation by linking biodiversity and climate finance planning to national development strategies. The Facility continues to provide hands-on support, policy briefs, and peer learning opportunities, while expanding the integration of INFFs with climate finance architecture and national budgetary processes.

16. Investment Plan for Prosperity and Resilience (Barbados)

In 2023, Barbados launched its Investment Plan for Prosperity and Resilience, presenting a costed national strategy and pipeline of projects that link resilience directly to macroeconomic stability and long-term growth. The plan is rooted in Barbados' national development goals and risk profile, offering lessons for how small island developing states can build credible pathways to attract climate and development finance at scale. It emphasizes three core elements: (i) aligning national strategies with competitive advantage by leveraging existing NDCs, NAPs, and fiscal frameworks to target sectors with comparative strengths, (ii) building a robust investment pipeline of technically and financially via-

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ble projects supported by rigorous preparation and innovative vehicles, and (iii) grounding the financing strategy in macroeconomic realities, demonstrating how investments in resilience contribute to debt sustainability, fiscal space, and equitable growth.

Implementation Status

The plan is being implemented, with projects under preparation and financing discussions ongoing with MDBs and donors.

17. Greece Climate Crisis Resilience Tax (Greece)

Introduced in 2024, Greece's Climate Crisis Resilience Tax is a nightly fee applied to all guests staying in hotels, apartments, villas, and short-term rentals, with rates varying according to accommodation type and time of year. Estimates of expected revenues from the tax range from €200 - 400 million per year. These revenues are used to fund climate resilience efforts, disaster recovery, and sustainability infrastructure to help Greece address environmental challenges caused by increased tourism, including wildfires.

Implementation Status:

The tax is in force, with revenues already allocated to climate resilience initiatives, particularly in the tourism sector.

18. Coalition of Finance Ministers for climate Action

The Coalition of Finance Ministers – a global network of 100 Finance Ministers and Ministries – committed to climate action has prepared a range of guidance for its members in recent years supported by case studies of action and leadership. This includes Strengthening the Role of Ministries of Finance in Driving Climate Action: A Framework and Guide for Ministers and Ministries of Finance. This guide covers the case for climate leadership by Ministries of Finance, a framework for mainstreaming climate into their core functions and capabilities, and priorities for action. It features over 140 case studies. The Coalition has also presented specific reports on key technical areas. Its Economic Analysis for Green and Resilient Transitions Initiative showcases concrete examples, practical guidance, and analytical tools Finance Ministries can use to enhance their ability to mainstream climate within their macro forecasts, modelling processes, and budget projections and through this strengthen the analytical foundation for investment in the green transition and resilience to climate change.

Implementation Status

The Coalition of Finance Ministers for Climate Action now counts 100 member countries and continues to advance its six Helsinki Principles, with active workstreams on adaptation, just transition, and nature.

19. Pacific Resilience Facility (PRF) (Pacific Islands)

The Pacific Resilience Facility (PRF) is the first Pacific-led, owned, and managed climate and disaster resilience financing vehicle. Designed as a community-centered, grant-based investment facility, it aims to address the chronic challenges of climate finance access in the Pacific by providing predictable resources directly to vulnerable communities. With two grant pillars (Climate & Disaster Resilience and Social & Community Resilience), the PRF will fund small-scale projects such as climate adaptation, disaster preparedness and response, nature-based solutions, and loss and damage.

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It represents a transformative model of Pacific solidarity, offering an agile, inclusive, and sustainable approach co-designed by and for Pacific people.

Implementation Status

The PRF Treaty was endorsed in March 2025 and is expected to be signed in September 2025. Initial capitalization pledges have reached USD 159 million from Governments including Australia, Saudi Arabia, the United States, New Zealand, Germany, Japan, China, and Nauru, toward a target of USD 500 million by 2026. The PRF will commence programming co-design with Members in 2025 and aims to be ready for the first call for community project proposals in 2026.

PRIORITY 4: Developing Scalable and Innovative Financial Solutions for Private Capital Mobilization

1. EMDE Investor Taskforce (Global)

The EMDE Investor Taskforce is an industry-led initiative co-convened by UK Government Ministers from FCDO and HM Treasury, bringing together leaders from around 15 major financial services firms including insurers, pension funds, asset managers, banks, investment consultants, and development finance institutions to identify and pursue concrete actions that will catalyze greater levels of investment into EMDEs. The Taskforce will deliver key outputs including preliminary research into the risk to global financial stability from a failed or delayed climate transition in EMDEs; practical guidance for asset owners looking to adjust internal operations, policies and processes to facilitate increased allocations to EMDEs; supporting better access to data for investors to drive EMDE investment; a report on asset owners' views on EMDE investing; and recommendations on how regulatory reforms could better incentivize EMDE investment. The Taskforce builds on preparatory work documented in "The UK as a Climate Finance Hub" report published in February 2025. The initiative aims to address the financing gap where only 18% of climate finance in Africa currently comes from private sources.

Implementation Status

The Taskforce is currently operational – it was launched in May 2025, with the Institutional Investors Group on Climate Change (IIGCC) serving as Secretariat.

2. MOBILIST Program (Global)

MOBILIST (Mobilizing Institutional Capital Through Listed Product Structures) is a flagship UK government program that competitively sources and selects dedicated emerging and frontier market investment products. The program supports these products to list on global and local public exchanges through equity capital, while also providing technical assistance. The program has partnerships with nine stock exchanges globally and partnerships with Norwegian Agency for Development Cooperation (Norad) and Swiss State Secretariat for Economic Affairs (SECO).

MOBILIST has invested £130 million in equity and equity commitments on a Pari Passu commercial basis, which it estimates has directly mobilized £400 million in private capital across nine complete transactions since launch. Key transactions include: Citicore Renewable Energy Company in Philippines (£9.9 million supporting £63.7 million of private investment for a mobilization ratio of 6.25); Bayfront Infrastructure Capital IV in Singapore (£4 million MOBILIST investment supported £90.5 million in private investment, for a mobilization ratio of 22.9); InfraCredit Nigeria (USD 6 million MOBILIST investment for NASD listing attracted direct equity investment from two pension funds, raising USD 17.7 million in new equity).

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Implementation Status

MOBILIST has been operational since 2021, with the UK government announcing up to £100 million in additional funding in February 2025, expected to generate between £400-600 million in new investments in businesses across emerging markets in Asia, Africa, and Latin America.

3. InfraCredit Model (Nigeria)

InfraCredit is a specialized institution that provides Naira-denominated guarantees to enhance the credit quality of local currency debt instruments issued to finance infrastructure projects in Nigeria. Established in 2017 through partnership between PIDG (via GuarantCo) and the Nigeria Sovereign Investment Authority, it operates as a credit enhancement facility designed to unlock domestic investment in infrastructure.

Since its establishment, InfraCredit has (as of 31 Dec 2024) successfully guaranteed 24 transactions mobilising over NGN 200 billion in private investment and crowding in over 21 domestic institutional investors. The facility has enabled first-time access to local currency finance of up to 20-year tenor from the domestic bond market across renewable energy, off-grid power, transport, logistics, and telecommunications sectors. InfraCredit reports a pipeline of infrastructure projects currently worth over NGN 839 billion (USD 579 million).

Implementation Status

Fully operational since 2018 with AAA credit rating, PIDG has provided total support of USD 77 million through various facilities: initial USD 25 million via GuarantCo (2017), USD 27 million equity injection via InfraCo (2020), and an additional USD 25 million counter-guarantee (2023). In June 2024, the African Development Bank signed a USD 15 million subordinated loan agreement to further strengthen InfraCredit's capital base.

4. Hamburg Data Alliance (Global)

The Hamburg Data Alliance was announced at the Hamburg Sustainability Conference in October 2024 by Germany and the UK to define pathways for tackling investment barriers preventing finance flows into EMDEs and improve data quality, accessibility and availability. The alliance includes Canada, Netherlands, OECD, EDFI and NGO Publish What You Fund as central supporters and aims to address information gaps that create mismatches between perceived and actual risk in EMDE investments, with the goal of improving data availability to reduce barriers to private capital flows.

Implementation Status

The Hamburg Data Alliance is an early-stage initiative announced in October 2024. Implementation details and specific operational frameworks are under development.

5. Mangrove Finance Facility as Proof-of-Concept Model (Global)

The Mangrove Breakthrough, launched at COP27, represents a comprehensive financing framework aiming to unlock US D4 billion in funding to secure 15 million hectares of mangrove globally by 2030. It combines blue carbon markets, green bonds, insurance products, and blended finance approaches. The initiative has established a global framework targeting significant climate impact: potential sequestration of 43.5 million tons of CO_2 through biomass plus 189 million tons in soil, benefiting 37 commercial marine species, reducing risks for 15 million people, and protecting USD 65 billion

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worth of property annually. Research indicates global investment in mangrove regeneration could return USD 11.8 billion by 2040 if carbon markets reflect true nature value.

Implementation Status

Operational since its COP27 launch, the initiative has 31 government endorsements representing ~60% of world's mangroves, 23 country members in the Mangrove Alliance for Climate partnership, and 57 non-state actors participating.

6. ReInvest+ (Latin America)

ReInvest+ is the Inter-American Development Bank's (IDB) innovative financing mechanism designed to create a systematic pipeline linking local project origination to international institutional investors. Launched in partnership with SB COP and the Brazilian COP30 Presidency[125], tthe plan involves taxpayer-funded development banks buying existing loans to green projects in developing countries, which frees up investment from private sector lenders. These loans are relatively low risk because they are already performing, but because they are in developing countries with lower credit ratings, mainstream private sector investors such as pension funds are often forbidden from touching them due to strict credit worthiness rules. When backed by development banks with impeccable credit ratings, the "repackaged" loan finance can meet private sector criteria.

The mechanism works through four main stages: it begins with existing loans on local bank balance sheets; converts these loans into investment-grade securities through portfolio diversification and commercially-priced insurance for political and currency risks; recycles capital through conditionality, where loans are purchased only if banks commit to reinvesting proceeds in sectors aligned with national development plans and climate targets (NDCs); and empowers local banks to identify and finance new opportunities. A study commissioned by the IDB Group estimates approximately USD 500 billion in such loans exist in Latin America and the Caribbean alone, part of a global pool that could exceed USD 3 trillion. The private sector role involves credit enhancement and guarantee structures that enable development banks to provide guarantees against default, making the loans acceptable to institutional investors like pension funds.

Implementation Status

ReInvest+ was officially launched on September 23, 2025. The IDB issued a call for proposals to commercial and international banks with a deadline of October 24, 2025. Selected partners and their asset acquisition plans for the following 12 months will be announced at COP30 in Belém in November 2025. The initiative is part of the Baku to Belém Roadmap supporting the USD 1.3 trillion climate finance goal. The plan could drive tens of billions of new investments in the green economy in poorer countries within a few years and could provide the bulk of the USD 1.3 trillion in annual climate finance promised to the developing world by 2035.

7. EcoInvest (Brazil)

EcoInvest Brasil is a Brazilian government initiative, in collaboration with the IDB, which seeks to create the structural conditions needed to attract external private investment for Brazil's ecological transformation. The goal is to adopt innovative concepts and best financial practices, with the inclusion of climate, environmental, social and governmental criteria. The program supports priority sectors of

[125] IADB Press Release

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the Ecological Transformation Plan ("New Brazil"): energy transition, bioeconomy, circular economy, and green infrastructure/adaptation.

EcoInvest Brasil offers credit lines that mitigate exchange rate risks and make projects viable, guaranteeing predictability and risk reduction for long-term investments in the country. This credit facility will have sub-lines for domestic and foreign companies or investors: blended finance, Long Term FX Liquidity Facility, Foreign Exchanges Derivatives and Project Structuring.

In the EcoInvest Brasil Program, auctions are used to channel limited public funds in a way that maximizes their impact by leveraging large volumes of private and international capital. Through a transparent and competitive process, the government offers bidding financial institutions co-financing or guarantees that lower financing costs and risks, making sustainable projects more attractive. This mechanism not only ensures efficient use of resources and fair allocation but also multiplies the effect of public investment.

Implementation Status

EcoInvest was launched in **October 2024**. In total, the Program has mobilized over BRL 75 billion (approximately USD 13.5 billion) in investments directed toward Brazil's sustainable development. The **first auction** mobilized R$ 7 billion in public resources and leveraged up to R$ 45 billion in total investment across renewable energy, bioeconomy, and circular economy projects, with leverage ratios reaching 10:1. The **second auction** (July 2025) focused on land restoration, unlocking R$ 30.2 billion, including R$ 8.3 billion from foreign and R$ 5.4 billion from domestic investors, with investments across all major Brazilian biomes. A **third and fourth auctions** are expected in 2025, expanding equity and debt solutions.

8. World Bank Private Sector Investment Lab (Global)

The Private Sector Investment Lab (PSIL) is a collaborative initiative between the World Bank Group (WBG) and CEOs of leading global private sector institutions. Its goal is to develop solutions that address existing barriers to private sector investment in EMDEs. The Lab is developing and delivering approaches that can be implemented and scaled to effectively mobilize more significant volumes of private capital to tackle development challenges. Private sector and WBG teams have worked together to develop recommendations and launch efforts in five key areas:

- Guarantees: The Lab recognized that guarantees are a widely used and understood instrument to address political and credit risks. Work in this area has included the launch and operationalization of the WBG's Guarantee Platform, which will triple issuances to USD 20 billion per year by 2030, simplify access, and allow for product innovation to better meet the needs of the private sector.
- Capital markets and securitization: The Lab identified a need to focus on the role of capital markets and the creation of an asset class of liquid, tradeable instruments that can attract and access deep pools of institutional investor capital, particularly through origination-to-distribute. This is advancing further through a new taskforce chaired by Doug Peterson (former CEO, S&P Global), alongside an IFC-led initial transaction to securitize IFC-originated assets, anticipated in late 2025, and followed by regular issuances. Future work could expand the originator base to include other MDBs/DFIs.
- Equity and junior capital: The Lab highlighted the importance of equity to bear residual risk in the capital structure, particularly in catalytic, junior positions. The IFC is currently working to develop and deliver a new 2030 Strategy with a planned increase in equity investment volumes and launching a new Frontier Opportunities Fund to enable IFC to deploy equity in more subordinated positions where it can mobilize private capital.
- Regulatory certainty: WBG is enabling greater clarity on regulatory policies, taking a sectoral

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focus and an outcome-oriented approach to this work to create bankable project opportunities for the private sector to participate at scale. As part of this, WBG launched M300 together with AfDB, Rockefeller Foundation, SEfor All, and other partners to help deliver clean energy access in Africa supported by compacts for energy system reform and new investment vehicles for private finance participation.

- Foreign exchange risk: WBG is actively developing solutions for foreign exchange risk mitigation, including solutions to increase local currency financing and facilitate private investment, especially for the green transition to a low-carbon economy. Work on this has included the launch of new IFC local currency financing facilities and IBRD FX hedging facilities.

Implementation Status

Launched in 2023, several initiatives are underway as a part of PSIL, including a Renewable Energy Access program for 300 million people in West Africa, new concessional funding programs from IFC, pioneering capital markets transactions to distribute assets as asset-backed securities, solutions for foreign exchange risk mitigation, rollout of the Unified Guarantee Program, and mechanisms for mobilizing institutional investor capital. PSIL is looking to increase its share of long term financing in local currency to reduce foreign exchange risk and IFC has committed about a third of its long term financing in local currency, with a target of 40% by 2030. Over the past 19 months, there has been a 30% rise in guarantee issuance, enhancing investor confidence and helping the Bank meet its goal of tripling the use of guarantees by 2030.

9. Singapore Asia Infrastructure Securitization Program II (Asia)

The Singapore Asia Infrastructure Securitization Program II aims to establish an Asian emerging market infrastructure as an asset class. The Asian Infrastructure Investment Bank's (AIIB) is supporting the second issuance of Bayfront Infrastructure Management's infrastructure asset-backed securities (IABS) with a USD 80 million in anchor investment. The project mobilizes private capital through securitization of infrastructure loans, including a sustainability tranche for renewable energy, energy efficiency, and affordable social infrastructure projects. Private sector insurance plays a critical role through credit enhancement mechanisms, environmental and social risk screening, and providing investment-grade ratings for senior tranches to attract institutional investors. Bayfront's E&S Framework includes comprehensive due diligence, exclusion lists, risk categorization, and sector-specific guides, while the Sustainable Finance Framework aligns with International Capital Market Association guidelines. The insurance sector enables the transformation of Asian infrastructure loans into rated debt securities, providing institutional investors the most common channel to access emerging market infrastructure assets.

Implementation Status

The program has been operational since August 2022, with AIIB anchoring Bayfront's first IABS issuance in June 2021. It then continued with the second issuance as part of ongoing efforts to develop IABS as a scalable solution to address Asia's infrastructure financing gap. As of November 2024, AIIB holds Class A1 - SU Notes (sustainability tranche) with annual impact reporting including metrics on renewable energy generation, GHG emissions avoided, and clean water supply indicators.

10. Quintana Roo Reef Protection Parametric Insurance (Mexico)

Developed and launched in 2018 by Swiss Re and The Nature Conservancy, the Quintana Roo Reef Protection policy is a parametric insurance policy designed to protect 100 miles of the Yucatan Coastline in Mexico. The insurance claim payment is triggered when hurricane wind speed reaches

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pre-agreed levels, allowing rapid deployment of resources to support reef recovery. The initiative involves the Coastal Zone Management Trust established by the State Government of Quintana Roo in Mexico, providing coverage for a portion of the Mesoamerican Reef along Mexico's Yucatan Peninsula.

Implementation Status

The Quinta Roo Reef Protection Parametric Insurance is operational and proven. In 2020, Hurricane Delta triggered the insurance cover, resulting in a claims payout of USD 850,000 which was used to restore the coral reef through the 'Reef Brigades' - a team of local divers and marine biologists.

11. San Crisanto Mangrove Insurance (Mexico)

AXA Climate, AXA Seguros Mexico and ClimateSeed jointly created the first insurance policy for the protection of mangrove forests in Mexico, specifically for the San Crisanto community of fishermen responsible for mangrove restoration. This parametric insurance product protects against hurricane impacts with compensation of up to USD 100,000 triggered automatically when hurricanes sweep through the protected area.

Implementation Status

The San Cristanto Mangrove Insurance is operational with the preservation and restoration project successfully capturing approximately 47,908 tCO^2 over four reporting periods, while supporting local community development and sustainable income sources.

12. West African Wind Farm (Parc Eolien Taiba N'Diaye) (Africa)

MIGA (World Bank Group) issued a guarantee of €128.1 million to support the construction of the first wind farm in Senegal - the Parc Eolien Taiba N'Diaye SA wind farm with 46 turbines providing 158.7MW to the national grid. The guarantee covers risks of Expropriation, Transfer Restriction and Inconvertibility, Breach of Contract, and War and Civil Disturbance for up to twenty years.

Implementation Status

The Wind Farm is operational and addresses Senegal's electricity access challenges where only 57% of the population has access to electricity, and in rural areas access is at 27%.

13. Respira Carbon Credit Insurance (Global)

Howden launched the world's first voluntary carbon credit insurance product in partnership with Respira International and Nephila Capital. The carbon credit invalidation insurance solution increases confidence in the Voluntary Carbon Market.

Implementation Status

The insurance is operational. The product appeals to corporations and financial services companies engaging in carbon credit purchases as part of their net zero pathways, providing added security combined with independent verification from established bodies.

14. Mere Plantations Carbon Credit W&I Insurance (West Africa).

Howden launched the first Carbon Credits Warranty and Indemnity (W&I) insurance policy for Mere Plantations' reafforestation project in Ghana, West Africa. The UK-based company owns and operates a teak plantation covering over 4,000 hectares of previously degraded forestland, with the policy pro-

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viding insurance cover on the sale of carbon credits. From 2024, the company is releasing 3.2 million carbon credits to the voluntary carbon market over a 20-year project period.

Implementation Status

The project is operational. Uniserve became the first company worldwide to purchase these W&I insured carbon credits, with buyers purchasing the credits at a premium compared to other reforestation projects due to the insurance protection and high-quality assurance.

15. Mainstream Renewable Power Equity Contribution Guarantee (Global, Chile)

Underwritten by Howden, the equity contribution guarantee facility allows renewable developers to defer equity payments to their project finance lenders, providing security that enables developers to negotiate injecting equity towards the end of the project (once the project finance loan has been fully drawn down). This significantly enhances the Internal Rate of Return (IRR) of projects and allows developers to finance more projects without having to recycle equity on existing projects. Private sector insurance plays a pivotal role by providing guarantees that protect project finance lenders, enabling more flexible equity injection timing and improving project economics. Howden worked with Mainstream Renewable Power to more than double a multimillion-euro trade finance facility supporting the renewable developer's guarantee requirements on a USD 1.65 billion Andes Renovables portfolio in Chile. This represents the first-time project finance lenders have accepted a surety as issuer of such an obligation and the first time a surety has issued on behalf of both sureties and banks.

Implementation Status

The facility has successfully supported Mainstream Renewable Power's major Chilean renewable portfolio, demonstrating how insurance innovation can unlock capital efficiency in renewable energy development. This product serves as one of the key financing instruments in the renewable sector, enabling developers to undertake and finance more projects while playing an important role in growing global renewable energy production output.

16. FSD Tanga UWASA Green Bond (Tanzania)

In 2024, Tanga UWASA, an autonomous water utility in Tanzania, issued East Africa's first sub-national water infrastructure green bond—TZS 53.12 billion (approx. USD 20.5 million)—to fund sustainable water supply expansion and environmental conservation in Tanga City and nearby areas. This pioneering 10-year revenue bond, listed on the Dar es Salaam Stock Exchange with a 13.5% annual interest (paid semi-annually), showcases how domestic capital markets can finance local development in local currency, reducing reliance on foreign funds and mitigating exchange rate risks. The model proves to be replicable, with several other public entities in Tanzania using similar approaches.

Implementation Status

The bond was listed on the Dar es Salaam Stock Exchange (DSE) in 2024 and later on the Luxembourg Green Exchange (LGX) in October 2024, increasing its visibility among global investors. The bond was oversubscribed by 103%, signaling strong investor confidence, with investment split between 65% local and 35% foreign investors. The water infrastructure project is currently being implemented.

17. Green FIDC (Brazil)

Green FIDC Brasil, developed by Albion Capital, is an innovative financing vehicle aimed at mobilizing private capital for sustainable infrastructure projects in Brazil, with a focus on clean energy and en-

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ergy efficiency. Using the FIDC model (Receivables Investment Fund), Green FIDC allows companies to securitize their future receivables, such as energy payments, to raise funds in the capital markets. This model offers an alternative to traditional financing by reducing dependence on public financial institutions and mitigating exchange rate risks by using the local currency. Green FIDC attracted institutional capital through its certification by the Climate Bonds Initiative, assuring institutional investors of the environmental integrity of the underlying assets, increasing confidence and appetite for participation.

Implementation Status

In 2021, Green FIDC Solar GD was launched with a value of R$ 201.5 million (approximately USD 35.8 million), becoming the first FIDC issued as a climate bond in Brazil and certified by the Climate Bonds Initiative. This fund was structured to finance the expansion of Órigo Energia, a distributed solar generation company. Additionally, an offshoot of Green FIDC resulted in the issuance of the country's first green CRI (Real Estate Receivables Certificate), valued at R$ 80.1 million (approximately USD 14.3 million), targeted at investors in the real estate sector. These instruments represent significant milestones in the evolution of sustainable finance in Brazil by integrating financing solutions with climate goals and attracting private investors to the renewable energy sector.

18. Tropical Forest Forever Facility – TFFF (Global)

The proposed Tropical Forest Forever Facility (TFFF) aims to protect over one billion hectares of standing tropical forests across over 70 developing countries, transforming how forest conservation is financed at scale. It will offer non-debt, performance-based grants to countries that maintain their forests, funded through contributions from sponsor countries and proceeds from green bonds issued in capital markets.

The TFFF structure envisions raising USD 25 billion in junior capital from sponsoring governments and philanthropies, which will be subordinated to private investors—reducing their risk and catalyzing an additional USD 100 billion in private investment through bond issuances. The total USD 125 billion will be invested in a diversified portfolio, with net profits—after covering returns to investors and operational costs—distributed as grants to forest-conserving countries, avoiding any increase in their external debt.

Payments will be based on annual comparisons of satellite imagery. Each country's eligible forest area will be monitored, and payments will be reduced in proportion to deforestation. For example, if 0.5 million hectares are lost in a country with 200 million hectares of forest, payments will apply to a maximum of 150 million hectares—equivalent to USD 600 million at a rate of USD 4 per hectare.

Technical verification can be done via countries' own monitoring systems or international platforms, provided they meet minimum technical specifications (e.g., resolution, mapping units, and cloud cover thresholds). Importantly, the TFFF places strong emphasis on Indigenous Peoples and Local Communities (IPLCs), who are stewards of large forested areas. At least 20% of total disbursements will be earmarked for IPLC benefit, supported by a dedicated governance structure, tailored approval mechanisms, and specialized monitoring protocols.

Implementation Status

TFFF is in early stages of development. The financial model and technical criteria have been developed with the contributions of experts and partners, while the governance model has been developed in consultations and with the support of a steering committee. The Facility is planned to be launched at COP30 in November 2025, in Belém. On September 24, 2025, Brazil announced its commitment to

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invest an initial USD 1 billion in the facility, while the World Bank announced its commitment to be the facility's trustee and host it a temporary period of three years.

19. African Forestry Impact Platform (Africa)

The African Forestry Impact Platform is an investment vehicle established to scale up sustainable forestry in sub Saharan Africa. It is managed by New Forests, an asset manager specializing in forestry and nature based real assets and was launched with major anchor commitments from development finance institutions including BII, Norfund (Norway), and Finnfund (Finland). AFIP is structured as a permanent capital vehicle (a Singapore domiciled Variable Capital Company, VCC) with the aim to raise substantial long term institutional capital (target ~USD 500 million) to acquire, manage, and grow forestry assets. Its mandate includes plantation forestry (growing trees for timber products), sustainable natural forest management, downstream processing (i.e. sawmills, value addition), conservation, forest restoration and community and livelihood impacts.

Implementation Status

The platform is in capital raising mode, having already raised about USD 200 million in commitments (targeting UDS 500 with efforts at attracting institutional investors). It has made two acquisitions: the company Green Resources AS (a large forestry and wood processing company operating in Tanzania, Mozambique, Uganda) and Rance Timber in South Africa (approximately 14,000 hectares of pine plantation and sawmills).

20. Re.green Native Forest Restoration (Brazil)

Re.green is a large-scale forest restoration initiative aiming to restore over 35,000 hectares across the Amazon and Atlantic Forest biomes through blended finance and carbon markets. Partnering with Microsoft as an anchor buyer and supported by BNDES, Re.green pioneers the delivery of high-integrity carbon credits at scale, integrating advanced monitoring technologies such as AI and drone-based planting. The project positions Brazil as a global leader in nature-based solutions, combining local socio-economic benefits with international recognition for high-quality carbon removals.

Implementation Status

Re.green has already restored over 10,000 hectares as of mid-2025, with credit certification processes underway and the first issuance expected in 2026. The project has secured a pipeline of additional sites for expansion, with financing plans targeting USD 200 million.

21. EMIC Guarantee Facility (Global)

The Emerging Markets Climate Investment Guarantee Facility (EMIC) is a multilateral risk-mitigation platform to unlock large-scale private investment in clean energy infrastructure and nature-based solutions across EMDCs designed by the Atlantic Council. By comprehensively guaranteeing loans without requiring host-country backup guarantees, EMIC seeks to reduce investor risk premiums and catalyze capital flows at scale. With an expected leverage ratio of 10:1, the facility could mobilize up to USD 500 billion over a decade, supported by contributions from developed country governments, sovereign wealth funds, and philanthropies. Its innovative approach combines currency hedges, portfolio-based guarantees, and pre-qualified investors to ensure high scalability and replicability. It would ideally be operationalized and managed by a highly specialized guarantee agency established by a coalition of countries with advanced economies that are committed to climate action. The EMCIC would receive funding from advanced economy governments, and perhaps large foundations and sovereign wealth funds, which is necessary to capitalize a facility at this scale.

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Implementation Status

The facility is under preparation, with design features being finalized and socialized among stakeholders. Initial funding commitments from advanced economies are targeted for 2025–2026, with the first phase expected to launch in Brazil and Latin America before global rollout.

22. Global Innovation Lab for Climate Finance – Adaptation Vehicles (Global)

The Global Innovation Lab for Climate Finance has incubated over 81 instruments, including more than 20 targeting adaptation. Examples include the Catalyst Fund (African startups), Blockchain Crop Insurance, CRAFT equity fund, and RISCO mangrove insurance model.

Implementation Status

The Lab has mobilized more than USD 1.2 billion across adaptation solutions, with active pipelines in Africa, Asia, and Latin America.

23. Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC) (Caribbean & Central America)

The Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC) is the world's first multi-country, multi-peril risk pool, established in 2007 to provide parametric insurance policies to Caribbean and Central American governments. It offers quick-liquidity cover against natural hazards (e.g. hurricanes, earthquakes, excess rainfall) via trigger-based payouts, helping countries manage disaster risk and reduce fiscal exposure from climate shocks. CCRIF also includes products for utilities (electric, water), fisheries, and excess rainfall.

Implementation Status

Operating since 2007, CCRIF has expanded membership (~30 governments), developed additional products (excess rainfall, utilities), and delivered dozens of payouts to member governments shortly after disasters. It operates as a Segregated Portfolio Company since 2014 to enhance flexibility and product range.

24. IFC Frontier Opportunities Fund (Global)

The Frontier Opportunities Fund (FOF) is an IFC-led blended finance initiative designed to close the critical early-stage funding gap for climate solutions in developing economies and emerging markets. With an initial target of USD 500 million and a goal to scale to USD 1 billion, the fund deploys risk-absorbing junior equity to mobilize private capital into innovative companies, technologies, and business models. IFC has committed USD 100 million from its net income, with the remainder expected from governments, philanthropies, and foundations. The fund focuses on five high-emission systems—energy, cities, transport, manufacturing, and agriculture—supporting climate resilience and decarbonization through innovative technologies (e.g., green hydrogen, recycling), nascent business models, and projects with strong mobilization potential.

Implementation Status

Launched in February 2025, the fund is in the resource-mobilization phase, with IFC already providing anchor funding and seeking additional concessional capital. All projects financed will meet IFC's performance standards and blended finance principles, ensuring minimum concessionality and maximizing leverage. IFC brings a strong track record, having mobilized over USD 70 billion in climate finance since 2018 and achieving an 8:1 leverage ratio in blended finance operations.

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PRIORITY 5: Strengthening Regulatory Approaches for Climate Finance

1. Centre for Sustainable Finance (India)

The Centre for Sustainable Finance (CSF) is a knowledge and networking hub designed to support India's financial sector in its transition towards a more sustainable future. Managed by Climate Policy Initiative (CPI), it offers support to policymakers and regulators in the form of a common platform for engagement, enabling dialogue between stakeholders, sharing of best practices and capacity building workshops, as well as other inputs for policy-making and financial regulation. CSF engages with a broad spectrum of stakeholders across India's financial sector to play a proactive role in shaping the regulatory landscape and driving the shift toward climate-aligned capital allocation. It also focuses on building the capacity of banks and financial institutions—a key sectoral priority of India's central bank.

Implementation Status

Launched in 2023, CSF has significantly contributed to the growing body of knowledge on sustainable finance. It has produced a range of research outputs, including a knowledge series (short pieces that simplify complex concepts), blogs (insightful commentary on current issues), and in-depth technical reports such as Financing Adaptation in India. In addition, the Centre has successfully trained over 2,000 professionals from both financial and non-financial sectors through a blend of in-person and virtual learning sessions.

2. Carbon Certificates as Full Financial Assets (Egypt)

Egypt has established a fully regulated voluntary carbon market where carbon credits are officially recognized as financial instruments under national law, enabling their issuance, trading, and inclusion in financial statements. The market was launched in August 2024 and enables project developers to issue tradable carbon reduction certificates and accommodates both local and international trading. The market is backed by a series of decrees and supervised by the Financial Regulatory Authority, with the Egyptian Exchange (EGX) as a trading platform. A dedicated registry system, licensing of brokers, and independent verification protocols ensure transparency and environmental integrity. Early transactions by companies like Isis Food Industries and Daltex demonstrate active participation.

Implementation Status

Trading in Egypt's regulated voluntary carbon market began in 2024, and as of September 2025, 34 projects were registered into the database, with over 170,000 carbon credits available.

3. Net Zero Nature Positive Global Platform (Global)

The Net Zero Nature Positive (NZNP) Global Platform is a multi-partner project, with support from GEF, UNEP, WCMC, ADB, CPI, and CAF, to strengthen institutions and catalyze investments for accelerated nature-positive, net-zero pathways. The program will support capacities and enabling conditions for 12 countries to promote both public and private finance for NZNP, remove barriers, and enable regulatory and fiscal frameworks that align with NZNP. Specifically, the main objectives of the program are to: (i) build capacity and equip policymakers and financial institutions in the 12 countries with the appropriate tools and knowledge needed to integrate NZNP considerations into fiscal and financial policies, as well as investment strategies, enabling them to meet global climate and biodiversity goals; (ii) promote policy and governance coherence that encourage public and private investment in NZNP-aligned initiatives; and (iii) create, curate, and share valuable insights, good practices, and methodologies on NZNP transition finance, fostering a collaborative learning environment that extends beyond the 12 countries.

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Implementation Status

The program was launched in 2025. The 12 countries that are participating in the program include Mexico, Costa Rica, Chile, Morocco, Côte d'Ivoire, Nigeria, Tanzania, Mauritius, Thailand, Viet Nam, Indonesia, Trinidad & Tobago.

4. Green Finance Taxonomy & Climate Risk Disclosure Framework (Kenya)

The Central Bank of Kenya (CBK) recently released the Kenya Green Finance Taxonomy and Climate Risk Disclosure Framework. The taxonomy and framework are part of ongoing efforts from the CBK to integrate climate considerations into the bank's and the banking sector's activities, and to drive climate-related investments. The Kenay Green Finance Taxonomy draws on Kenya's NDCs around adaptation and mitigation, with room to integrate other objectives like biodiversity in subsequent editions. It assists financial institutions in evaluating and classifying their economic activities based on their support for climate objectives and the transition to a low-carbon economy.

The Climate Risk Disclosure Framework aims to provide greater transparency for investors and other stakeholders to support more investments in climate-related sectors and transitions to resilient practices. It provides guidelines for commercial banks to disclose climate-related information in a relevant, useful, consistent, and comparable manner and enables investors to assess the financial implications of climate change on potential investments. It is aligned with global best practices and standards, such as the International Financial Reporting Standards (IFRS) S2 on climate-related disclosures and the Basel Committee on Banking Supervision.

Implementation Status

The Kenya Green Finance Taxonomy and Climate Risk Disclosure Framework were released by the CBK in April 2025, and will apply voluntarily until October 2026, after which they will become mandatory for commercial banks and mortgage finance companies licensed under the Banking Act.

5. Climate Change Framework Law & Financial Strategy for Climate Change (Chile)

Chile's Framework Law on Climate Change, enacted in 2022, legally commits the country to achieving carbon neutrality by 2050 and establishes a comprehensive governance structure that integrates mitigation and adaptation targets across all government levels and sectors. This law mandates a transparent and robust regulatory framework for climate finance, highlighted by the development of Chile's Climate Finance Strategy (EFCC) in 2024. The EFCC aligns financial planning with the country's Long-Term Climate Strategy and updated NDC, promoting inter-ministerial coordination, subnational government involvement, and institutional tools for transparency such as climate budget tagging and annual climate investment reporting. Chile's approach, recognized as one of the most advanced in Latin America, combines binding legislation with fiscal policies and public-private collaboration, offering a replicable model for strengthening climate finance governance.

Key lessons from Chile's experience emphasize the importance of strategic interministerial coordination, with the Ministry of Finance playing a central leadership role to ensure effective climate finance mechanisms. The legal mandate has successfully bridged traditional institutional silos, enabling coordinated efforts between finance, environment, and energy ministries. Systematic budget tagging and annual reporting have allowed for transparent and verifiable tracking of climate-related expenditures. Additionally, linking fiscal planning explicitly to national climate commitments has been critical in identifying long-term investment needs, ensuring that climate finance strategies support sustainable, accountable, and coherent climate action.

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Implementation Status

Chile's Climate Finance Strategy (EFCC) was developed and implemented in 2024. Since then, the Ministry of Finance has expanded its efforts to integrate broader environmental considerations into financial planning and policymaking and has introduced new climate change descriptors within its National Investment System to enable public institutions to identify and classify investment initiatives that contribute to climate mitigation and adaptation goals.

6. CADO Sustainable Aviation Fuel Registry (Global)

The CADO SAF Registry, led by IATA and the Civil Aviation Decarbonization Organization (CADO), is the first global interoperable registry for Sustainable Aviation Fuel (SAF). It provides harmonized accounting and reporting architecture aligned with CORSIA and the GHG Protocol, ensuring traceability, avoiding double counting, and facilitating cross-border SAF adoption. By lowering costs and building trust in SAF transactions, the registry strengthens aviation's decarbonization pathway while enabling integration between voluntary and compliance systems. With more than 80 organizations already onboarded, the initiative lays the foundation for a transparent and scalable SAF market.

Implementation Status

The registry is under implementation, with prototype development completed and stakeholder governance structures in place. Operational rollout is expected by 2025, followed by functional expansion and integration with national systems to enable CORSIA reporting.

7. Access Strategies Toolkit (Global)

Developed by VCMI in partnership with UNDP and Climate Focus, the Access Strategies Toolkit provides governments with actionable strategies, legal guidance, and policy frameworks to accelerate high-integrity carbon market development. The toolkit helps countries align carbon markets with NDCs, establish safeguards, and mobilize private investment into climate-aligned projects such as e-mobility, clean cookstoves, and removals. By bridging policy readiness with private-sector demand, it enables governments to harness carbon markets as a tool for sustainable development.

Implementation Status

The toolkit was launched in 2024 and is already being applied in more than 10 national, 7 global, and 6 regional initiatives. Translations and dissemination are ongoing, with continued measurement of success expected through 2025.

8. SOFF Impact Bond (Global)

The SOFF Impact Bond is an innovative climate finance instrument designed to close the global gap in surface-based weather and climate observations. Anchored in the UN Systematic Observations Financing Facility (SOFF), the bond leverages impact investors to frontload resources, backed by public and private donors, with repayments tied to independently verified results. By financing the expansion of meteorological networks in over 100 developing countries, the initiative aims to increase data sharing by at least 500 percent, improving the accuracy of weather forecasts, strengthening early warning systems, and enabling more effective climate adaptation and disaster preparedness. This addresses a critical global public good, as even isolated stations in data-sparse regions can dramatically enhance global forecast quality.

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Implementation Status

SOFF was established in 2022 and has already mobilized USD 120 million in grant funding from 12 donor partners, supporting 61 countries. More than 100 additional countries have requested assistance. The Impact Bond will be launched at COP30 as a mechanism to scale the initiative, with a goal of mobilizing USD 200 million from a coalition of governments, philanthropies, investors, and development funds. It represents a practical example of frontloading finance to deliver global benefits, with projected annual economic gains of up to USD 160 billion across key sectors.

9. Integrating Climate and Nature Resilience in Public Financial Management (Uganda)

The Government of Uganda, through its Ministry of Finance, is advancing an initiative to integrate climate and nature resilience into macro-fiscal and public financial management frameworks. This work aims to embed resilience investments into growth projections, debt sustainability analyses, sovereign risk assessments, and medium-term expenditure frameworks. It builds on international technical support, including IMF assessments, and aligns with Uganda's new PFM Reforms Strategy 2025–2030, which identifies climate adaptation and resilience as a strategic priority in national budget systems.

Implementation Status

The initiative is underway, supported by IMF technical assistance and Uganda's PFM Reform Strategy, with methodologies for integrating resilience into fiscal planning currently under development.

10. Integrated Land Use and Ecosystem Monitoring (Costa Rica)

Since 2015, Costa Rica has operated SIMOCUTE, a national platform that integrates land use and ecosystem monitoring to inform policymaking. Building on this, the country launched the Mapping Nature for People and Planet initiative in 2021, which applies spatial data to identify areas critical for ecosystem services such as water storage, filtration, and disaster risk reduction. These tools provide scientific input for national climate strategies and have been directly used to inform Costa Rica's National Adaptation Plan.

Implementation Status

Both SIMOCUTE and the Mapping Nature initiative are operational, with outputs already incorporated into national planning and adaptation frameworks.

11. Central Bank Integration of Climate and Environmental Risks (Brazil)

TThe Central Bank of Brazil (BCB) has made the integration of social, environmental, and climate risks into governance and risk management mandatory for financial institutions, shifting from voluntary to compulsory compliance. New disclosure requirements under Public Consultation CP100 aim to align the Brazilian financial system with international standards such as TCFD and ISSB, enhancing transparency and climate-related risk management. In parallel, initiatives like the Rural Credit Bureau and the LIFT Data program address critical data gaps, improving risk assessment and fostering innovation in the financial sector.

Implementation Status

The regulatory changes are being phased in, with mandatory compliance and new disclosure rules under implementation, supported by data-driven initiatives that strengthen the resilience of Brazil's financial system.

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