REPORT ON THE BAKU TO BELÉM ROADMAP TO 1.3T

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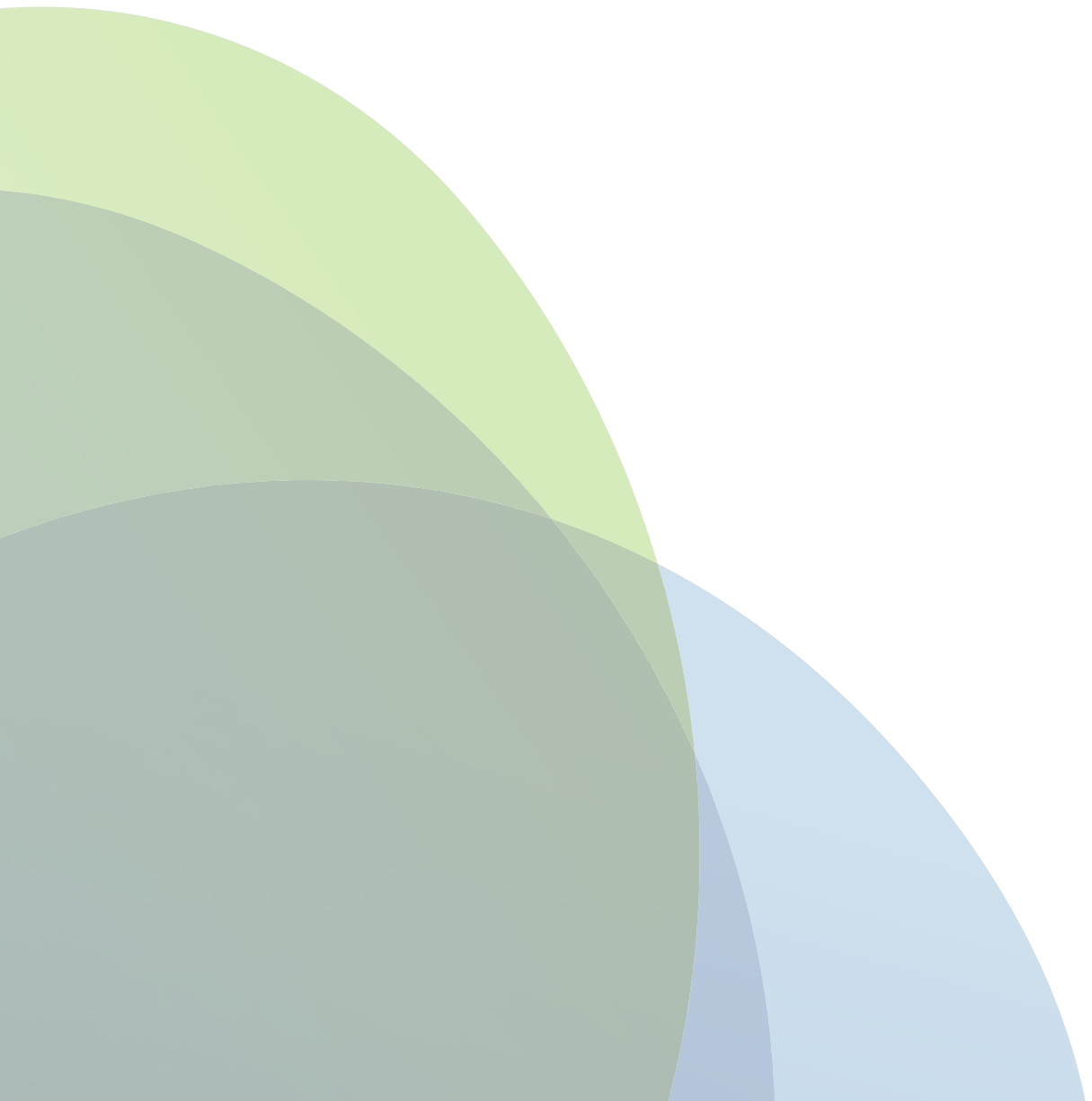

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FOREWORD

The legal framework developed over more than three decades under the United Nations Framework Convention on Climate Change (UNFCCC) has played a decisive role in steering the global community away from a projected temperature increase of around 4°C by the end of this century. Nonetheless, progress remains insufficient to meet the goals of the Paris Agreement. This shortfall comes at a defining moment for sustainable development.

The landmark agreements reached at COP29 in Baku have generated important momentum in the global fight against climate change. The adoption of the "Baku Finance Goal", aiming at turning billions into trillions, set the beginning of a new era of climate finance.

By 2035—the timeline of the Baku to Belém Roadmap to 1.3T—the global population may have reached 9 billion people. Cities will play an increasingly central role in human life, and technological transformations—including advances in artificial intelligence, quantum computing, and space technologies—are expected to shape how societies function and interact. At the same time, improvements in healthcare and food systems will enable longer and healthier lives. In this evolving context, mobilizing USD 1.3 trillion annually to support climate action in developing countries is both essential and complex.

We find ourselves caught between persistent political hurdles in climate negotiations on one side and the real, growing embrace of the net-zero transition by economies and societies on the other. It is imperative that the sense of urgency imposed by the climate crisis be integrated into our daily consciousness—guiding not only our individual and collective actions but also the negotiation processes under the UNFCCC. Recognizing the rapidly closing window to safeguard a livable planet, Parties and stakeholders must integrate urgency as a fundamental pillar of all deliberations.

The finance issue is no exception. Embedding urgency within negotiations and in accelerating implementation of commitments means not only setting ambitious targets through Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) and ensuring transparency in their delivery, but also accelerating the provision, mobilization, accessibility, and predictability of funds—so that such commitments swiftly translate into tangible outcomes on the ground. Financing Paris-aligned pathways in developing countries is not merely about supporting the implementation of decisions; it is about establishing a decisive instrument to secure a livable future.

This calls for a reality check on what the international financial architecture has achieved—or not—and how our collective experiences have brought us here. We need a renewed sense of fairness and shared responsibility, working harder to ensure that financial flows and stocks align with the scale and urgency of the global climate challenge. We have a once-in-a-lifetime opportunity to align national development pathways with our obligations under the multilateral climate change regime. The implementation of the 2030 and 2035 NDCs and NAPs, informed by the First Global Stocktake, offers precisely the opportunity to turn our commitments into truly sustainable development plans that not only safeguard the planet but also uplift lives, strengthen livelihoods, and ensure prosperity reaches every

household and every community. The choice of whether addressing the climate crisis becomes the driver of our shared prosperity or an insurmountable hurdle is ours. Either we thrive collectively, or we fail and decline individually.

We acknowledge that expectations regarding the Baku to Belém Roadmap to 1.3T are high. Across submissions, consultations, and exchanges, Parties and stakeholders have consistently called for a solutions-oriented roadmap, opportunities for broad participation, and a strong sense of country ownership. We are honored by the trust placed in us and sincerely hope the Roadmap meets those expectations—or at least provides steps toward clear and structured pathways to achieve the goal. We are grateful for the open communication, constructive dialogue, and willingness to engage.

Finally, we are aware that this journey begins in turbulent times, with scarce financial resources and difficult budgetary trade-offs. But technological and financial solutions exist. Communities and cities are acting. Families and workers are ready to roll up their sleeves and deliver more action. If resources are strategically redirected and deployed effectively—and if the international financial architecture is reset to fulfill its original purpose of ensuring decent prospects for life—the 1.3T goal will be an achievable global investment in our present and our future. We are optimistic.

Mukhtar Babayev

CMA6 President

André Aranha Corrêa do Lago

CMA7 President

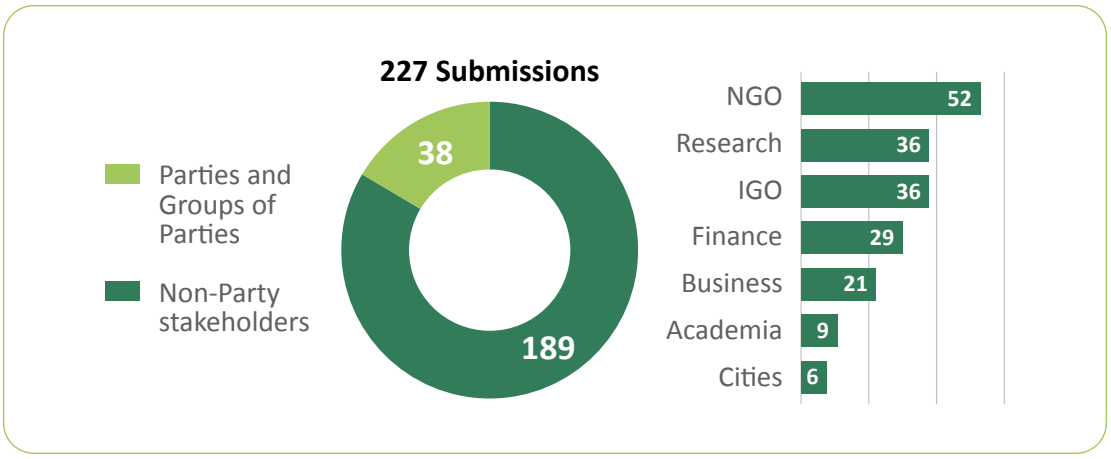
INTRODUCTION

At COP29, Parties finalized a multi-year process and reached a milestone agreement on the New Collective Quantified Goal (NCQG). Under the Baku Finance Goal, the NCQG decision 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.[1]

In this context, at the sixth session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 6), Parties launched the "Baku to Belém Roadmap to 1.3T", 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. Parties entrusted the CMA6 and CMA7 Presidencies to guide its development in consultation with them and requested the Presidencies to produce a report summarizing the work as it concludes the work by CMA7.[2]

The purpose of the "Baku to Belém Roadmap to 1.3T" (henceforth the Roadmap) is to provide a coherent action framework reflecting initiatives, concepts and leverage points to facilitate all actors coming together to scale up climate finance in the short to medium term. Scaling up climate finance has become a matter of necessity, not merely an enabler of ambition, as responding to climate change demands urgency, not incrementalism. The Roadmap is designed to serve as a basis and a force to accelerate implementation, transforming climate finance into a decisive instrument for securing a livable and just future. It is grounded in a process that engaged a variety of stakeholders from the public and private sector, at all levels from multilateral institutions to local communities, and drew on over 227 submissions rich in ideas, concepts, and best practices, providing the shared insight needed to guide collective action.[3]

Figure 1. Submissions received from Party and non-Party stakeholders to inform preparation of the Baku to Belém Roadmap to 1.3T



At the request of COP 30 President-Designate, Professor José Alexandre Scheinkman invited a group of economists to develop ideas that could enrich the debate on economics, finance and climate. A summary of their contributions was sent as a submission to the "Baku to Belém Roadmap to 1.3 T" on September 10th, 2025. The summary and the full papers are available at the UNFCCC website under the title "Contributions of the COP30 President's Council on Economics, Finance and Climate to the Baku to Belém Roadmap to 1.3T." https://unfccc.int/documents/651308

This report draws on work by many international and regional initiatives, reflecting a growing understanding that achieving climate and sustainable development goals will require every actor—governments, multilateral development banks and funds, investors, the financial system and civil society—to move in the same direction: a global mobilization against climate change. Many of these solutions have been under discussion for decades, reinforcing the need to translate commitments into coordinated, accelerated, and sustained action across multilateral, plurilateral, regional, national, and local levels.

This report is structured as follows:

- The ***Foundations of the Roadmap*** section sets out the case and urgency for action, as well as a stocktake of current finance flows and stocks and where they need to be to get to USD 1.3T, including estimated financing pathways across public and private finance spheres.

- **The *Baku to Belém Roadmap to 1.3T*** is presented in three parts. Part 1 outlines **five action fronts (5Rs)** to help deliver on the at least-USD 1.3 trillion aspiration by strengthening supply, making demand more strategic, and accelerating access and transparency. It also contains a consolidated list of key actions that translate the vision of the 5Rs into concrete steps for key actors. The 5Rs recognize that strengthening adaptation finance lies at the heart of all efforts, ensuring that actions are guided by the urgent need to increase resources for resilience. They also incorporate regional considerations, with a deliberate focus on addressing the needs of the poor and particularly vulnerable, including Small Island Developing States and Least Developed Countries. Part 2 contains an overview of the key ***thematic action fronts*** of the 2035 sustainable development pathways, highlighting opportunities and barriers associated with the implementation of the Roadmap across different sectors. In Part 3 (***Beginning the journey),*** short-term deliverables are presented to guide the immediate implementation of the Roadmap and inform follow-up.

- In the ***Conclusion***, the Presidencies outline their vision on how the Roadmap fits into the wider global mobilization against climate change.

Improving clarity, transparency and tracking of climate finance inputs and outcomes is a cross-cutting priority that underpins all action fronts—for without a common understanding on what we need to do and the progress we are making, it is far more difficult for actors to coordinate and to reach our destination. Coordinated international action is needed to align methodologies regarding concessionality, mobilization, data collection and reporting systems.

Consultations conducted by the CMA6 and CMA7 Presidencies in 2025, alongside inputs received on potential financing pathways, highlighted that, while significant sources of public and private finance exist, political agreements on mechanisms and on the allocation of funds and financial contributions to support developing countries are still in the making. Given this context, the Roadmap is clear in its intent, not to originate new financing schemes and mechanisms, but to provide a coherent reference framework on existing initiatives, concepts and leverage points to facilitate all actors coming together to scale up climate finance in the short to medium term. Taken as a whole, key measures identified should be substantive enough in quantitative and qualitative terms to ensure that the climate finance system can reach at least USD 1.3 trillion per year in external finance flows for climate action to developing countries by 2035. **The Roadmap should not be interpreted, in any way, as an attempt to prejudge the Party-driven process on the implementation of the NCQG decision, including the goal of at least USD 300 billion**.

Putting the Roadmap into practice will depend not only on Parties to the Paris Agreement in a nationally determined manner and in the context of the UNFCCC, but also on enhanced international cooperation and on the wider network of multilateral, private, and civil society partners that deliver results on the ground. The Roadmap is meant to be a tool for guidance and collaboration, helping Parties and stakeholders to shape their decisions and follow-up work on the new collective quantified goal aspirations for climate finance in the years ahead.

FOUNDATIONS OF THE ROADMAP

A. The global response to the climate urgency as a driver of sustainable development

A narrow window to act. To have a reasonable chance of remaining within the 1.5°C global temperature increase threshold, greenhouse gas emissions should have peaked and begun to decline globally over the period from 2020 to 2025. Now, midway through the decade, when global emissions were supposed to have halved, these continue to rise. Remaining within the 1.5°C-goal with limited overshoot requires more mitigation and associated climate finance, including carbon dioxide removals, such as ecosystem-based approaches, starting now. This will likely reduce needs for adaptation and actions to address loss and damage. Even the full decarbonization of developed countries would be insufficient to stabilize global temperatures, unless developing countries also decarbonize rapidly.

Rising cost of inaction. 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 heat, and ecosystem collapse. Globally, rising temperatures are projected to cause an additional 250,000 deaths per year between 2030 and 2050.[4] Following a continuing upward trend, climate-related disasters caused economic losses of USD 320 billion globally in 2024.[5]

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 and who have contributed least to historical emissions. Furthermore, costs dwarf the investment requirements needed to accelerate climate action with global GDP estimated to decrease by up to 30 per cent by 2100 under a 3°C scenario. This likely understates the risks as tipping points with extreme physical impacts could reverse growth and development and cause the displacement of hundreds of millions. The choice is clear—redirect and scale investment now, or face escalating damage, an unstable world, and lost opportunity. Every year of delayed climate action raises both the investment needed and the risks faced.[6]

Inequalities on the rise. The worsening of the climate crisis has also coincided with the widening of inequalities within countries. According to the latest World Inequality Report (2022), both income and wealth inequalities remain extreme and, in many places, are worse than before. Crucially, despite global economic growth and convergence across countries and successful poverty reduction experiences, inequality within countries has deepened further. The gap between the incomes of the top 10 per cent and the bottom 50 per cent within countries has widened, on average, from 12.3 to 15.1 times between 2000 and 2020, demonstrating that internal disparities now dominate global inequality dynamics. This trend is observed in many, but not all, countries, developed and developing alike.

The distribution of CO2 emissions points to the same direction. According to the IPCC, the 10 per cent of households with the highest per capita emissions account for a disproportionately large share of global household emissions.[7] The Climate Inequality Report 2023 shows that within-country carbon inequalities explain most of the global inequality in emissions, further demonstrating that national averages mask deep disparities. All individuals contribute to emissions, but not in the same way. The top 10 per cent of global individual carbon emitters generate almost half of all greenhouse gas emissions. Thus, in addition to an obvious equity concern, there appears to be an efficiency question at stake. The marginal effort required to achieve the same emission reductions might be significantly lower for high-emitting groups, thereby creating a strong incentive for policies targeted at this group.[8] Climate inequalities are not just a rich versus poor country issue. There are high emitters in low-and middle-income countries and low emitters in rich countries.[9]

The sustainable development and climate-positive growth opportunity. We need more sustainable systems transformations across all sectors and economies that deliver on adaptation, mitigation, loss and damage, and just transitions through a redoubled commitment to sustainable development. Recent years have shown that, against all odds, the world faces an unprecedented opportunity to drive sustainable and inclusive growth, build resilience, protect nature, and meet climate goals. Accelerating climate action and investment offers one of the most powerful pathways for growth, resilience, and inclusive development. Rapid cost reductions have made clean energy the cheapest source of new power in most regions, while investments in adaptation and resilience yield an estimated USD 10–14 in avoided losses and wider socio-economic benefits for every dollar spent.[10] Protecting and restoring nature generates large direct and spillover gains—safeguarding ecosystems, stabilizing the climate, and boosting productivity in agriculture, fisheries, and water. At the same time, climate investments drive innovation, cost reductions, economies

of scale, and systemic productivity, while lowering fossil fuel dependence, import bills, and harmful subsidies. Redirecting environmentally damaging subsidies toward sustainable practices can further protect ecosystems, cut input costs, and strengthen food security. Investments in health, air quality, and ecosystem restoration deliver outsized returns through reduced healthcare costs, higher productivity, and new job creation. Climate action should not be viewed as a cost to defer, but as a high-return growth strategy essential for long-term prosperity and resilience.[11]

B. Why a Roadmap now?

The need to scale up climate finance has been a central tenet of our multilateral process since the UNFCCC was adopted in 1992. Several high-level reports under the multilateral process in the intervening years—in 2007 and 2010 for instance—examined the potential instruments, channels and levers to scale up climate finance to developing countries from all sources and produced recommendations and frameworks for action to be pursued.[12]

While we have been here before, it is worth noting **how this time is different**:

- The urgency. Beyond 1.5°C, the risk of crossing tipping points increases, and with it the risk of severe cascading impacts. These include the Greenland and West Antarctic Ice Sheets, the slowing or repositioning of the Atlantic Meridional Overturning Circulation, changes in the Asian monsoon, prolonged droughts in the Sahel, coral reef bleaching, and the collapse of tropical forests. In each case, the impacts would be catastrophic—this cannot be overstated.[13]

- The promise of implementing the Paris Agreement, ten years since its adoption, and with the final key tenets operationalized at CMA 6 including the wide-ranging components, quantum and qualitative elements of the new collective quantified goal on climate finance, and the operationalization of carbon markets under Article 6. The transparency and collective stocktaking of the Agreement's architecture provides the tools needed to drive momentum under multilateralism and work together to accelerate climate action to reach its goals.

- Climate impacts are being felt by society, but the benefits of solutions to the climate crises are not trickling down to the poor and vulnerable, especially in Least Developed Countries and Small Island Developing States.

- The opportunities generated by economic and technological change in respect to responding to climate change. Renewables are projected to overtake coal as the leading source of electricity generation between 2025 and 2026—this has already happened by some according to some accounts. Global clean energy investment now outpaces fossil fuel spending by a ratio of 2:1—a dramatic shift from parity just six years ago.[14] Halting and reversing deforestation by 2030, alongside strengthening policies that uphold the rights of Indigenous Peoples and traditional communities, has become both a global commitment and an ethical imperative.

- States and economic actors are increasingly being held accountable for the impact of their actions on the climate system, including through litigation.[15]

- Advances in technology readiness, costs, and scale of production across several key sectors provide leading indicators of exponential growth should the right mix of policy levers and financing be achieved. The potential to catalyze positive tipping points through combined policy and civil society action by leveraging self-reinforcing changes in technology, behavior, and initiatives (e.g., radical acceleration in clean energy adoption, nature-positive efforts) can trigger cascading, self-amplifying climate solutions.

- The broad engagement of actors across political, economic, social and financial systems in mainstreaming climate concerns into their mandates and operational models has grown steadily in recent years to unprecedented levels. The call on all actors working together under the NCQG decision is different to previous mandates and provides a clear signal to elaborate on the role of the UNFCCC process vis-à-vis our economic, social and financial systems. Furthermore, the call for reforms in international financial architecture, particularly after the COVID-19 pandemic, has brought significant contributions to the debate on finance, climate and development and provided further momentum for this Roadmap to build on and complement strengthened collaboration involving all actors. These include, but are not limited to, the Bridgetown Initiative on the Reform of the International Development and Climate Finance Architecture (2022);[16] the Paris Pact for People and Planet (2023);[17] the African Climate Summit (2023);[18] under the G20, the Roadmap for Bigger, Better and More Effective MDBs and the Taskforce on a Global Mobilization against Climate Change (2024)—TF-CLIMA,[19] the Climate Finance Action Fund (2024)[20] and, more recently, the Compromiso de Sevilla (2025).[21]

C. Financial flows and stocks: where we are

While there may be tailwinds supporting growth in financing climate action in developing countries, the current macroeconomic and financial landscape is not without significant headwinds that make the task all the more urgent. A fundamental transformation of both the sectoral and geographical distribution of global capital stocks and flows is essential.[22]

From a sectoral perspective, it is crucial to accelerate the reduction of capital stock currently allocated to fossil fuels and other activities that contribute to climate change, while simultaneously increasing investment in low-carbon and climate-resilient development.[23] This shift should be driven by a realignment of financial flows from high-emission sectors toward sustainable ones. However, capital is currently expanding simultaneously toward both fossil fuel assets and climate action initiatives.

The World Bank's Independent Evaluation Group estimates that nearly USD 200 billion flowed out of developing countries to private creditors from developed countries in 2023,[24] which is a broader reflection of the constraining impact of capital outflows on the ability of developing countries to address issues such as climate change. Market fluctuations, tight

financial conditions and debt vulnerabilities, among others, can add near-term pressure through increasing financing costs on already strained public budgets. This trend, which greatly outpaces finance from international financial institutions and bilateral donor agencies, has been exacerbated by the COVID-19 pandemic and recent economic shocks, which have put severe pressure on fiscal space across all jurisdictions, but particularly in developing countries. The recent backtracking by banks and other financial institutions from net-zero targets, and especially the dismantling of the Net-Zero Banking Alliance (NZBA) additionally threatens the credibility, momentum, and effectiveness of global efforts to limit climate change.

From a geographical perspective, the sixth Assessment Report of the IPCC emphasizes the need to significantly increase capital stock in developing countries through a substantial rise in capital flows from developed countries, where most of the world's capital is concentrated. However, the flows are moving in the opposite direction: higher capital costs in developing countries—exacerbated by the current monetary tightening cycle—create a perverse incentive for capital to exit developing economies and flow toward developed ones. This dynamic only deepens inequality both between and within countries. The sharp rise in global inequality and the effects of the pandemic have brought into renewed focus the need for a Just Transition and a realignment of climate finance and policies underpinning a new social compact toward a more sustainable world that addresses energy equity and environmental justice.[25]

IPCC—Investment and Finance

The IPCC's sixth Assessment Report (Chapter 15) concluded that there is a mismatch between capital availability in the developed world and future emissions expected in developing countries. This emphasizes the need to recognize the explicit and positive social value of global cross-border mitigation financing. In accordance with the IPCC, a significant push for international climate finance access for vulnerable and poor countries is particularly important given these countries' high costs of financing, debt stress and the impacts of ongoing climate change. The IPCC recommended the following policy options can have important long-term catalytic benefits: (i) Stepped-up both the quantum and composition of financial, technical support and partnership in low-income and vulnerable countries alongside low-carbon energy access in low-income countries, such as in sub-Saharan Africa, which currently receives less than 5 per cent of global climate financing flows; (ii) continued strong role of international and national financial institutions, including multilateral, especially location-based regional, and national development banks; (iii) de-risking cross-border investments in low-carbon infrastructure, development of local green bond markets, and the alignment of climate and non-climate policies, including direct and indirect supports on fossil fuels, consistent with the climate goals; (iv) lowering financing costs including transaction costs and addressing risks through funds and risk-sharing mechanisms for under-served groups; (v) accelerated finance for nature-based solutions, including mitigation in the forest sector (REDD+), and climate-responsive social protection; (vi) improved financing instruments for loss and damage events, including risk-pooling-transfer-sharing for climate risk insurance; (vii) economic instruments, such as phasing in carbon pricing and phasing out fossil fuel subsidies in a way that addresses equity and access; and (viii) gender-responsive and women-empowered programs.[26]

Current financial landscape. The scale of the task to reach at least USD 1.3 trillion per year by 2035 represents a major challenge. Following their own methodologies, the OECD identified that developed countries provided and mobilized a total of USD 115.9 billion in climate finance for developing countries in 2022,[27] while CPI estimates that current external finance flows were at USD 196 billion in 2023, resulting in the need for a more than six-fold increase out to 2035.[28] These numbers are considerably debated and, throughout the preparation of the Roadmap, the lack of comprehensive data has been pointed out as a major area for improvement.

The limited data on existing flows further reveal potential imbalances across category distributions:

- 78 per cent of external climate finance is derived from public sources, mostly multilateral development banks and development finance institutions, while 22 per cent is derived from private sources, in particular commercial banks and corporations.

- 64 per cent is dedicated to mitigation, with 19 per cent to adaptation and 17 per cent to both mitigation and adaptation. The power sector attracted the most financing (27 per cent) for mitigation.

- Regionally, over half of the flows were directed to developing countries in Latin America and the Caribbean (21 per cent), Sub-Saharan Africa (18 per cent) and Central Asia and Eastern Europe (17 per cent), with East Asia and the Pacific accounting for 13 per cent and Middle East and North Africa for 9 per cent. Least Developed Countries received 21 per cent of external flows and Small Island Developing States 5 per cent.

Since CMA 6, further trends have worsened the outlook. The OECD projects a 9 to 17 per cent drop in official development assistance (ODA) in 2025. This comes on top of a 9 per cent drop in 2024. The outlook beyond 2025 remains highly uncertain. This projected decline is driven by announced cuts by four major providers of ODA, with ODA projected to fall back to 2020 levels in 2027. Notwithstanding these trends, needs continue to grow with projected ODA cuts impacting the poorest countries and vital services hardest.[29] Volatile trade distortions also disrupt global supply chains and sustainable development opportunities for developing countries.

D. Where we need to be

The challenges facing developing countries. Challenges to concerted climate action across political and social divides are rising in the context of difficult macroeconomic environments.

The First Global Stocktake noted that mitigation efforts embedded within the wider development context can increase the pace, depth and scope of emissions reductions. It is also noted that policies that shift development pathways toward sustainability can

broaden the portfolio of available mitigation responses and enable the pursuit of synergies with development objectives. Parties also noted that (I) both adaptation and mitigation financing would need to increase manyfold, (II) there is sufficient global capital to close the global investment gap but there are barriers to redirecting capital to climate action, and (III) Governments, through public funding and clear signals to investors, are key in reducing these barriers and investors, central banks and financial regulators can also play their part.

Guiding elements of new collective quantified goal on climate finance. The NCQG decision adopted in Baku provides a clear guiding light to direct our efforts in scaling up financing for climate action to at least USD 1.3 trillion per year by 2035 in ways that will improve effectiveness, quality and quantity of finance. Key elements to highlight in this regard include:

- The centrality of responding to the evolving needs and priorities identified in developing country national climate plans, contributing to increasing and accelerating ambition, reaffirmed in the mandate for the Roadmap.[30]

- The recognition of the need to dramatically scale up adaptation finance, the reaffirmation of the aim to scale up financial resources and achieve a balance between adaptation and mitigation taking into account country-driven strategies, and for urgent and enhanced action and support for averting, minimizing and addressing loss and damage associated with climate change impacts.[31]

- The need for public and grant-based resources and highly concessional finance in the context of increasing costs for adaptation and innovative and non-debt creating instruments and measures to create fiscal space in the mandate for the Roadmap.[32]

- The dedicated provisions on addressing barriers to access climate finance such as high cost of capital, co-financing requirements and burdensome application processes.[33]

- The recognition of enhancing enabling environments with a view to increase climate financing.[34]

Notable cross-cutting elements include targeted provisions toward the key channels of climate finance—bilateral, multilateral climate funds, multilateral development banks and private capital mobilization. The role of Parties as shareholders in advancing the bigger, better and more effective reform agenda for multilateral development banks was particularly highlighted as well as the decision to pursue efforts to increase the mobilization ratios of public funds and at least triple annual outflows from the operating entities of the Financial Mechanism, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund from 2022 levels by 2030.[35] While inclusive of all developing countries, the decision also identifies those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints such as the Least Developed Countries and Small Island Developing States throughout the above provisions.[36]

Needs of developing countries. The Baku to Belém Roadmap to 1.3T aims at scaling up climate finance to developing country Parties to support low greenhouse gas emissions and climate-resilient development pathways and implement the NDCs and NAPs. The UNFCCC Standing Committee on Finance identified costs expressed in 2030 NDCs by 98 countries at USD 5.0–6.8 trillion, or USD 455–584 billion on an annualized basis. Costed needs in NAPs by 35 countries, in varying timeframes, amount to USD 842–844 billion cumulatively.[37] While the scales are significant, the composition of finance flows toward needs in NDCs and NAPs will differ country by country.

Recent data from the Independent High Level Expert Group (IHLEG)[38] indicate that, by 2035, developing countries will require USD 3.2 trillion annually in climate—and nature-related investments—over USD 2.7 trillion more than today. The largest share is expected to go toward the clean energy transition (USD 2.05 trillion), followed by adaptation and loss and damage (USD 750 billion combined), protecting nature and promoting sustainable agriculture (USD 350 billion), and ensuring just transitions (USD 50 billion). Cities are expected to generate significant investment opportunities across all these areas.

While the scale of investment needed in developing countries is unprecedented, volume alone is not enough. What matters is where and how capital is directed focusing on sectors that can simultaneously meet rising demand for energy, food, housing, and services; create industries and decent jobs; and build resilience to escalating climate risks. Therefore, future efforts should focus on outcomes as much as inputs.

Irrespective of how much finance is constituted as for mitigation or adaptation, grants or loans, or through public or private sources, the fundamental objective to address the needs and priorities remains paramount. The composition of financial flows will change reflecting the evolution of costs driven by a range of factors such as prevailing trends in technology costs, inflation, currency rates, macroeconomic environments and severity of climate impacts.

E. Financing pathways to get to 1.3T

Mobilizing USD 1.3 trillion per annum in external finance for developing countries by 2035 will require a significant effort from traditional sources of climate finance as well as the development of new and innovative sources of capital.

Submissions received while developing the Baku to Belém Roadmap to 1.3T presented a wide array of possible mechanisms and policies to raise revenues and channel finance to developing countries. However, the accompanying estimates varied significantly, highlighting considerable disparities in assumptions, methodologies, and projected outcomes. These include:

- Direct budget contributions, if ODA budgets were to reach 0.7 per cent of GNI, could generate an additional USD197 billion in financing.

- Improved rechanneling and new issuances of special drawing rights, potentially USD 100–500 billion per year.

- Carbon pricing, ranging from USD 20–4,900 billion depending on the rate applied and participating economic actors and geographies.
- Fees on aviation or maritime transport, ranging from USD 4-223 billion depending on the rates applied and whether to ticket fees, fuel consumption or other units.
- Taxes on sales of some specific goods such as luxury fashion, technology and military goods, ranging from USD 34-112 billion depending on the share and participation of different sectors.
- Financial transactions taxes, ranging from USD 105-327 billion depending on the rate applied to equity, bond and derivative markets and participating geographies.
- Minimum corporate taxes, ranging from USD 165-540 billion depending on the rate applied under international coordinated frameworks.
- Wealth taxes, ranging from USD 200- 1,364 billion depending on the rate applied at different income thresholds.

While there may be significant potential sources of finance, securing political agreements among willing coalitions including on the share of proceeds allocated to support developing countries, and the specific mechanisms remain to be determined. Some submissions are based on the assumption that funds raised would be entirely allocated to support developing countries (e.g., issuances and rechanneling of special drawing rights, or carbon pricing mechanisms for forest restoration), while others that rely on national or internationally coordinated taxes and levies require judgements on the share of proceeds which would be directed toward climate action in developing countries. Furthermore, many proposals in the submissions are provided without reference to potential scale on an annual level by 2035, as they are calculated on 2022 or 2023 baseline data or are proposed in the short-term out to 2030, underlining the priority for short-term action to ease fiscal constraints and support climate action in developing countries.

Many submissions also referred to the estimates of the Independent High-Level Expert Group on Climate Finance (IHLEG) which set out possible contributions from different financing sources that can together deliver on the USD1.3 trillion goal based on major components. Recent work by the IHLEG pointed out to the following potential sources (for more information, refer to the fourth report of the IHLEG—forthcoming):

- Bilateral concessional finance from developed countries amounting to USD 80 billion.
- Concessional and non-concessional multilateral finance from multilateral development banks and multilateral climate funds, amounting to USD 300 billion.

- South-South cooperation, amounting to USD 40 billion.
- Cross-border private finance (mobilized and direct), amounting to USD 650 billion.
- New sources of low-cost finance including carbon markets, voluntary levies, Special Drawing Rights, debt swaps, and private philanthropy, amounting to USD 230 billion.

The above numbers represent initial attempts to systematically estimate potential revenue sources supporting pathways to 1.3T. These figures are preliminary and will require continuous refinement, as discrepancies across submissions reflect both methodological differences and underlying political choices, including those inherent in the calculation process itself. Such variations highlight the need for stronger and more consistent engagement from experts, specialized organizations, and Ministries of Finance. The selected actions in the Roadmap, detailed in the subsequent sections of this report, correspond to the scale of effort required to expand fiscal space and mobilize resources effectively. They will facilitate progress even as data quality and methodologies continue to improve. Further work on estimating potential revenue sources toward the 1.3T aspiration is suggested in the section "Beginning the Journey."

1

THE BAKU TO BELÉM ROADMAP TO 1.3T

ACTION FRONTS: FINANCE

This section sets out five action fronts aimed at scaling up climate finance to developing countries for NDC and NAP implementation and sustainable development supporting the achievement of 1.3T:

1. **Replenishing—Grants, concessional finance and low-cost capital**
2. **Rebalancing—Fiscal space and debt sustainability**
3. **Rechanneling—Transformative private finance and affordable cost of capital**
4. **Revamping—Capacity and coordination for scaled climate portfolios**
5. **Reshaping—Systems and structures for equitable capital flows**

For each front key concepts and existing initiatives, as well as selected approaches to **expand financial resources, target them more effectively, and improve access and transparency** are set out. For every selected approach within the five fronts, a non-exhaustive list of measures is identified to help guide implementation and track progress. These measures may be further elaborated and added to by all actors working together.

The proposed action fronts do not assume an order of priority. They should be substantive enough in quantitative and qualitative terms to ensure the climate finance system can reach at least USD 1.3 trillion per year in external finance flows for climate action to developing countries by 2035, enabling the effective implementation of NDCs and NAPS and supporting low greenhouse gas emissions and climate-resilient development pathways.

1. Replenishing—Grants, concessional finance and low-cost capital

Key concepts and existing initiatives

Concessional finance is a key multiplier in enabling finance to flow at scale. In the form of grants, patient equity, and concessional debt, it is primarily sourced from public budgets and channeled through bilateral development assistance in line with agreed priorities and through contributions to different multilateral institutions, including to multilateral climate funds and multilateral development banks.

From a functional perspective, concessional finance can support activities such as policy formulation, market creation, capacity building, project pipeline preparation and implementation. From a mobilization perspective, it can play a catalytic role to enable the private sector to engage more in climate investment plans through blended finance mechanisms that alleviate perceived risks and reduce the cost of capital.

Credible policy and regulatory frameworks support finance flows toward NDCs and NAPs. However, policies can only go so far in the absence of a cost-efficient and supportive ecosystem of international actors and organizations that channels concessional finance to address needs and priorities, barriers to finance flows and alleviate risks.

Sources of concessional finance, traditionally reliant on taxpayer funded public budgets, are under increasing strain. The proliferation of funds and institutions, while reflecting evolving political priorities, has led to a fragmented landscape that impacts the efficient and effective use of concessional funds. The number of existing initiatives and institutions often creates a perception of abundant resources, even though having these institutions in place does not guarantee actual funds are available.

The highly successful financial model of the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer—under which developed countries provide new and additional, predictable resources to help developing countries meet their obligations through grants and technology transfer, agreed upon within an equitable governance framework—has been held up as a model since the 1992 UN Conference on Environment and Development in Rio (the Earth Summit).[39] However, translating this approach to the broader climate change regime has proven far more complex. This is due to the scale of the economic transformation required to meet the climate Convention's objectives; the political and fiscal constraints that limit developed countries' ability to commit stable, large-scale resources; and the growing needs of developing countries, as delayed climate action and legitimate sustainable development goals have intensified the demand for robust, predictable, and equitable financing. The creation of the Green Climate Fund, along with a wider array of thematic funds and financing windows, has sought to partly bridge this gap. But even a significant increase in such contributions would not get us to where we need to be.

For many years, new measures for raising sources of concessional finance have been proposed to complement direct budget contributions. In 2010, a UN Secretary-General convened High-level Advisory Group on Climate Change Financing chaired by the Prime Ministers of Ethiopia and Norway assessed potential sources and instruments, including

carbon pricing and levies, to reach the USD 100 billion goal by 2020. It found that instruments such as special drawing rights, financial transaction taxes and international transportation levies may only deliver in the long term due to issues of incidence on developing countries (where revenue contributions from developing countries are difficult to disentangle) and political acceptability.

The multilateral system has fostered several initiatives actively aiming to scale concessional sources, most recently under the *Compromiso de Sevilla* adopted at the 4th Financing for Development Conference (2025) that reaffirmed the importance of ODA and of the fulfillment of respective commitments to achieve targets of 0.7 per cent of ODA/GNI to developing countries and 0.15–0.2 per cent of ODA/GNI to Least Developed Countries; and the necessary increase of ODA programmed at country level including increasing budget support in ODA. The OECD Development Assistance Committee is conducting a review process in light of the changing landscape and discussions in Sevilla.[40]

Concessional finance delivered through multilateral channels has recently focused on efficiency improvements such as the G20 Roadmap toward Better, Bigger and More Effective Multilateral Development Banks (2024), the Efficient GCF initiative and the Multilateral Climate Funds Action Plan on complementary and coherence (2024).

Multilateral climate funds play an enabling role in the climate finance architecture, including using scarce concessional international and public resources to leverage private and domestic finance at scale to support the climate transition in developing countries. The Green Climate Fund—as the largest of them and with the most flexible resource utilization and instruments, a unique risk appetite, and the broadest network of implementing partners—is well positioned to deliver capacity building and financing for projects to promote a paradigm shift toward low-emission, climate resilient development pathways in developing countries, including the most vulnerable.

The growing role of multilateral development banks in advancing climate action has been widely acknowledged. At COP29, consensus was reached on 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, and on the need for multilateral development banks to scale up climate-related investments and accelerate progress on their evolution agenda.

The Roadmap Toward Better, Bigger and More Effective MDBs provides a political and technical foundation for building a system-wide approach that matches the scale and the urgency of the climate challenge, by helping close the financing gap and addressing countries' development priorities and needs. MDBs have already begun implementing a broad set of reforms aimed at scaling up their financing capacity, enhancing operational effectiveness, and maximizing development impact. At COP29 in Baku, multilateral development banks committed to jointly achieving USD 185 billion in climate finance to low- and middle-income countries by 2030. This figure includes a target to mobilize USD 65 billion from private sector sources. If the recommendations of the Capital Adequacy Framework review were implemented, it is estimated lending capacity could reach up to USD 390 billion by 2030.[41] However, meeting global climate and development goals may require significantly more ambition.

Several other initiatives have progressed in these areas. Parties encouraged relevant multilateral institutions to consider how climate vulnerabilities should be reflected in the provision and mobilization of concessional financial resources and other forms of support, including special drawing rights.[42] Parties also emphasized the role of governments, central banks, commercial banks, institutional investors and other financial actors with a view to accelerating the ongoing establishment of new and innovative sources of finance, including taxation, for implementing climate action.[43] At COP 29, the Climate Finance Action Fund (CFAF) was launched involving fossil-fuel producing countries and companies investing in income-generating investments in developing economies that foster climate action and drive development outcomes with 20 per cent of the generated income aimed at providing highly concessional and grant-based assistance to address the impacts of natural disasters in Small Island Developing States (SIDS) and Least Developed Countries (LDCs). CFAF's establishment will be contingent upon securing pledges from at least 10 countries and reaching a collective funding target of at least USD 1 billion, and participating parties will acquire shareholder status within the CFAF.

In 2021, in the context of the COVID-19 pandemic, a USD 650 billion allocation of special drawing rights was agreed by members of the International Monetary Fund, and G20 countries pledged to rechanneling USD 100 billion to vulnerable countries. Such pledges reached USD 108 billion. However, the Resilience and Sustainability Trust— which includes concessional lending to build resilience to external shocks and ensure sustainable growth—has received USD 48.9 billion in pledges as of 28 July 2025. As at end-February 2024, the International Monetary Fund Executive Board had approved commitments totaling USD 7.0 billion.

In recent years, given its unique flexibility and efficient allocation, more focus has been placed on the opportunity to coordinate and target philanthropic funding as an increasingly relevant form of concessional finance. Such funding for climate mitigation has scaled up, tripling between 2019 and 2023 to USD 4.8 billion from over 90 foundations.[44] A further USD 5-11 billion in philanthropy from individuals is also estimated in 2023. In the area of adaptation, 40 foundations estimated at least USD 600 million in funding to adaptation and resilience in 2023 and 60 foundations formed the Adaptation and Resilience Collaborative for Funders in 2024.

Regional considerations, including for Least Developed Countries and Small Island Developing States. Given the scale of financing needs to implement national climate plans in developing countries, channeling grants, concessional resources and low-cost capital are needed across the board. However, at country level, the precise mix of different instruments and resources will differ according to national circumstances, sectors of activity and actors involved in meeting the need.

By easing fiscal constraints and promoting just transitions in developing countries, public and grant-based resources and highly concessional finance are of particular importance for addressing adaptation and responding to loss and damage in developing countries, especially those that are particularly vulnerable to the adverse effects of climate change, such as Least Developed Countries and Small Island Developing States.

Concessional finance also plays a vital role in supporting local and Indigenous communities, micro, small and medium-sized enterprises, 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.

Some initiatives already aim to take account of regional considerations and particularly vulnerable groups in the provision of international climate finance. For example, the Green Climate Fund set a minimum allocation floor of 50 per cent of adaptation funding for developing countries that are particularly vulnerable to the adverse effects of climate change, including the Least Developed Countries, Small Island Developing States and Africa States, while aiming for appropriate geographic balance. Similarly, the Fund to Respond to Loss and Damage defined minimum allocation floors for Small Island Developing States and Least Developed Countries.[45] A further example is the Pacific's Regional Programmatic Approach on Climate Action (RPACA) where fourteen countries, multilateral development banks and multilateral climate funds are collaborating to design a coordinated series of proposals for climate action across the region.

Access to grants and concessional finance is a key enabling factor for an efficient flow of public funding. While direct access modalities have been pioneered in major multilateral climate funds, institutional and human capacities for accreditation, and project applications remain a bottleneck, particularly for small jurisdictions. Other jurisdictions that may have higher relative GDP per capita but remain highly vulnerable to climate impacts, such as several Small Island Developing States and countries across Africa, Asia and Latin America, may not be eligible for concessional funding from development finance concessional finance from the International Development Association (IDA) or ODA. In 2023, seven non-Annex I Parties with above-average climate vulnerability scores in the Notre Dame Global Adaptation Index (ND-GAIN) index were not ODA eligible and another 40 non-Annex I Parties were not IDA borrowing countries.[46]

Selected approaches to improve supply and demand of climate finance

1(a). Coordination of the international climate finance system

A fundamental starting point in ensuring the effective and efficient use of scarce sources of concessional finance is to address the fragmentation of the international climate finance landscape. A key theme emanating out of submissions received is the opportunity to work together as a system across bilateral support providers, multilateral climate funds, multilateral development banks, regional and national development banks, philanthropies and partner governments.

Many initiatives are underway be it the multilateral climate funds' action plan on complementarity and coherence, the Joint Multilateral Development Bank working groups related to climate finance, or the Finance in Common network of 536 public development

banks. A mindset shift is needed to boost coordination among financing entities of their own type as well as system-wide coordination to increase efficiencies, avoid duplication, and streamline the systemic service offering to developing countries (see front 4). In particular, national public development banks have the potential to act as key agents of change due to their mandates and capacities in managing localized risks. Country platforms can also play a relevant role in enhancing coordination financing sources across both the public and private sectors.

Potential measures:

- Better system-wide coordination for strategy and planning to support and facilitate implementation through regular meetings with Governments, UN system, multilateral development banks, multilateral climate funds, public development banks and philanthropies, potentially convened by the UNFCCC and UN Secretary-General.

- A connected coordination strategy among multilateral climate funds, multilateral development banks, development finance institutions and other public development banks on:

    - Areas of regional and sectoral specialization.

    - Markets and sectors where private finance can scale in the short-to-medium term to feed into system-wide coordination.

    - Pooling of offers on project preparation facilities, guarantee facilities and other platforms to enhance cost efficiencies and reduce fragmentation and transaction costs.

    - Common platform for data and knowledge sharing, joint monitoring, evaluation and reporting and common IT systems.

1(b). Bilateral concessional and low-cost finance

Bilateral climate finance will continue to be a key channel of concessional and low-cost sources of capital. It is essential to ensure the delivery of bilateral climate finance in line with existing commitments, including regarding its role in achieving the at-least-USD 300 billion goal. With a view to enabling the scaling up of financing for climate action to at least USD 1.3 trillion by 2035, it is certain that manyfold increases in the delivery of bilateral concessional climate finance will be needed.

Potential measures:

- Effective use of biennial communications on ex ante climate finance under Article 9, paragraph 5, of the Paris Agreement due in 2026 and 2028, with developed countries reporting on potential allocations of bilateral climate finance

contributions to inform progress toward reaching the NCQG and other Parties who are encouraged to submit communications also doing so on a voluntary basis. Information could focus on:

  - The concessionality of potential contributions.
  - Allocation to thematic areas, including adaptation.
  - Allocation to regions and to those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as Least Developed Countries and Small Island Developing States.

- Developed countries could consider working together on a delivery plan and communicate their intended contributions and pathways toward achieving the at-least-USD 300 billion goal by 2035, as well as other elements of the NCQG.

1(c). Multilateral climate funds

Multilateral climate funds, in particular the operating entities of the Financial Mechanism—the Green Climate Fund (GCF), the Global Environment Facility (GEF), the Fund for responding to Loss and Damage, the Adaptation Fund, the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)- will need to continue to play a key role in channeling concessional finance to developing countries in line with country driven strategies and plans and backed up by strong replenishment cycles.

These entities have a unique and outsized contribution to make, given their inclusive governing processes and role as part of the multilateral climate regime to engender trust and solidarity. Parties are encouraged to work through the governing boards to continue enhancing climate finance including with respect to coherence, complementarity and access (see action area 1(a) on enhancing coordination and coherence).[47] There is also consensus that a significant increase in resources should be provided specifically through the operating entities of the Financial Mechanism, the Adaptation Fund, LDCF and SCCF and to pursue efforts to triple annual outflows from those Funds from 2022 levels by 2030 at the latest with a view to significantly scaling up the share of finance delivered through them in delivering the at-least-USD 300 billion goal.[48] To deliver on this ambition, the multilateral climate funds should continue to rely on increasing replenishments from contributors, and also work on balance sheet optimization measures and explore alternative sources of funding.

In addition, enhanced support for other multilateral climate funds such as the Climate Investments Funds and the Resilience and Sustainability Trust under the International Monetary Fund, and multilateral concessional windows such as International Development Association, Asian Development Fund and African Development Fund with their comparative advantages and mandates, will continue to be central.

Potential measures:

- Governments and philanthropic organizations could signal their commitment to an ambitious replenishment of multilateral climate funds and regular contribution drives.
- Multilateral climate funds could accelerate implementation of their operational framework on complementarity and coherence, enhancing cross-fund collaboration and building comparative advantages.
- Multilateral climate funds could advance efforts for jointly scaling up climate action, harmonizing, monitoring and reporting frameworks, promoting mutual reliance on policies, processes and standards, and supporting country-led coordination plans and mechanisms such as country and regional platforms.
- Multilateral climate funds could better articulate their operations by regions and sectors to reduce transaction costs and processing times, and enhance synergies, complementarity and coherence.
- Governments could work together to reduce fragmentation, enhance efficiency, and maximize the collective impact of multilateral climate funds, maximizing financial resources.
- Governments could request UN entities to examine and review potential for enhancing collaboration and sharing of common services to reduce fragmentation.

1(d). Multilateral development banks[49]

Multilateral development banks will have a central role in achieving the at-least USD 1.3 trillion aspiration reflecting their ability to offer affordable long-term finance, to mobilize public and private investment, to mitigate risks, and to provide targeted policy and technical support. MDBs can act both as a provider of concessional capital, low-cost capital to developing countries at commercial terms, and in mobilizing private finance (see front 3 on transformative private finance and affordable cost of capital).

The 2030 MDB Climate Finance Outlook announced at COP29 provides welcome clarity on their potential contribution in the medium term. Further action will be needed up to 2035, in line with their mandates, to support sustainable development and poverty eradication including by continuing to advance the implementation of Capital Adequacy Framework reforms to expand financing capacities.

Potential measures:

- Building on the 2022–2024 G20 Capital Adequacy Framework recommendations, multilateral development banks and their shareholders could finalize reviews of the alignment of resources and strategies, with a view to helping countries achieve their national climate plans and in light of the mandate of each institution.

- Multilateral development banks' boards could take into consideration whether and when general capital increases are required to support implementation of national climate plans.

- Multilateral development banks and their shareholders could take stronger measures to enhancing existing balance sheet optimization including through recognizing the value of callable capital as a low-cost lever for expanding lending headroom and establishing a joint MDB–shareholder task force to engage with credit rating agencies on harmonized methodologies.

- Co-facilitators of the Second Global Stocktake could ensure a space is provided for multilateral development banks in 2027 to report on progress made in the areas above.

1(e). Philanthropy

It will be important for philanthropic sources of finance, that can provide grants as well as other catalytic instruments, to work with developing countries, bilateral climate finance providers, UN, and multilateral climate funds in identifying high leverage points to deliver concessional finance for technical assistance, capacity building and project preparation, especially for adaptation and resilience to climate change. Philanthropies could also provide 'catalytic' investments at greater scale as part of blended structures, including 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).

Potential measures:

- Philanthropic foundations could target their climate-related support in line with needs and priorities identified in NDCs and NAPs, particularly for the most vulnerable, such as Least Developed Countries and Small Island Developing States, and coordinate and aggregate their transparency efforts in reporting contributions in this regard.

1(f). Innovative sources of concessional finance

As noted in findings of previous UN reports on climate finance, innovative sources of concessional finance may be necessary to complement direct budget contributions. With key milestones passed in terms of new issuances of special drawing rights in the aftermath of the COVID-19 global pandemic, the initiation of negotiations on the UN framework convention on international tax cooperation, the commitments on tax cooperation contained in the *Compromiso de Sevilla* (2025), there may be potential for interested countries and stakeholders to explore possibilities to raise new sources of concessional climate finance for developing countries based on agreed frameworks and in line with national circumstances.

Potential measures:

- Governments could work with the International Monetary Fund in continuing to explore possibilities for expanding and rechanneling special drawing rights to concessional instruments such as the Resilience and Sustainability Trust, for removing bottlenecks to rechanneling through multilateral development banks, while respecting legal frameworks and preserving the reserve asset character of special drawing rights. Governments could also consider the additional issuance of special drawing rights directed to climate action.

- Interested governments could further explore and/or pilot options for new levies to meet urgent climate and related development needs in developing countries, with a focus on the most vulnerable.

- Trade and development organizations could develop a feasibility study on the potential of enhanced international cooperation on taxation and levies, including potential impacts on development and trade and redistribution mechanisms.

Selected approaches to enhance access to climate finance

1(g). Access procedures for concessional finance

More work is required for harmonized and simplified pathways for accessing climate finance, particularly for countries with limited capacities and for local institutions and communities. Common approaches and mutual recognition of due diligence processes for accreditation and project approval processes, and for measurement and reporting requirements could be considered.

To achieve these goals, multilateral climate funds could strengthen country ownership and coordination, with clear reform timelines and milestones supported by their boards. Multilateral climate funds can amplify impact by deploying innovative and market-based financial instruments, enhancing cross-fund collaboration, and working closely with multilateral development banks and other public development banks to reach countries with limited access. Greater efficiency and coherence can be achieved through integrating common functions such as accreditation, monitoring, and learning, while maintaining a balance between private finance mobilization and support for adaptation, just transition, and vulnerable groups, including Least Developed Countries and Small Island Developing States. Strengthened governance, capacity-building, and regional approaches will further improve access to resources and enable coordinated, scalable climate action.

Potential measures:

- Multilateral climate funds could provide a status update and milestones for realizing harmonized project approval cycles.

- Multilateral climate funds could sign mutual recognition agreements on accreditation and due diligence procedures to streamline project approvals.

- Multilateral climate funds could introduce differentiated project approval channels for direct access entities, including through an approval process with simplified review criteria and develop tailored investment criteria.

- Multilateral climate funds and bilateral finance providers could align on programmatic approaches that improve country ownership, recognize accredited entities, increase predictability of financing available and build local capacities for accessing concessional finance.

1(h). Access to concessional finance for the most vulnerable

Certain vulnerable countries and communities lack direct access to concessional finance due to the application of traditional economic prosperity measures, which do not take climate vulnerabilities into account. Access to concessional finance for vulnerable countries and communities, including direct access by Indigenous Peoples and local communities, could be improved by using shared criteria across actors in the system, for example through application of multi-dimensional vulnerability indices alongside other criteria building on the work of the UN in this area.[50]

Potential measures:

- Bilateral providers and multilateral financial institutions could report on consideration and adoption of multi-dimensional vulnerability criteria and/or other indicators in their allocation of concessional finance.

Selected approaches to enhance information, transparency and knowledge-sharing

1(i). Effectiveness and impact tracking

A focus on the needs and priorities of developing countries requires stronger systems to track the effectiveness and impacts of climate finance, ensuring resources deliver tangible outcomes. Strengthening impact metrics can help shift attention from inputs—such as the volume of financial flows—to measurable results at scale. This is particularly relevant to address the complex definition of additionality in adaptation finance, where resilience and development objectives often intersect. Greater transparency on concessionality levels and the cost of capital at both project and portfolio levels can better inform discussions on the appropriate use of different financial instruments, including the balance between debt and non-debt options.

Advancing this agenda calls for improved data collection and reporting, supported by digital registries and AI-driven analytics to generate timely, reliable information. Developing shared criteria and harmonized methodologies for allocation, mobilization, leverage, and concessionality across funds and institutions would strengthen alignment and enhance the efficiency of resource use. Concessional finance could also be more equitably directed toward countries with highest climate vulnerability—particularly for adaptation and loss and damage—through instruments such as grants, soft loans, and results-based payments.

Potential measures:

- Multilateral development banks and other relevant monitoring organizations could develop standard methodologies on measuring and reporting different levels or rates of concessionality and grant-equivalent values.

- Parties could improve their completeness in reporting grant-equivalent values of their climate finance flows and multilateral development banks and development finance institutions could improve reporting on concessionality rates or levels.

2. Rebalancing—Fiscal space and debt sustainability

Key concepts and existing initiatives

The debt crisis facing many developing countries, particularly in the aftermath of recent macroeconomic shocks, requires coordinated responses to free up the fiscal space for investing in climate action.

Many developing 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. External debt servicing costs of developing countries have more than doubled since 2014, to USD 1.7 trillion in 2023.[51] Least developed countries have been particularly hard-hit, with the ratio of public and publicly guaranteed external debt service to government revenue nearly doubling to 14.6 per cent between 2013 and 2023.[52] Developing countries' net interest payments on public debt reached USD 921 billion in 2024, a 10 per cent increase compared to 2023. In the same vein, a record 61 developing countries allocated 10 per cent or more of government revenues to interest payments. Developing countries' interest payments are not only growing rapidly but also outpacing growth in critical public expenditures, such as on health and education, with 3.4 billion people living in countries that spend more on interest than on health or education.[53]

Parties have underscored the need to remove barriers and address disenablers faced by developing countries in financing climate action that have grown increasingly stark in recent years, including high costs of capital, limited fiscal space, unsustainable debt levels, high transaction costs and conditionalities for accessing climate finance.[54] Reflecting this challenging context:

- Developing countries face at least two to four times the borrowing costs of developed countries.[55] The cost of capital for renewable energy projects in developing countries is at least double the level in advanced economies, and as much as triple for projects in some markets;[56]

- Few developing countries have investment-grade credit ratings (12 of 130 middle- and lower-income countries) driven largely by GDP per capita metrics rather than country-specific credit risks such as debt/GDP ratios and growth fundamentals. [57]

As developing countries experience more severe climate impacts, they require additional fiscal space to cover increased expenditures on disaster relief, recovery and adaptation while at the same time confronting rising borrowing costs reflecting higher vulnerability and reduced future growth prospects. The Expert Review on Debt, Nature and Climate (established as a joint initiative by the governments of Colombia, Kenya, France and Germany) has pointed this out as a vicious circle of rising debt cost, less fiscal space for investments in adaptation and resilience, and greater vulnerability and lower growth.

Tackling debt burdens and improving countries' ability to manage debt sustainability are therefore urgent priorities. Scaling up investment while helping to maintain fiscal sustainability will ensure those countries can manage key risks and resources within challenging macroeconomic contexts.

Solutions such as climate-resilient debt clauses and debt-for-climate swaps have gained attention in recent years as promising instruments to enhance the fiscal space needed. Although not yet widespread, there have been some critical advances in the design and implementation of climate- resilient debt clauses since they rose to prominence in 2022 via the Bridgetown Initiative. Several countries and multilateral development banks currently offer the clause, and the first activation of such clauses took place in 2024 when Grenada and St. Vincent and the Grenadines triggered them following Hurricane Beryl.[58] These cases demonstrated that pause clauses can deliver timely fiscal relief and helped build momentum for broader adoption. Debt-for-climate swaps have also grown in prominence, reaching USD 2.2 billion and USD 2.5 billion in value in 2023 and 2024.[59]

In relation to the need for broader debt restructuring, the Debt Service Suspension Initiative (DSSI) launched in 2020 by the G20 and World Bank provided temporary relief by suspending bilateral debt payments for the poorest countries during the COVID-19 pandemic. This has since been complemented by the creation of the Common Framework for Debt Treatments in November 2020 offering a potentially more structured solution for debt distress, involving both Paris Club and non-Paris Club creditors. In 2023, the Global Sovereign Debt Roundtable was launched by the International Monetary Fund, World Bank, and G20 Presidency to enhance dialogue among stakeholders, resolve technical bottlenecks, and accelerate restructuring processes. Together, these initiatives represent a potential shift from emergency relief toward more systemic and inclusive approaches to sovereign debt resolution for developing countries.

The *Compromiso de Sevilla* provides a coherent push to the debt sustainability agenda by strengthening the adoption of solutions highlighted above, as well as improving data transparency, establishing coordination groups on responsible sovereign borrowing and lending, and promoting various domestic-related measures. In the Sevilla Platform for Action, coalitions of countries and stakeholders have put forward 130 high-impact initiatives to begin implementation of the *Compromiso* from day one. To address debt challenges, initiatives include a global hub for debt swaps for development; a 'debt pause clause alliance' to incorporate such clauses in lending; and a borrowers' forum.

Regional considerations, including for Least Developed Countries and Small Island Developing States. Fiscal pressures are particularly acute for some of the most climate-vulnerable countries, as it is assessed that 45 per cent of IDA-eligible countries and 74 per cent of Small Island Developing States are in debt distress or at high risk of it.[60] On a regional basis, 43 per cent of countries in Africa, 55 per cent in Latin America and the Caribbean, and 31 per cent in Asia and Oceania are assessed as having high debt levels, with public debt-to-GDP ratios of above 60 per cent.[61] In Least Developed Countries, debt-to-GDP ratios rose from around 48.5 per cent in 2019 to 55.4 per cent in 2022, while external public debt more than tripled since 2006, reaching USD 353 billion in publicly guaranteed and sovereign debt.

By 2022, public debt in Small Island Developing States reached about USD 82 billion, with many countries crossing the 60 per cent debt-to-GDP threshold. These trends leave Small Island Developing States and Least Developed Countries particularly exposed to climate shocks, given their limited fiscal space and narrow economic bases often reliant on tourism or fisheries.[62] Since 2010, the portion of external public debt owed to private creditors, which

are more expensive than financing from multilateral and bilateral sources, has increased across all regions, accounting for 60 per cent of developing countries' total external public debt in 2023.[63]

In addition, countries outside the remit of the Common Framework, yet highly vulnerable, require systemic solutions. Consequently, studies have warned of a climate-debt trap in developing countries that are highly vulnerable to climate change, and initial solutions are being developed to ensure financial market access.

Selected approaches to improve supply and demand of climate finance

2(a). Climate resilience debt clauses

The Inter-American Development Bank (IADB), the World Bank and other official sector lenders are including natural disaster clauses across a range of new and existing loan agreements. Full support for standardization of debt pause clause design for climate resilience will be important in the short to medium term with the participation of governments, Multilateral Development Banks and other market actors.

Potential measures:

- Public finance institutions such as multilateral development banks and development finance institutions could aim to expand debt pause clauses and achieve standard integration of debt pause clauses that cover a wide range of natural disasters.

- Multilateral development banks and development finance institutions could support the integration of transparency data on the types of crises and losses that trigger debt pause clauses as part of existing databases—e.g., Global Emerging Markets Risk Database (GEMs).

2(b). Debt for climate swaps

According to some estimations, debt for climate swaps have the potential to free up to USD 100 billion in fiscal space in developing countries.[64] Out to 2035, the mechanisms should be put in place that allow for a developing country with high debt service obligations, even if not classified as in a debt crisis, to undertake debt refinancing to enable nature and climate-related investments.

Potential measures:

- Bilateral creditors and the International Monetary Fund 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.

- Multilateral development banks and governments could work together with international debtor organizations, credit rating agencies and other stakeholders to develop standardized structures for sustainability linked debt finance and debt swaps which make them easier and cheaper to transact.

2(c). Debt restructuring

More predictable, timely and coordinated action on debt restructuring from across the international financial architecture will be a key strategic action in the medium to long term, to particularly guard against the vicious circle of rising debt cost, less fiscal space for investments in adaptation and resilience, and greater vulnerability and lower growth.

Potential measures:

- Make swift progress on the UNSG-convened working group tasked to propose a consolidated set of voluntary principles on responsible sovereign borrowing and lending, and proposals for their implementation, in accordance with paragraph 48 of the *Compromiso de Sevilla*.

Selected approaches to enhance information, transparency and knowledge-sharing

2(d). Borrower's forum

The Borrowers' Forum is widely regarded as a significant step toward reforming the international debt architecture. Backed by the UN, this new platform aims to facilitate the exchange of experiences, provide access to technical and legal expertise, advance responsible lending and borrowing practices, and enhance countries' collective negotiating power.

Potential measures:

- Encourage closer collaboration among borrowing countries, including by supporting the Borrowers' Forum put forward by UNCTAD, to help strengthen coordination and enhance their role in debt resolution and prevention discussions.

3. Rechanneling—Transformative private finance and affordable cost of capital

Key concepts and existing initiatives

Private finance flows in the form of investments, debt and equity from banks, investors, corporations and households are a driving force to transform economies and realize the visions countries have set out in their national climate and sustainable development plans. 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 in specific national contexts. Cross-border private finance from developed markets to developing countries brings scale and technical expertise and can accelerate innovation and its diffusion. 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 in a mutually reinforcing approach.

Effectively using public finance and policy, as well as institutional and regulatory frameworks to mobilize private finance at scale has been an overriding concern of financing sustainable development for decades with a particular upswing in focus since the Sustainable Development Goals and Paris Agreement were adopted in 2015, given the scale of estimates in finance needed in developing countries. Yet only 18 per cent of the portfolios of development finance providers have private finance mobilization as a core objective.[65]

Parties have underscored the critical importance of significantly reducing the cost of capital and increasing the mobilization ratio of finance mobilized from public sources by 2030 and creating fiscal space in developing countries through innovative instruments such as first-loss instruments, guarantees, local currency financing and foreign exchange risk instruments, taking into account national circumstances. Parties also encouraged the exploration, use and scaling up of innovative sources and instruments of finance as appropriate.[66]

Trends in mobilization rates through the system have been stubborn to scale to the significant amounts envisioned. The level of private climate finance mobilized by official development interventions grew at 7 per cent per year from 2016 to 2019, rising to 16 per cent from 2020 to 2023 to reach USD 46 billion, driven in large part by multilateral institutions.[67]

While often presented as a critical tool for mobilizing private investment toward sustainable development, blended finance can play a much bigger role in scaling up climate finance. Blended finance transactions—counting solely transactions with concessional and private capital—amounted to USD 18.3 billion in 2023 and have been noted to skew risk allocation toward the public sector and struggle to bring in a broader array of private investors, particularly in local markets.[68] Since the adoption of the Paris Agreement and the SDGs, the market averaged just USD 15 billion annually—less than 0.4 per cent of estimated SDG

financing needs. The absence of common standards to verify development impact further weakens accountability and effectiveness. Much of the financial risk is shouldered by the public sector through guarantees and public-private partnerships, creating hidden liabilities and exposing governments to additional fiscal risks.[69]

Private finance for the implementation of NDCs and NAPs has significant potential for growth. The strong participation of private actors—illustrated by the rapid expansion of renewable energy investments—highlights this opportunity. However, private capital behaves unevenly across countries and sectors. Most climate-related private investment flows to upper-middle-income countries with investment-grade or near-investment-grade credit ratings, leaving the most vulnerable nations largely excluded. Even in countries with access to financial markets, certain sectors are expected to continue relying to some extent on concessional and low-cost capital through 2035.

Expanding private capital participation will require multilateral development banks, development finance institutions, public development banks, and multilateral climate funds to scale up the use of syndication, securitization, and risk-mitigation instruments that can attract institutional investors and improve market liquidity that enable greater originate-to-distribute activity in developing countries. Expanding the use of guarantees, insurance, and other credit enhancement tools can further improve the risk–return profile of investments.

Green bonds issued in developing countries, both by sovereign governments, banks and corporations, have emerged as a solution to help grow capital markets and provide private capital at typically lower rates than vanilla bonds. In recent years, sustainability-linked bonds, where coupons are linked to key performance indicators and targets have also grown in significance and allow for the combination of such instruments with guarantees and political risk insurance provided by public finance providers given their direct linkage with achieving climate policy goals.

While private capital has played a bigger role in mitigation, it can support the scaling-up of 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-related 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.

Climate risk insurance has emerged as another relevant tool for enhancing resilience in developing countries, where climate-related disasters disproportionately impact vulnerable populations and economies. Over the past decade, a growing number of initiatives—led by multilateral institutions, regional bodies, and public-private partnerships—have sought to close the protection gap and expand access to insurance products that protect against floods, droughts, cyclones, and other climate shocks. Regional risk pools, micro-insurance, pre-arranged finance, index-based and parametric products are some of the key solutions to support the deployment of capital proactively in developing countries, but affordability, timeliness and coverage to underserved populations remain challenging.

Recent initiatives that may provide an avenue for future private investment include the operationalization of Article 6 mechanisms and the development of high integrity standards for carbon markets. At COP29, the long-awaited framework for carbon markets under Article 6 of the Paris Agreement was concluded. These markets hold the potential to reduce the cost of implementing national climate plans by USD 250 billion per year.[70] Such developments can also have multiplier effects due to the share of proceeds from the Paris Agreement Crediting Mechanism directed to the Adaptation Fund.[71] As an example, the contributions of the Clean Development Mechanism generated over USD 215 million to the Adaptation Fund, 12 per cent of its total cumulative funding since 2009.

Remittances to developing countries reached USD 685 billion in 2024, surpassing flows in foreign direct investment.[72] While remittances are largely spent on essential living goods and services such as food, housing, clothing and healthcare, they can also be targeted to adaptation and resilience measures and other financial instruments targeting diaspora investments to increase access to finance for climate action at the household level.[73] In particular, in the aftermath of natural disaster events, remittances act as a countercyclical flow similar to insurance.[74]

Remittances have the added benefit of being disbursed immediately for allocation to climate solutions at the household or community level, in comparison to other forms of international climate finance. At national level, they can improve the balance of payments of recipient countries, if data is captured correctly, and therefore provide a boost to sovereign cost of capital and resilience to downgrades in cases of macroeconomic shocks. Sustainable Development indicator 10(c) includes a goal to decrease the cost of sending remittances from 6.7 per cent in 2024 to less than 3 per cent by 2030, that would free up further capital flows to support households in developing countries investing in climate solutions.[75]

Regional considerations, including for Least Developed Countries and Small Island Developing States. An inclusive approach to climate financing that caters to the realities of Least Developed Countries and Small Island Developing States will reflect the diversity of the private sector, which is not a monolithic bloc across the globe, but composed of a broad range of financial and non-financial actors of different sizes and business models.

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 Least Developed Countries and Small Island Developing States.

International level coordination is required to exchange on best practices and workable financing solutions that are fit-for-purpose in contexts where domestic financial markets are less developed and liquid, where ticket size of projects is smaller, and where private sector counterparts and beneficiaries of climate finance flows are oftentimes micro, small and medium-sized enterprises, smallholder farmers or households, including people working in the informal sector.[76]

Private finance investors from within the region or sub-region are a growing pool of capital to tap and are more aware of real risks related to investments in their neighboring countries as opposed to international investors that rely solely on international credit ratings or outdated perceived risks.

Empowering regional investors and financial intermediaries may play important roles in connecting local financial markets with real-economy actors on the ground, including micro, small and medium-sized enterprises, cooperatives or households.

Selected approaches to improve supply-demand of climate finance

3(a). Innovative instruments

3(a).1. Catalytic equity

Concessional or patient equity can have catalytic effects in supporting private investment in developing countries given the relatively high costs of debt finance from international and local sources, the capital-intensive nature of climate investments, or the small-scale nature of key interventions in sectors such as agriculture, forestry and adaptation. Patient equity is invested for the long-term with a view to providing working capital to build and deploy solutions that last, as opposed to equity invested on commercial terms which seeks to realize returns, often through buyouts or leveraging debt, as early as possible. As many investments that struggle with secure long-term revenues such as sustainable forestry and agriculture, patient equity can play a catalytic role with greater effectiveness in these sectors than low-cost debt capital. With a hitherto focus on channeling grant finance through multilateral climate funds or low-cost debt finance through development banks, the climate finance ecosystem can work to optimize the deployment of catalytic equity.

Potential measures:

- Bilateral finance providers, multilateral climate funds and philanthropies could work together to expand the volumes of first-loss equity deployed with capped returns or long-term patient return requirements in investment vehicles, through the use of large pooled funds. By providing early-risk funding and accepting lower or slower returns, they would reduce risk for private investors and help attract more capital for climate projects.

3(a).2. Guarantees

Guarantees are cost-effective tools to support private investments given the prevalence of capital-intensive projects and perceived risks in developing countries. Guarantees can be used to address credit risks mitigating potential full or partial non-payments of borrowers; political risks mitigating potential expropriation or instability affecting the investment; performance risks mitigating potential lack of delivery, amongst others. In addition to

scaling up resources to enable broader provision of guarantees over the long term, there is also a short term need to align accounting standards that can increase their application.

Potential measures:

- Multilateral development banks, development finance institutions and other guarantee providers could work together to increase, coordinate and harmonize the guarantee offerings across the system, in particular the use of credit guarantees and political risk insurance.

- Multilateral development banks could align internal capital treatment of guarantees with their historically low default risk and strong recovery record and work with credit rating agencies to harmonize guarantee accounting across institutions.

3(a).3. Foreign exchange risk management

Macroeconomic risks are cited as a key barrier to private investment, which often manifest through volatile exchange rates. In such contexts, loans in hard currencies result in transferring currency risk to ratepayers in developing countries who are least able to bear such risk. Over the long term it will be necessary to vastly expand the capacity of foreign exchange risk management platforms and deployment of hedging tools and swaps to support local markets in accessing finance. The channeling of concessional finance into long-term foreign exchange hedging facilities can provide affordable currency hedging solutions, including in partnership with public development banks

Potential measures:

- Bilateral providers and multilateral climate funds could boost allocations of concessional finance into long-term foreign exchange hedging facilities to provide affordable currency hedging solutions.

- Multilateral development banks could strengthen the offering of national public development and commercial banks to provide loans in local currencies based on currency conversion clauses in loan contracts.

3(a).4. Securitization platforms

The use of securitization to sell on assets on public development bank balance sheets to private investors can free up further low-cost lending and contribute to greater investor understanding of country and market risks, lowering the cost of capital. Such mechanisms offer the appropriate avenue for channeling capital from institutional investors such as pension funds and insurance companies rather than expecting such investors to co-invest at early or construction stages. Multilateral development banks and development finance institutions should work with the wide network of national development banks and commercial banks in developing countries with an efficient division of labor to foster the widespread development of securitization and syndication mechanisms and create appropriate investment vehicles for institutional investors over the long term.

Potential measures:

- Multilateral development banks, working with other actors, could develop standards for origination which can support the pooling of assets, including potentially across institutions.

- Multilateral development banks, development finance institutions and other actors could develop the warehousing infrastructure and other key enablers (including regulatory) to support greater use of originate-to-distribute by commercial banks active in developing countries.

3(b). Deep local financial markets and green bond

Many developing countries lack deep domestic financial systems and capital markets to mobilize finance at scale. Such markets can help lower costs of capital and manage currency risks as well as increase access for finance for micro, small and medium-sized enterprises, smallholder farmers and households in developing countries.

Potential measures:

- Bilateral providers, multilateral development banks and development finance institutions could support further growth in domestic issuance of sustainability-linked bonds, in local currencies, and grow capacities of local financial institutions, a pool of concessional finance targeting cornerstone positions in such bonds for ambitious key performance indicators and targets linked to NDCs or NAP implementation.

- Expand the role of development finance institutions, multilateral development banks, institutional investors, and public development banks in jointly financing productive investments, reducing the need for external debt financing.

3(c). Insurance

Scalable insurance products can be made available to support comprehensive risk management and resilience strategies, and pre-arranged financing can be integrated into budget processes and financing strategies as well as concessional finance offerings. Insurers can also expand risk management offerings to incentivize risk reductions. This would help countries better prepare for climate-related shocks, reduce financial vulnerability, and encourage proactive investments in resilience.

Potential measures:

- Governments could recognize innovative insurance products under regulatory regimes and support cross-border operations for risk diversification.

- Multi-stakeholder insurance collaboratives could consolidate insurance offerings across innovative products to scale them up by 2030 in particular parametric insurance and micro-insurance.

3(d). Carbon markets

When grounded in high-integrity standards and supported by interoperable infrastructure, carbon market regulations can play an important role in channeling finance into verified mitigation outcomes, especially in developing countries. Strengthening the regulatory foundations, monitoring, reporting and verification and accounting standards and governance of carbon markets is essential. Governments can strongly support the implementation of the Paris Agreement Crediting Mechanism and the market for internationally transferred mitigation outcomes under Article 6 of the Paris Agreement, including investing in interoperable registry systems and digital infrastructure to facilitate locally anchored, globally connected and high integrity carbon markets.

Potential measures:

- Regulators and carbon market authorities could establish standardized, reliable high-integrity monitoring, reporting, and verification protocols that accommodate sectoral, technological, and geographical differences and tier methodologies per emissions output.

- Regulators and carbon market authorities could expand the buying of mitigation outcomes from developing countries that are not accounted toward NDCs, as a means to support verified emission reductions.

- Regulators and carbon market authorities could 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.

- Governments and market regulators could develop benchmarks to guide the use of high-integrity credits for both compliance schemes and corporate claims and reduce fragmentation and redundancies of global carbon credit markets.

- Governments, multilateral development banks, and private sector actors could dedicate financial and technical assistance to help developing countries build and operate modern carbon market infrastructure, and to underpin registry and trading platform design with international initiatives for data standardization.

3(e). Remittances

Governments and local financial institutions can support remittance flows by shifting toward digital payment services, improving data collection and registration on official balance of payments datasets, reducing transaction costs, particularly for climate-related initiatives, and boosting facilitation platforms.

Potential measures:

- Governments could support best practices in data gathering and accounting at the national level, taking into account International Monetary Fund standards.
- UN agencies and other stakeholders could pilot products that link remittance flows with climate risk insurance or investments at household or community level.
- Source country governments could implement incentives to reduce transaction costs to less than 3 per cent by 2028.

Selected approaches to enhance information, transparency and knowledge-sharing

3(f). Target-setting and data transparency

To maximize the impact of these measures, multilateral development banks and development finance institutions should enhance the availability, consistency, and use of data on private finance for achieving mobilization ratios at the transaction, institution and system-wide levels. Disaggregated mobilization targets by region and/or country and sector can shift transaction teams to originate-to-distribute models, while also recognizing the importance of other non-mobilization focused efforts.

Greater efforts will also be needed to strengthen transparency and availability of data on existing finance flows as well as granular decision-useful data on asset performance, for example via the Global Emerging Markets Risk Database Consortium (GEMS). Due to overly stringent approaches to client confidentiality, regional, country level or thematic data on mobilized private finance by multilateral development banks is not available. This hinders the ability of the system to respond to latest trends. Further efforts to tackle unreasonable risk perceptions for certain asset classes and technologies in country markets will also need to be strengthened over the medium term. More can be done to enhance market access by creating central repositories of pipeline opportunities and expanding standardization and co-investments in local currency to ease private investor participation.

Potential measures:

- Multilateral development banks and development finance institutions could adopt clear and ambitious mobilization targets at multiple levels, with disaggregation by region, sector, and financing theme, to better align incentives and strengthen accountability for private capital mobilization.

- Multilateral development banks and development finance institutions could increase data transparency and coordination by making aggregate-level information on private finance mobilization available by country, region, theme, sector, and instrument. This would help address implementation gaps and support more strategic capital deployment.

- Multilateral development banks and development finance institutions could strengthen partnerships with private sector actors—including financial institutions, data providers, and credit rating agencies—to improve data quality and expand coverage, identify gaps, and increase the use of Global Emerging Markets Risk Database (GEMS). Expanding data coverage to include equity, blended finance, and other asset classes would further enhance market understanding and help crowd in private investment at scale.

4. Revamping—Capacity and coordination for scaled climate portfolios

Key concepts and existing initiatives

Achieving climate and development goals requires domestic capacity to align policy incentives, identify investment priorities, and channel finance effectively though coordinated frameworks. This effort requires 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, which together can prioritize and implement investments in mitigation, adaptation, nature, land and just transitions.[77] Strengthening domestic capacities and coordination can range from individual capacity-building to institutional development, as well as national and sector-specific policy and/or regulatory frameworks (e.g., policy incentives, fiscal reforms and regulatory rules) and systems (e.g., public financial management, planning and budgeting at various levels).

Developing countries face significant demands to develop national plans for different priority areas, which are often developed by separate government ministries, departments and agencies. Under the UNFCCC regime alone, developing countries are committed or encouraged to produce eight different documents that in whole or in part reflect planning and prioritization of climate actions over the short, medium or long-term.[78] Coherence with national development processes, planning, budgeting and financing frameworks are often lacking.

At present, delivery mechanisms remain under-resourced, governance fragmented, and financial tools insufficient and poorly designed to address the underlying structural barriers that impede climate action. Instead of shaping fiscal frameworks, financial regulation, and industrial strategies, climate action has too often been treated as external commitments, disconnected from national economic planning.[79]

National planning to respond to NDCs and NAPs 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.

Initiatives supporting countries in their climate planning and related institutional strengthening development include readiness funds provided under the Financial Mechanism or the NDC Partnership, amongst others. Bilateral technical and financial providers and multilateral development banks can provide further support to national development processes and systems, as well as UN agencies, funds and programs. While coordination efforts are noted, there remains a fragmentation of engagements across different decision makers in governments, and of the level of expertise and technical support on offer.

More recently, country platforms have emerged as a new generation of voluntary country-led and country-owned coordination initiatives designed to align development partners with nationally defined priorities, to ensure the integration of policy and investment, and to mobilize investment to achieve specific climate and development goals. The effectiveness and legitimacy of country platforms rely on strong country ownership, flexibility to adapt to evolving contexts, and connectivity to finance, both public and private, international and domestic. They should reflect individual country circumstances with core features including a high-level national mandate, clear priorities, engagement of a broad set of actors, and progress tracking.

More assistance can be channeled through national systems and public development banks, using standardized toolkits, open data, and performance-based tranches to build lasting capacity and deliver bankable, climate-aligned pipelines. Countries and development partners can also explore a simple, one-stop access window and set portfolio targets for underserved regions and adaptation to improve quality and equity of deployed climate finance.

Regional considerations, including for Least Developed Countries and Small Island Developing States. Many developing countries, including Least Developed Countries and Small Island Developing States, face special circumstances that limit access to finance flows due to their small market size, heightened climate vulnerabilities, and exposures to global trade and economic cycles. Consequently, important transaction costs and procurement challenges have been reported frequently in Small Island Developing States when implementing climate finance projects. Shares of private finance are significantly below global averages in regions such as Sub-Saharan Africa (30 per cent).[80] Numerous evaluations and readiness assessments consistently highlight limited capacity to develop climate finance proposals as a major barrier faced by Least Developed Countries and Small Island Developing States.

Domestic institutional capacity building and human capital development are essential to foster suitable enabling environments for private sector investments in least developed, small and climate-vulnerable countries. These needs include climate-related knowledge and data systems, financial sector and market development, as well as addressing issues of staff retention and turnover to ensure long-term institutionalization of capacities, including for access to climate finance mechanisms. For example, there remains scope to enhance the role of national and regional institutions in the climate finance approved through multilateral climate funds, which are predominantly channeled via international partner institutions (UN agencies and multilateral development banks) at over 80 per cent.[81]

Increasing domestic, subnational- and local-level access to climate finance, including toward local and Indigenous Peoples and communities can enhance the quality, effectiveness and impact of climate finance. However, information on the scale and quality of climate finance at the local level remains limited, with no systematic tracking and reporting methodologies.[82]

Selected approaches to improve supply and demand of climate finance

4(a). Domestic capacities

Whole-of-government approaches to the transition can be strengthened across developing countries. Support providers will need to improve coordination and deepen capacity building efforts tailored to country needs including by institutionalizing staffing and knowledge capacities in government, limiting so-called fly-in, fly-out models for staff, supporting the integration of national climate plans in national development processes, planning and budget frameworks and strengthening national development banks and financing agencies.

Potential measures:

- Governments could demonstrate integration of NDC and NAPs in national investment strategies and sectoral roadmaps that align with national priorities, supported by co-creation of investment pipelines with public development banks, development finance institutions, multilateral development banks, and private investors and backed by clear policy measures.

- Core climate finance units could be established in governments to coordinate whole-of-government approaches.

- Concessional finance providers could increase capacity-building efforts for financial institutions in developing countries, in particular national development banks or similar agencies that can identify project pipelines and engage more effectively with credit rating agencies to enhance their engagement and effectiveness in the capital markets (see action area 5(e)).

4(b). Country-led coordination mechanisms or platforms

Support country-led mechanisms and platforms to drive and scale public and private finance flows, and the deployment of concessional finance and innovative instruments, in line with national needs and priorities. Country-led and country-owned coordination mechanisms can improve conditions for investment, particularly in relation to integrating climate objectives into national planning, as well as regulations that impact private investment (e.g., procurement regimes, licensing and permitting procedures, land tenure and land use, building codes and reviews of environmentally harmful subsidies—with safeguards for vulnerable groups—and gradually redirecting the resulting fiscal savings). Regional approaches where appropriate can address cross-border challenges and thematic interventions at economies of scale, particularly for Least Developed Countries and Small Island Developing States.

Potential measures:

- Governments, multilateral development banks, public development banks and others could work together to target the establishment of new country-led mechanisms and/or regional platforms that support broad range of countries in different regions, including Least Developed Countries, and Small Island Developing States and focused on a wider range of needs and priorities.

Selected approaches to enhance access to climate finance

4(c). Readiness support

Sustained funding to support country readiness is essential to support initial investment framework design and institutional arrangements. Governments should avail themselves of readiness support to build capacity for in-government work, developing policy frameworks and identifying needs and priorities.

Potential measures:

- Coordinate readiness support across multilateral climate funds as part of the coordination and coherence plan with pooled approaches and coordination with multilateral development banks and development finance institutions operating in-country.

- Multilateral climate funds could pursue creation of a single readiness facility across the Financial Mechanism and related support providers and in partnership with delivery partners.

4(d). Project preparation and pipelines

There is room for significantly aligning and strengthening project preparation facilities with multi-year programmatic approaches, based on national planning and investment strategies.

Potential measures:

- Support providers could target support for capacity of national authorities, domestic public development banks and private sector actors, for project preparation and structuring.

- Donors, development finance institutions and multilateral development banks could aim to simplify co-financing procedures with national development banks and other local entities by reducing due diligence duplication and offering standard templates for project documentation and risk-sharing.

- Multilateral development banks could enhance their role in project preparation and implementation by expanding access to technical assistance and strengthening partnerships with public development banks.

Selected approaches to enhance information, transparency and knowledge-sharing

4(e). Peer exchange for domestic transparency systems

Support to recipient countries in building data collection and reporting capacity and systems can provide accurate and up-to-date climate finance data, including resources received, channeled (e.g., through budget tagging) and delivered (e.g., expenditure reporting). International organizations and development partners can also scale, coordinate and tailor capacity-building, including through enhanced readiness and peer-learning support to country circumstances. Capacity building should include cities and regions to allow the sub-national level to implement local climate action and achieve impact.

Potential measures:

- Use existing forums and networks—to share practical lessons, promote South-South learning and connect countries with technical-assistance providers.

- Harness digitalization and machine-learning tools to overcome data gaps and inform macro-economic modelling.

5. Reshaping—Systems and structures for equitable capital flows

Key concepts and existing initiatives

Regulations play an essential role in reducing market failures and promoting stability across sectors and therefore will be crucial to scaling up climate finance flows. The international financial architecture—the existing set of international financial frameworks, rules, institutions and markets that safeguard the stability and function of the global monetary and financial systems—produces fundamental effects on sustainable development outcomes, for better or for worse.

A well-coordinated and resourced climate finance ecosystem can only go so far in the context of a set of rules, norms, regulations and information sources that act as constraints to cross-border investments in developing countries. Many rules and norms related to how investment risks in developing countries are perceived in the financial system can create barriers to the flow of climate finance. Several aspects of regulatory standards or information sources may overstate the risk of investing in developing countries or may inadvertently disincentivize cross-border investment despite data showing lower than expected default rates.

These barriers are interconnected and mutually reinforcing. Prudential rules tend to penalize long-term green assets in developing countries. Sovereign credit rating methodologies amplify climate-related risk premiums while undervaluing the risk-sharing role of multilateral development banks. Limited access to long-tenor foreign exchange hedges compounds convertibility risks. Additional obstacles—such as fragmented taxonomies and disclosures, under-utilized guarantees, and institutional mandates that favor domestic or investment-grade assets—further raise procyclical risk premiums. Collectively, these constraints trap developing countries into a self-perpetuating cycle: high risk premiums deter investment, shallow markets reinforce perceived risk, and the financing gap persists.[83]

Cross-border bank financing to developing countries has remained flat for the last five years, with credit to non-financial corporations in decline, precisely when climate urgency demands an unprecedented scaling of investment flows while maintaining prudential soundness. Institutional investors manage over USD 180 trillion; even a 0.5 per cent reallocation could yield USD 900 billion.[84]

Mobilizing and aligning capital flows with climate objectives in developing countries requires prudential and policy reforms that fully integrate climate-related risks. Within the Basel framework, such risks are currently treated as amplifiers of traditional categories—credit, liquidity, operational, and market risks. Although recent progress has encouraged banks and supervisors to account for these effects, risk remains arguably systematically mispriced. Basel III[85] and related prudential rules should therefore be recalibrated to recognize the risk-reducing value of multilateral development bank guarantees, long-term green assets, and resilience-enhancing investments, which are still penalized under existing rules. While there has been progress in the last ten years to ensure that climate risks and the risk-reducing potential of climate investment are accurately reflected in financial system rules and information flows, more can still be done on an evidence-based and risk-proportionate basis, based on existing international agreements.

Ensuring that firms receive appropriate recognition for the use of credit enhancements, and that project finance risk weights are aligned with actual risk outcomes, is fully consistent with the principles underpinning Basel III. It is important to recall that Basel III was originally designed to curb financial excesses, strengthen transparency, and contain leverage, bubbles, and volatility—factors that had undermined capital adequacy and financial stability, including in developing countries. The reforms proposed would not dilute prudential safeguards. Rather, they aim to realign incentives toward long-term climate investment while preserving Basel III's essential principles of sound capital, liquidity, and risk management—adapting their implementation to the needs of financing the climate transition. Basel III rules can be reinterpreted, grounded in robust evidence and aimed at ensuring that prudential rules accurately reflect material financial risks, including those stemming from climate-related shocks.

A further systemic barrier reflects outdated clauses used in over 2,000 investment treaties that can impact the sovereign policy-making space of developing countries. Investment treaties with investor-state dispute settlements provisions allow foreign investors to claim compensation against government measures that may challenge their business interests. Potential damages liability can affect policy decisions to set enabling environments for climate action. Up to USD 83 billion has been awarded through 349 investor-state disputes for policy actions such as denial of permits for GHG emissions-intensive exploration, extraction, or infrastructure.[86] Developing countries are vulnerable to over 60 per cent of potential Investor-state dispute settlement (ISDS) claims due to climate action.[87]

The central role of international networks and peer-learning exchanges has emerged in recent years not only as a symptom of actors recognizing the need to work together, but also as a key tool to address systemic barriers. From eight founding members in 2017, the Network for Greening the Financial System (NGFS) has grown 147 members across 90 countries and 23 observer organizations today.[88] From 26 founding members in 2019, the Coalition of Finance Ministers for Climate Action (2019) has grown to over 90 members in 2025.[89] Under the COP30 Presidency, the Circle of Finance Ministers has engaged in a structured dialogue on strategies and pathways to scale up climate finance to developing nations.[90]

International standard-setting bodies and networks such as the Basel Committee on Banking Supervision (BCBS), the Financial Stability Board (FSB), the International Organization of Securities Commissions (IOSCO), and the International Association of Insurance Supervisors (IAIS) have important roles to play in ensuring climate-related financial reforms are consistent with international standards, avoid conflicting requirements, and reflect the mandates and operational realities of central banks and supervisors.

Spaces for collaboration at the intersection of trade and climate policy have been identified as a gap.[91] An enhanced dialogue on trade, investment and climate could support the first Global Stocktake's call for cooperation toward an "open and supportive international economic system aimed at achieving sustainable economic growth and development in all countries and thus enabling them better to address the problems of climate change."

Much of the focus of existing initiatives has been on efforts to improve the information space. Over the past decade, voluntary frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) identified reporting standards on climate risks across governance, strategy, risk management, and metrics. By 2023, more than 82 per cent of companies disclosed information aligned with at least one of the 11 TCFD recommendations, though fewer than 3 per cent reported on all of them comprehensively. In 2023, the International Financial Reporting Standards Foundation (IFRS) and its International Sustainability Standards Board (ISSB) took on responsibility for advancing climate disclosure standards. The ISSB standards, endorsed by IOSCO in mid-2023 to guide companies on how to report climate and sustainability information, are now being adopted or considered by over 30 jurisdictions, signaling a move from voluntary to mandatory climate-related disclosures.

In parallel, countries are integrating climate disclosure into financial regulation. The G7 and G20 have endorsed climate disclosures, and initiatives like the Coalition of Finance Ministers for Climate Action and the NGFS are supporting central banks and finance ministries to embed climate risk into macroeconomic oversight. Other initiatives have focused on improving guidance on climate investment. Over 60 jurisdictions have published sustainable finance taxonomies to guide investment in both mitigation and adaptation or climate resilient areas of the economy. However, lack of mutual recognition and interoperability limits their potential for enhancing cross-border flows and may increase transaction costs.

Within their mandates, some central banks are examining and testing practical pathways to support investment in low emission and climate resilient sectors, by incorporating climate-related criteria into monetary policy operations and reserve management as a complement to current policies, as their visibility and monitoring may improve market development and potentially reduce risk premiums for green financial instruments. Some central banks have also developed green asset purchase programs, green lending facilities or green credit guidance learning from peers internationally.

Finally, integrating nature and resilience into financial frameworks—through stronger sustainability disclosure, pricing mechanisms, and recognition of nature as a driver of long-term value—will help align financial systems with climate and development goals.

Regional considerations, including for Least Developed Countries and Small Island Developing States. The special circumstances of highly vulnerable countries and those with the least capacities should remain a guiding consideration in efforts to support transformative change of international financial systems. This should involve differentiated responses in line with local capacities, for example by varying the granularity of sustainable finance taxonomies and disclosures which are widely recognized as tools to unlock capital for sustainable development. While taxonomy developments were initially concentrated in Europe and Asia, Latin American and African countries are catching up with technical support of international partners. Regional taxonomy initiatives such as in Latin America and the Caribbean[92] and ASEAN Taxonomy for Sustainable Finance[93] showcase efforts to facilitate cross-border climate finance flows while preserving national policy-space and priorities.

Supporting capacities for inclusive climate-related disclosure uptake at country and corporate level can also make a difference for international finance to flow where it is most needed. At present, 11 Asia countries from Asia and the Pacific, six from Africa and five from Latin America and the Caribbean, including five Least Developed Countries and one Small Island Developing States have or are in the process of adopting the ISSB standards.[94]

Addressing investment risk perception at a systemic level, is also a focal point for Least Developed, Small Island Developing States, and other highly climate-vulnerable countries. As a regional initiative, with international partners, the Africa Credit Ratings Initiative has been launched to enhance institutional and analytical capacities to assess creditworthiness and improve access to affordable development financing.[95] Similar conversations are emerging in the Caribbean, e.g., with the establishment of the Caribbean Credit Rating Agency by the Inter-American Development Bank to facilitate access for private sector companies to domestic and cross-border issuance of notes and bonds, lower cost of funds, and provide investors with high-quality information to compare debt instruments in the Caribbean region,[96] as well as the Caribbean Information and Credit Rating Services which offer regional and national credit ratings, private credit assessments, micro, small and medium-sized enterprise ratings, and bond valuation services.[97]

As more climate-related financial sector methodologies are being developed, from stress testing to integration of climate scenarios into macro-economic modelling and budget forecasts, countries with the least capacities will benefit from institutionalized international collaboration and peer-learning networks, recognizing existing challenges such as lack of standardized and quality data resulting in underestimation and only partial measurement of climate-related risks.[98]

The policy approaches proposed below to enhance cross-border climate finance consider the political economy reality, while putting into perspective the significant costs of inaction. There are opportunities for improvements within the existing mandates of central banks and regulators, as well as related recommendations to be discussed and considered in appropriate fora. Beyond changes that can be immediately considered and fit well within existing mandates, building consensus on more frontier issues can provide both legitimacy and efficacy to regulatory approaches that could unlock greater private investment in the medium-term.

Proposed actions and issues for further discussion involve prudential regulation and four cross-cutting issues that serve as critical underpinnings for sound financial investment allocation and risk assessments: private sector disclosure mechanisms and transition plans; credit ratings; investment treaties; and taxonomies.

Selected approaches to improve supply and demand of climate finance

5(a). Prudential regulation

Central banks and regulators can coordinate to adapt prudential and fiduciary frameworks that facilitate bank financing and institutional investor allocation to investments in developing countries over the medium to long-term.

Potential measures:

- Within their mandates, central banks, standard setters, and supervisory bodies could continue to analyze how Basel III capital and liquidity requirements may capture climate-related financial risks, such as by jointly examining:
    - Treatment of direct and implicit risk mitigation and credit enhancement provided by multilateral development banks, development financial institutions 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 Global Emerging Markets Risk Database.
- Non-bank financial regulators could review their regulatory regimes (e.g., Solvency II, Institutions of Occupational Retirement Provisions II and equivalent frameworks) to reflect risk profiles when enhanced by credit guarantees or blended finance structures, and clarify fiduciary duty interpretations and regulatory guidance that supports long-term climate-aligned investments by institutional investors.
- International standard setters (e.g., the Basel Committee on Banking Supervision —BCBS) and national regulators, within their mandates, could provide more specific guidance on the integration of forward-looking climate scenario analysis and stress-testing into capital adequacy frameworks detailing minimum and proportional required elements in scenario design (e.g., timeframes, hazards, macro-financial variables) and how output should inform both capital planning and strategic decision-making.

5(b). Interoperability of taxonomies

Finance ministers, supervisors, and market conduct regulators can seek interoperability in their taxonomies—preserving national priorities. Developing interoperable and science-based sustainable finance taxonomies is essential to guide investment toward green,

transition, and resilience-aligned activities, ensuring that those are clear, transparent, robust and effective. Work could advance on establishing taxonomy interoperability principles that provide common reference points while allowing flexibility for national contexts. An inclusive process—reflecting the needs of developing countries—can help ensure consistency and credibility across jurisdictions.

Potential measures:

- UN agencies, Governments and other relevant actors work upon, and implement "taxonomy interoperability principles" that promote mutual recognition mechanisms to enable cross-border use of taxonomy-aligned finance, while preserving domestic regulatory sovereignty.

5(c). Disclosures

Regulators can support the adoption or application of, or otherwise be informed by, climate disclosure frameworks such as IFRS S1 (general sustainability-related financial information) and IFRS S2 (climate-related disclosures). Broader stakeholders and financial reporters could adopt and implement ISSB standards and BCBS's voluntary disclosure of climate-related financial risks, in the case of financial institutions, at the national level, ensuring consistency and interoperability with existing frameworks.

Potential measures:

- Supervisory and regulatory authorities could define clear expectations for private sector transition plans including how to define their credibility using existing frameworks[99] and integrating transition plan expectations into supervisory reviews and corporate disclosure requirements.

5(d). Investment treaties

Governments can better evaluate and act on potential adjustments to investment treaties and treaty policies to avoid disincentives for climate action, including carve out models for policies related to climate action and their application through plurilateral instruments.

Potential measures:

- Governments could establish a plurilateral working group in appropriate fora including government representatives, academia, and international organizations to identify actions to ensure investment treaty regimes can no longer penalize the development of climate-related policies in developing countries and/or promote investments in climate solutions without prejudice to legal disputes. The group could consider ways to provide greater certainty for governments regarding exposure to claims, awards and damages relating to policies to advance climate goals and consider possible climate-friendly provisions in investment agreements with attention to effectiveness and implementation.

Selected approaches to enhance access to climate finance

5(e). Credit rating agencies and Debt Sustainability Assessments

Given the central role of debt sustainability assessments by the International Monetary Fund and World Bank in supporting market actors investment choices, they should advance the ongoing International Monetary Fund—World Bank review of the Debt Sustainability Assessment (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.

Credit ratings agencies can also incorporate climate- and nature related risks and the economic benefits of measures to reduce them in their credit rating analysis, following the lead of the International Monetary Fund and World Bank. This can include greater recognition of the positive impact of credible, science-aligned corporate transition plans and climate adaptation, resilience and nature-related investments in developing countries on their long-term creditworthiness.

Potential measures:

- The International Monetary Fund and the World Bank could expedite the revision of Debt Sustainability Analysis methodologies.
- Credit rating agencies could enhance transparency on the criteria and assumptions used to assess climate-related risks and opportunities in credit ratings, and support for the development and use of granular industry data, including through global platforms such as Global Emerging Markets Risk Database (GEMs), to better assess asset performance and risks.

Selected approaches to enhance information, transparency and knowledge-sharing

5(f). International networks

Engage in international cooperation and networks to share knowledge, develop global voluntary standards, and contribute to the development of environment and climate risk management in the financial sector.

Potential measures:

- 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.

6. Key action points across the 5Rs

This section consolidates the selected approaches and potential measures identified above into key action points directed at specific actors across the five fronts for action (5Rs), as a tool to guide implementation and follow up on the Roadmap.

The implementation of the actions outlined in the Roadmap is to be guided by Parties as they respond to the goals of the Paris Agreement and its principles and provisions, and by extension by the international, multilateral, private sector and civil society actors that support implementation on the ground.

1. Replenishing—Grants, Concessional Finance and Low-Cost Capital

1.1 Developed countries to achieve manyfold increases in the delivery of grants and concessional climate finance, including through bilateral and multilateral channels.

1.2 All countries to work together to ensure unity in the delivery of grants, concessional finance and low-cost sources of capital to deal with adequacy, access and allocation for the poor and vulnerable, particularly by enhancing adaptation finance and contributions on a voluntary basis.

1.3 Multilateral climate funds to be supported by strong replenishments toward fulfilling the decision to "at least triple annual outflows from 2022 levels by 2030 at the latest with a view to significantly scale up the share of finance delivered through them in delivering" on the USD 300 billion goal. These funds are to be accompanied by internal reforms to enhance access, responsiveness, readiness support and delivery, while improving systemic coherence and governance. Multilateral climate funds to also put greater emphasis on early-stage innovative financial instruments and structures that de-risk wider investments and on building markets by supporting trailing new modes and partnerships for resilient investments.

1.4 Multilateral development banks to intensify their engagement on climate finance through a strategic approach that recognizes and amplifies their catalytic role in providing and mobilizing capital for NDCs and NAPs, particularly by:

- Pursuing the full implementation of the "Roadmap Toward Better, Bigger and More Effective Multilateral Development Banks" to improve their collective performance and development impact, including the implementation of the Capital Adequacy Framework reforms to expand their financing capacity while maintaining financial resilience and stepping up efforts to mobilize private capital;

- Considering, in a timely manner, within their respective mandates and processes and with their shareholders, when additional capital may be needed to assist countries to achieve their sustainable development goals as well as to address global and regional challenges;

- Strengthening system-wide coordination, transparency and collaboration to improve collective performance and development impact;

- Enhancing their role in project preparation and implementation by expanding access to technical assistance and strengthening partnerships with public development banks;

- Setting enhanced climate finance targets to 2035, including strong support for climate adaptation by prioritizing concessional resources and mainstreaming adaptation finance alongside mitigation action.

1.5 Grants and concessional finance providers to increase innovation in financing structures and instruments to promote equity and just transitions, to support the poor and vulnerable, to enhance impact in activities with limited direct financial returns and to scale private finance mobilization. Grants and concessional finance providers to also redouble efforts in support to Indigenous Peoples and local communities, to women, to micro small and medium-sized enterprises by addressing structural barriers to finance such as the lack of collateral, formal recognition and systemic bias.

1.6 All countries to work together to explore innovative sources of concessional finance, including through:

- The expansion of the rechanneling and additional issuance of Special Drawing Rights (SDRs) directed to climate action;

- Strengthened international cooperation on taxation and experiments with voluntary partnerships between countries on e.g., sector-based contributions, highly-polluting and GHG-intensive activities, financial transactions and ultra-high-net-worth individuals, while carefully considering potential negative impacts on development priorities and trade and redistribution mechanisms;

- Enhanced use of share of proceeds of carbon pricing mechanisms such as emissions trading schemes and baseline-and-crediting instruments, particularly the Paris Agreement Crediting Mechanism.

2. Rebalancing—Fiscal Space and Debt Sustainability

2.1 Creditor countries, the International Monetary Fund and multilateral development banks to work together to alleviate onerous debt burdens faced by developing countries including through climate-resilient debt clauses, debt-for-nature/climate swaps, other state-contingent or pre-arranged facilities, providing support to reduce debt vulnerability and strengthen fiscal capacity for climate action, including by developing standardized structures which make them easier and cheaper to transact.

2.2 Multilateral development banks, the International Monetary Fund, UN agencies and regional UN economic commissions to 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.

2.3 Multilateral development banks 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.

3. Rechanneling—Transformative Private Finance and Affordable Cost of Capital

3.1 Multilateral development banks, development finance institutions, public development banks and multilateral climate funds to significantly scale the availability and quality of catalytic financial and risk mitigation instruments, including by:

- Improving mobilization targets and data transparency to support investor confidence and address risk perceptions.
- Expanding the volumes of first-loss equity deployed with capped returns or long-term patient return requirements in investment vehicles, through the use of large pooled funds.
- Increasing, coordinating and harmonizing guarantee offerings across the system, in particular through the use of credit guarantees and political risk insurance and the alignment of internal capital treatment of guarantees with their historically low default risk and strong recovery record.
- Channeling concessional finance into long-term foreign exchange hedging facilities to provide affordable currency hedging solutions, including in partnership with public development banks.
- Fostering the development of securitization and syndication mechanisms and creating appropriate investment vehicles for institutional investors.

3.2 Public sector financial institutions, including multilateral development banks, development finance institutions and public development banks, supported by their shareholders, to move toward originate-to-distribute and originate-to-share business models to increase the velocity and impact of public development capital.

3.3 Multilateral development banks, development finance institutions and institutional investors to support the development of climate-aligned domestic financial systems and capital markets, including toward scaling up the issuance of bonds.

3.4 Public development banks, multilateral development banks, development finance institutions, local financial institutions, and institutional investors to collaborate to expand the investor base and diversify sources of capital for climate nature and investments, as in the case of the Tropical Forests Forever Facility.

3.5 Governments and local financial institutions to accelerate the shift toward digital payment systems, strengthen data collection and registration in official balance of payments datasets, reduce transaction costs—particularly for climate-related initiatives—and expand facilitation platforms to improve the efficiency, transparency, and impact of remittance flows.

3.6 Governments to develop comprehensive disaster risk management and resilience strategies where pre-arranged financing is integrated into budget processes and financing strategies and concessional finance offerings.

3.7 Governments, public development banks, development finance institutions, multilateral development banks, and regulatory bodies to 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, including for ecosystem-based adaptation.
- Performance risk coverage and resilience incentives through reduced premiums.
- Deploying insurance assets toward investments in resilience and adaptation.

3.8 Governments and regulators to work together to enhance ambition, effectiveness and fairness of carbon markets as a policy tool for achieving nationally determined contributions, while upholding environmental integrity and enabling just transitions. This includes promoting transparency around monitoring, reporting and verification systems, interoperability, carbon accounting methodologies, and rules for use of high integrity offsets, to facilitate convergence in the long term.

4. Revamping—Capacity and Coordination for Scaled Climate Portfolios

4.1 Governments to mainstream climate, nature and just transition objectives into planning, budgeting and investment frameworks, respecting national needs and priorities and aiming toward whole-of-government, whole-of-economy approaches.

4.2 International organizations and development partners to scale, coordinate and tailor capacity-building, including through enhanced readiness and peer-learning support to country circumstances, including cities and regions to allow the sub-national level to develop local climate action and impact.

4.3 Public development banks to be key focal points in building investment pipelines and channeling financial support, managing climate and development national priorities and local risks on the ground.

4.4 Interested developing countries to undertake new generation country platforms to enhance structured, efficient, and effective collaboration involving governments, multilateral development banks, public development banks and the private sector and to mobilize the investment required to address specific country priorities, in consultation with all relevant stakeholders such as Indigenous Peoples, local authorities, communities, workers, youth, women, trade unions and vulnerable groups.

4.5 Bilateral partners, multilateral development banks, the International Monetary Fund, development finance institutions, international organizations and philanthropy to provide predictable and flexible support for investment frameworks development, including country platforms, and aim to maximize finance mobilization from all sources for climate goals. Regional approaches are to be adopted where appropriate to address cross-border challenges and thematic interventions achieving economies of scale, particularly for Least Developed Countries and Small Island Developing States.

5. Reshaping—Systems and Structures for Equitable Capital Flows

5.1 Within their mandates, prudential framework international standard setters (e.g., Basel Committee on Banking Supervision) and national regulators to make progress on the integration of forward-looking climate scenario analysis and stress-testing into supervisory reviews and bank risk management practices.

5.2 Within their mandate and where appropriate, national supervisors and central banks to gradually embed climate stress-testing requirements into supervisory reviews and bank risk management obligations.

5.3 Within their mandates, central banks, standard setters, and supervisory bodies to deepen the analysis of, and address where appropriate, how Basel III capital and liquidity requirements could capture climate-related financial risks.

5.4 Non-bank financial regulators to coordinate to adapt prudential and fiduciary frameworks that facilitate institutional investor allocation to developing countries climate finance.

5.5 Jurisdictions to continue to adopt and implement International Sustainability Standards Board's standards and Basel Committee on Banking Supervision's voluntary disclosure of climate-related financial risks of financial institutions, at the national level, ensuring consistency and interoperability with existing frameworks.

5.6 The International Monetary Fund and World Bank to continue to revise their Debt Sustainability Frameworks to better incorporate both climate-related and nature-related risks and the economic benefits of measures to reduce them, 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.

5.7 While respecting their independence, credit rating agencies to refine methodologies to account for investments, lengthen time horizons for credit analysis, publish long-term ratings based on scenario analysis, and positively reflect the long-term debt sustainability benefits of voluntary debt restructurings and treatments. Ministries of Finance to engage in dialogue with credit rating agencies and encourage the development of climate-informed credit rating approaches toward assessments that are more transparent, objective, independent and reflective of best available data.

5.8 Governments, supervisors, and market conduct regulators to seek interoperability in taxonomies while preserving national priorities and enabling a Paris- and science-aligned global taxonomy framework supporting developing countries' access to sustainable finance.

2

THE BAKU TO BELÉM ROADMAP TO 1.3T

ACTION FRONTS: THEMATIC

While the scale of investment needed in developing countries is unprecedented, volume alone is not enough. What matters is *where* and *how* finance is directed—focusing on thematic priorities for sustainable development in line with national climate plans that can simultaneously meet rising demand for energy, food, housing, and services; promote livelihoods and create industries and decent jobs; and build resilience to escalating climate risks. The sections that follow outline how strategic investments can drive sustainable growth, resilience, and shared prosperity.

1. Financing adaptation and loss & damage: living better with change
2. Financing clean energy access and transitions: powering our lives and journeys
3. Financing nature and supporting its guardians: thriving in our shared environment
4. Financing agriculture and food systems: nurturing the land that feeds
5. Financing just transitions: building fair change together

1. Financing adaptation and loss & damage: living better with change

Finance to support adaptation and to address loss and damage is a critical priority for developing countries facing growing climate risks. These areas form a continuum of responses: adaptation finance helps reduce vulnerabilities and strengthen resilience against climate impacts, while financing for responding to loss and damage addresses the residual impacts that remain.

Financing needs for adaptation and resilience are estimated as a plausible central range of USD 310–365 billion per year in developing countries by 2035 (in USD 2023 prices).[100] Findings are further underscoring that additional finance needs of around USD 300 billion per year are needed to make the private sector in developing countries more resilient to the impacts of climate change.[101] Needs are likely to increase with delays in implementing adaptation and with a mitigation pathway that remains off-track.

According to the 2025 UNEP Adaptation Gap Report, international public adaptation finance flows to developing countries were tracked at USD 26 billion in 2023, a slight decline compared to 2022. Annual growth in international public adaptation finance has averaged around 7 per cent per year (2019-2023), below the 12 per cent annual increase needed to meet the Glasgow goal of a doubling by 2025. Concessional finance toward adaptation

accounted for 69 per cent of international adaptation finance. However, non-concessional loans continue to increase, particularly toward middle-income countries, and exceeded the amount of concessional loans in 2023.[102] Fewer than 10 per cent of disaster losses in low-income countries are insured[103] and less than 10 per cent of funding committed under international climate funds to help developing countries take action on climate change is directed at the local level.[104] At the community level, smallholder forest and farm producers are already investing 20–40 per cent of their annual income in adapting to climate change.

Finance for adaptation is not nearly enough and is not reaching the communities at the forefront who have least contributed to climate change—less than 17 per cent of international public finance between 2017–21 reached communities directly,[105] and only 4 per cent of adaptation ODA in 2022 targeted gender as a principal objective.[106] This collective shortfall is not only financial, but also systemic. Without adequate adaptation, countries face higher sovereign debts, higher costs of capital, and greater economic volatility. The current trajectory risks loss of life, worsening health impacts, stressed ecosystems, food inflation, productivity decline, disrupted supply chains, and threats to global financial stability.

The climate finance ecosystem has responded to the political imperative, through initiatives such as the urge to double adaptation finance from 2019 levels by 2025, and several coalitions and alliances aimed at scaling up adaptation finance such as the Champions for Adaptation Finance Group and the Adaptation and Resilience Investors Collaborative. In the area of loss and damage, the Fund for responding to Loss and Damage has been established and received initial pledges and is now finalizing arrangements for supporting an initial set of interventions. At COP 29, the Climate Finance Action Fund (CFAF) was launched involving fossil-fuel producing countries and companies investing in income-generating investments in developing economies that foster climate action and drive development outcomes with 20 per cent of the generated income aimed at providing highly concessional and grant-based assistance to address the impacts of natural disasters in Small Island Developing States and Least Developed Countries.

Recently, the targets under the Global Goal on Adaptation, established through the UAE Framework for Global Climate Resilience, provide the basis for focusing on outcomes and impacts that align with broader economic development needs. This alignment can guide the climate finance ecosystem in overcoming siloed approaches that create methodological challenges in justifying adaptation finance. In Baku, Parties acknowledged the need for public and grant-based resources and highly concessional finance, particularly for adaptation and responding to loss and damage in developing countries, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as Least Developed Countries and Small Island Developing States; the need to dramatically scale up adaptation finance, the aim that scaled-up financial resources achieve a balance between adaptation and mitigation taking into account country-driven strategies; and the need for urgent and enhanced action and support for averting, minimizing and addressing loss and damage associated with climate change impacts.[107]

Contrary to the perception that adaptation only creates benefits locally (unlike mitigation), adaptation has clear global spill over benefits. Ecological, financial, and economic systems

are deeply interconnected, and shocks often cascade through all. Strategic sovereign investment in adaptation can also lower debt costs in the medium to long term, reinforcing the economic and financial rationale for investments into adaptation and resilience. Urban adaptation finance may be one of the fastest levers that translates into visible jobs, growth, and resilience.[108]

Despite clear economic cases for adaptation investment leveraging over ten times its value in economic benefits, a systemic response to the adaptation imperative has yet to materialize.[109] The expressed needs of developing countries are not adequately reflected in the nationally costed estimates for climate action due to persistent gaps in available data and institutional capacities, as well as methodological and coordination challenges in determining them.[110] Such gaps and challenges have, in many cases, impeded the formulation of national adaptation plans, which are important tools for mobilizing adaptation finance; despite the call from the First Global Stocktake for all Parties to have in place their NAPs by 2025, only 68 developing countries have submitted their NAPs to the UNFCCC as of 16 October 2025. Similarly, data gaps persist in our knowledge on what adaptation finance is flowing, with 90 per cent provided by bilateral finance, multilateral development banks and national development banks and limited knowledge on domestic finance and private finance. Mindset shifts are needed that frame adaptation not only in terms of risk reduction and avoided losses, but also in terms of the opportunities it can unlock, and the tangible benefits and resilience dividends adaptation action can deliver.[111]

Analysis of the aforementioned adaptation costs of USD 310–365 billion per year shows the mix of potential public and private sources of finance in support three types of adaptation interventions:

- Adaptation activities which the public sector typically delivers, such as public goods or in non-market sectors, for example, for major flood protection investments or adaptive social protection payments. These involve public costs and provide public benefits, including for the private sector.

- Mixed areas where government may act to address market failures to deliver more positive welfare outcomes, e.g., for climate-smart agriculture due to its positive environmental benefits and/or where public action can help make adaptation more commercially viable.

- Adaptation within existing well-functioning markets that provide commercial returns, where governments do not normally intervene, e.g., air conditioning in factories. These pure private actions will, in turn, have fiscal benefits for public finances.

According to the UNEP Adaptation Gap Report, the private financial sector and private investors can play a key role in financing public adaptation, e.g., for sovereign green bonds, and they also play a similar role for financing private adaptation. There are also opportunities for financial services companies and intermediaries, from both developed and developing countries. These actors also have a role in disclosure and transition planning and can help other private actors to adapt. Adaptation also provides the private

sector with new market opportunities for adaptation goods and services, for both the public and private sectors (e.g., increased government procurement contracts, providing air conditioning for factories). This can involve multinationals through to small and medium-sized enterprises in developing countries.

Additional actions specific to adaptation and loss and damage include:

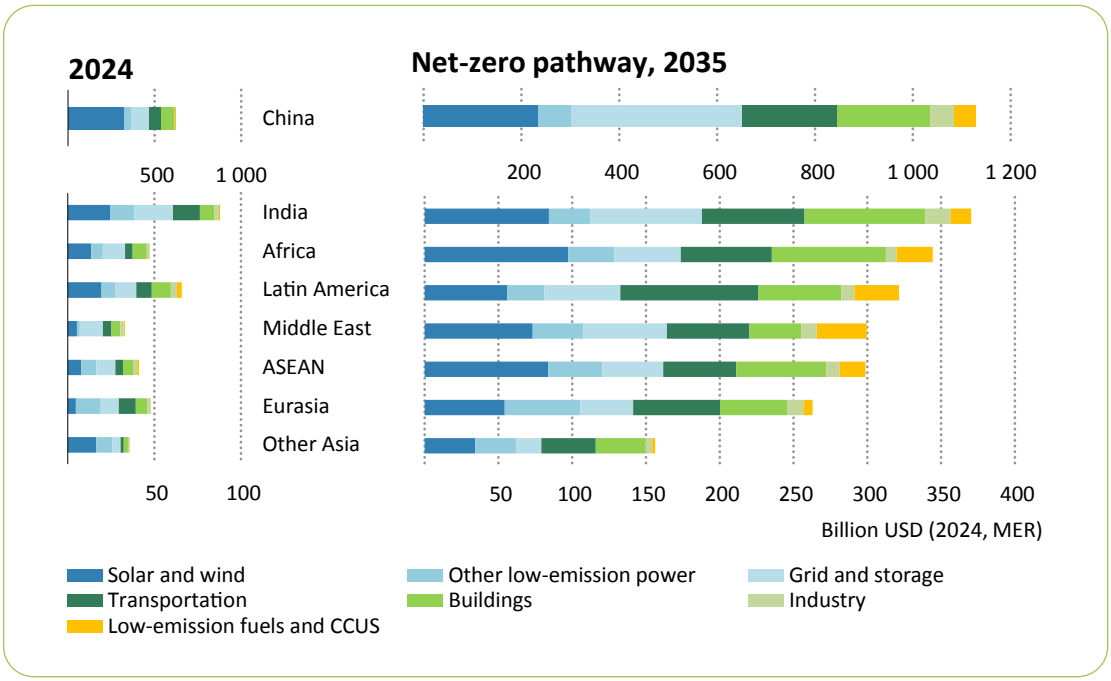
- Developed countries could consider how to communicate enhanced support for adaptation in continuation of the Glasgow Pact pledge to double adaptation finance, while improving quality—e.g., grants and highly concessional resources, streamlined access, and stronger project preparation pipelines.
- Multilateral climate funds and multilateral development banks could simplify data requirements and approval procedures for adaptation and loss and damage-related finance, recognizing the intrinsic role of adaptation in development.
- Concessional finance providers could work toward comprehensive insurance solutions and pre-arranged finance for the most vulnerable developing countries and communities.
- All actors could work to empower locally led and inclusive delivery directing resources to municipalities, women's organizations, and Indigenous Peoples, to ensure effectiveness and legitimacy, including dedicated funding windows, simplified access procedures, and fiscal transfer systems tied to resilience indicators.
- Governments and the private sector could support work on standardization of resilience bond issuances to improve investor confidence and reduce transaction costs.
- Governments could accelerate move from fragmented projects to programmatic pipelines integrated into fiscal frameworks. Tools like climate budget tagging and the Asian Development Bank's Adaptation Investment Planning Program demonstrate how NAPs can be translated into investment-ready pipelines.
- Governments and regulators could provide better data on risks, resilience standards in procurement, disclosure requirements and the integration of climate resilience metrics and adaptation into prudential regulation and stress testing frameworks, ensuring that capital and liquidity rules support climate-resilient assets.
- Improve the use of digital tools such as mobile money, e-vouchers, and digital IDs to deliver adaptation and loss and damage finance quickly, transparently, and efficiently while enabling innovative financing models.
- UN agencies, standard setters, and relevant actors could align adaptation taxonomies with the Global Goal on Adaptation, helping financial institutions and investors direct capital toward verified adaptation projects.

2. Financing clean energy access and transitions: powering our lives and journeys

Achieving the goals of the Paris Agreement requires collective action across many fronts, and energy lies at the heart of this effort. Over 70 per cent of global greenhouse gas emissions stem from energy production and consumption, making it a decisive pillar of mitigation, while investments in grids, battery storage, and distributed renewable energy can also strengthen resilience. Affordable energy is central to economic and social development, underpinning security, health, and education, and providing the foundation for inclusive growth. Yet scaling up the necessary investments remains a major challenge: according to the International Energy Agency (IEA), aligning with a net zero pathway and achieving other energy-related sustainable development goals will require substantial increases in finance, including around USD 800-900 billion in annual external funding by the mid-2030s for developing countries. International capital flows, both public and private, are critical.

Investment needs

Figure 2. Clean energy investments in developing countries



Source: International Energy Agency.

Over the next decade, developing countries need to bring their annual investment in a range of clean energy technologies and infrastructure up to around USD 2.3 trillion annually, from around USD 970 billion today, to get on track for an ambitious net zero pathway. China represents more than 45 per cent of this total. While current investment levels are less than half of what is required, the gap also presents a major opportunity for clean growth.

Investment in low-emissions sources of power generation in developing countries accounted for more than 40 per cent of total energy investment in 2024, reaching nearly half in some regions. Much of this growth has been driven by solar and wind, which are already the cheapest sources of new electricity in most regions and are well-positioned to meet rising electricity demand in an affordable manner. As demand for electricity in developing countries is set to grow faster than anywhere else in the world, scaling these readily available technologies offers an accessible way to accelerate economic development.

Significant challenges remain in ensuring universal energy access and in closing the largest investment gaps across key sectors. Achieving modern energy access for all—including electricity and clean cooking—accounts for around 2 per cent of total investment requirements yet is fundamental for human development and social inclusion.

More broadly, the most pronounced shortfalls lie in transport, for e-mobility and expanded public transport systems, and in buildings, where deep renovation and efficient construction can curb emissions and enhance resilience in rapidly growing cities. Cities and municipalities need to play an outsized role in accelerating these transformations, given their importance for infrastructure development and consumption patterns. Investments in grids and storage also need a major boost.

Beyond these, early investments in low-emissions fuels and carbon capture, utilization and storage (CCUS) will be critical for hard-to-abate sectors such as shipping and aviation—first through pilot projects, and later through commercial deployment.

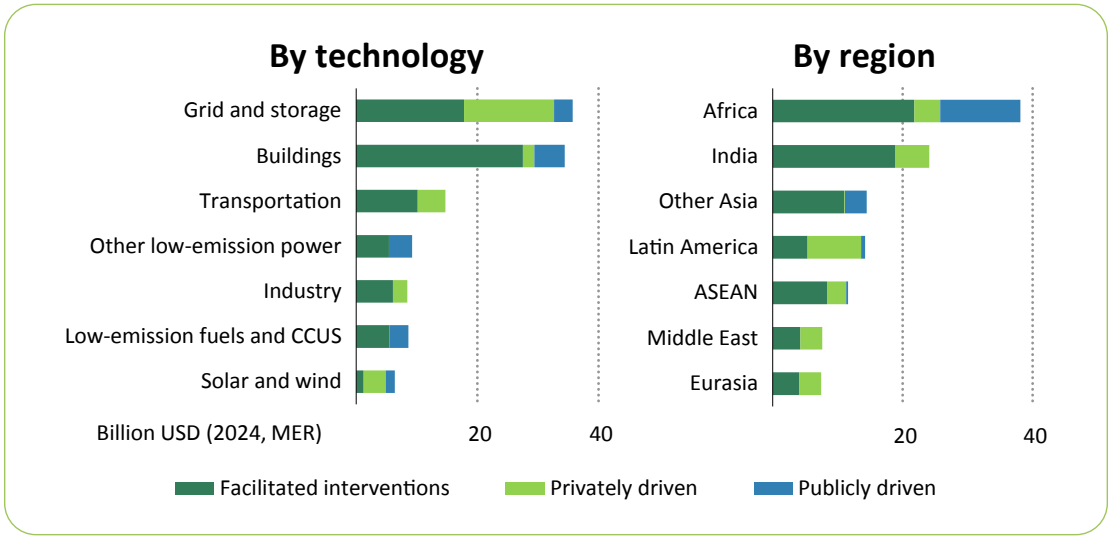
Scaling investment in clean energy

One of the most significant barriers to scaling investment in clean energy in the vast majority of developing countries is the high cost of capital, which is typically at least two or three times as high as in developed countries. Because clean energy investments are capital-intensive, these elevated financing costs translate directly into higher electricity costs: in developing countries, financing costs represent over half of electricity costs, as opposed to less than 30 per cent in Europe. The impact of this barrier is substantial—a one percentage point reduction in financing costs in developing countries could save about USD 140 billion each year in interest payments, dramatically improving project bankability. Achieving such reductions requires tackling the underlying sources of risk that drive up financing costs. Some of these risks are macroeconomic, such as exchange rate volatility or political instability, while others are sector- or project-specific, including regulatory uncertainty and off-taker credit risk. While broader macro risks will take time to resolve, international assistance can play a decisive role in reducing sectoral and project-level risks by supporting stronger policy and regulatory frameworks and fostering business models that can attract private capital at scale.

Addressing these challenges will not only require improved policies and regulations but also targeted financial instruments and higher volumes of capital. In many low-income countries, equity capital is in short supply, making it difficult for developers, especially small and medium enterprises, to secure debt financing given the high capital requirements from banks. While most clean energy finance today is mobilized from domestic sources, both public and commercial, further deepening local capital markets is essential to sustain and expand these flows. This is especially important for investments in the power sector,

where revenues are typically denominated in local currency, unlike fossil fuels that can rely on dollar-based revenues. Still, international finance needs to play a central role: of the USD 2.3 trillion in clean energy investments in developing countries in 2035, around 35-40 per cent will need to come from international sources, both commercial and public. To unlock capital at scale, international public finance of roughly USD 120 billion per year is needed in developing countries (this figure excludes China), deployed through instruments such as blended finance, guarantees, and concessional loans that can reduce risk perceptions and crowd in private investors.

Figure 3. International public finance by sector and by region in 2035



Source: International Energy Agency.

International public finance has a crucial role to play, but, in many cases, it can be allocated more effectively to mobilize private capital rather than simply providing direct funding. More than 60 per cent of the need for public funding is for facilitated interventions that de-risk projects, lowering financing costs and attracting institutional investors. For technologies that already attract private participation, such as solar and wind, international public finance is most effective when supporting project preparation in low-income countries and project structuring in middle-income countries, creating pipelines of bankable projects. Still, public financing remains indispensable for areas with insufficient risk-adjusted returns, including distributed solar, grid expansion, and clean cooking, as well as early-stage deployment of nascent technologies like CCUS and low-emissions hydrogen.

To deliver at scale, mobilization ratios need to rise sharply from today's 60 cents of private capital for every dollar of international public finance to at least five to seven dollars. Achieving this will require development finance institutions to deploy more risk-bearing capital and instruments tailored to local market conditions. At the regional level, estimations indicate that Africa could receive the largest share of international public finance, given that it is home to almost 20 per cent of the world's population yet receives only about 2 per cent of total clean energy investment today, as noted in the Addis Ababa Declaration at the Africa Climate Summit in 2025.

Selected sub-sector highlights

Energy access (clean cooking and electricity access): As of 2024, 700 million people worldwide still lacked electricity and 2 billion still relied on traditional biomass for cooking. Achieving universal access for both electricity and clean cooking by 2035 will require around USD 40 billion in annual investment over the next decade. Of this, estimations by the International Energy Agency indicate that about USD 16 billion needs to come in concessional form. To maximize impact, concessional resources should take on more risk within the capital stack, shifting from senior positions toward junior or even first-loss tranches. This greater risk absorption can make projects more attractive to private investors while ensuring access projects remain affordable to households. Expanding the availability of equity is particularly important to scale decentralized solutions, with concessional equity most effective when structured in junior or first-loss positions to attract more private capital. Direct support from concessional providers will also be essential for the hardest-to-reach communities, which are likely to rely on targeted subsidies that make energy access solutions affordable for households.

Methane abatement: Tackling methane emissions from fossil fuel supply represents one of the fastest and lowest cost opportunities to reduce GHG emissions. Almost all available methane abatement measures would be cost-effective to deploy in the presence of price of about USD 20/tCO2eq. Strong action to cut methane emissions from fossil fuels would have an impact equivalent to eliminating all CO2 emissions from the world's heavy industry. Securing capital for required upfront investments can be difficult, especially in developing economies. Companies may also struggle to secure the necessary services to tackle the problem or to identify an effective pathway to bring captured gas to productive use. An estimated USD 120 billion in investments will be needed through to 2030 to reduce methane emissions by 75 per cent in developing countries. Fossil fuel companies could carry the primary responsibility for abating methane emissions, but there is an estimated financing gap in developing countries of about USD 60 billion. External funding to reduce methane emissions totals less than USD 1 billion, although these funds could mobilize much larger commitments.

CCUS: Making progress on CCUS investments in developing countries over the next decade will be critical to address hard-to-abate industrial emissions, to produce low-emissions fuels, to deploy carbon removal technologies, and to allow for the continued operation of young fossil-fired power assets. An estimated USD 480 billion in investments will be needed by 2035 in developing countries across different CCUS applications. These solutions add to the cost of operations and unlike other clean energy investments do not benefit from additional revenues unless they can secure carbon credits which have yet to reach the level and scale needed to create a viable business model. CCUS technologies account for about 7 per cent of total emissions reductions in 2050 and early deployment will be critical to begin commercialization within the next decade and limit further emissions. International support is needed to finance these investments and an estimated USD 9 billion annually would help mobilize private capital. Due to the currently high costs associated with CCUS technologies, a coordinated investment strategy—similar to the historical support provided for solar and wind energy and reinforced by strong demand in oil- and gas-producing countries—could play a critical role in enabling wider deployment and significantly reducing costs.

Additional actions specific to the energy transition:

- Concessional finance providers and public development banks could work together to lower the cost of capital as a decisive priority. Scaling guarantees, risk-sharing facilities, and currency hedging through multilateral development banks and development finance institutions can cut the weighted average cost of capital by half, particularly in regions such as Africa and Southeast Asia.

- Concessional finance providers and public development banks could scale up allocation of catalytic equity to support achieving energy access goals that reduce emissions and support the most vulnerable households and communities.

- Concessional finance providers and public development banks and governments could work together to build robust pipelines of investable projects. Country platforms, regional investment vehicles, and project preparation facilities can convert technical potential into portfolios of viable projects that attract private capital at scale.

- Governments could promote technology transfer and high integrity carbon markets to drive investment in for carbon and methane abatement solutions to address hard-to-abate sources of greenhouse gases.

- Cities consume most of the world's energy, positioning them at the center of the clean transition. Expanding distributed renewables and electrifying transport could cut emissions and improve air quality while enhancing affordability and resilience.

3. Financing nature and supporting its guardians: thriving in our shared environment

The interplay between climate action and closing the finance gap for nature and biodiversity represents a key opportunity to achieve a more resilient and equitable future. In the context of the First Global Stocktake of the Paris Agreement, the global community reaffirmed the essential role of nature in meeting climate goals, highlighting the need to support efforts to halt and reverse deforestation and forest degradation by 2030 and preserve and restore nature and ecosystems, including marine and land ecosystems.

Ecosystem restoration, sustainable land management, and the protection of natural systems are not only powerful strategies for mitigation and adaptation—they also generate co-benefits for livelihoods, resilience, and sustainable development, particularly in vulnerable regions. While many approaches are complex and context-specific, their potential for scalable, high-integrity climate and biodiversity outcomes are widely recognized.

Should additional measures be needed to limit warming to 1.5 °C, carbon dioxide removals can also play a crucial role in complementing mitigation—by addressing residual emissions and helping to return temperatures to safer levels if a temporary overshoot occurs.

Approaches to removals that deliver co-benefits, such as biodiversity conservation, coastal protection, and support for Indigenous and rural communities, offer especially valuable pathways for climate and nature alignment.

According to Independent High Level Expert Group (IHLEG), nature investment in developing countries needs to grow to USD 250 billion annually by 2030 and USD 350 billion by 2035.[112] Well-structured climate finance and policy mechanisms can create long-term incentives for conservation and sustainable management while advancing development goals.

Financing nature remains challenging due to entrenched market failures: ecosystem services like carbon storage, flood protection, and soil fertility are undervalued, while harmful subsidies continue to incentivize degradation. Policy reform, public leadership, and risk-sharing mechanisms are essential to mobilize private capital at scale. As implementation accelerates under the Rio Conventions, enhancing coherence among climate, biodiversity, and land degradation agendas is essential. The Kunming-Montreal Global Biodiversity Framework provides a strong policy foundation, with targets to conserve 30 per cent of land and ocean by 2030 (Target 3), eliminate USD 500 billion in harmful subsidies (Target 18), and mobilize USD 200 billion annually for biodiversity (Target 19).

Indigenous Peoples, local communities, and women—often the best stewards of ecosystems—remain underfunded. Securing their rights and directing resources through locally governed mechanisms ensures more effective, durable outcomes for biodiversity and livelihoods alike. Experience demonstrates that it is both possible and highly effective to place Indigenous-led financial funds or mechanisms at the center of financial ecosystems for accessing and distributing benefits from climate programs.

Forests play a unique dual role as both climate regulators and solutions providers. They store immense carbon stocks, shape rainfall patterns, sustain biodiversity, and support more than a billion people. Tropical forests, in particular, are essential to achieving global climate and biodiversity goals, as well as to maintaining food, water, and energy security and public health. Restoration offers large-scale, cost-effective, and politically feasible carbon sequestration while strengthening ecosystems. Protecting and restoring forests is among the most scalable and cost-effective climate mitigation and adaptation options available.

Yet today, tropical forests are often seen more as a risk—due to deforestation and degradation—than as a solution. Forests are increasingly vulnerable to the negative impacts of climate change. In addition, there is a growing interconnection between national and transnational environmental crimes such as illegal deforestation and forest degradation, illegal land grabbing, illegal mining and wildlife trafficking, on the one hand, and other types of organized crime, such as money laundering, drug and arms trafficking, on the other. Progress toward the internationally agreed goal of halting and reversing forest loss by 2030 is off track, putting the climate, biodiversity and the lives of millions of people at risk. Halting deforestation, conserving existing forests, and restoring degraded land could change this picture.

UNEP estimates that tropical regions alone need USD 85.6 billion in annual investment in forests by 2035: USD 18.2 billion for tropical forest protection; USD 43.3 billion for tropical forest restoration; USD 23.9 billion for agroforestry in tropical forest regions.

It is possible to bridge the gap: solutions are available that are compatible with national development aspirations and equitable for Indigenous Peoples and local communities, but additional public and philanthropic funding is needed to establish the enabling conditions that can bring those solutions to scale. A new forest economy is emerging, but we need to go further faster by involving all stakeholders. A combination of instruments can help bridge this gap: innovative financial mechanisms, such as results-based jurisdictional approaches, and the Tropical Forest Forever Facility (TFFF); mobilization of private finance, particularly toward the bioeconomy; sustainable value chains and restoration; and alignment of fiscal policies, such as targeted public finance and sovereign debt management.

Oceans —covering over 70 per cent of the planet and absorbing a quarter of annual CO_2 emissions—is the world's largest carbon sink and vital to global food security. However, marine ecosystems face mounting pressures. Scaling ocean finance to support marine protected areas, blue carbon ecosystems, and coastal community resilience is critical. Momentum from the Nice United Nations Ocean Conference 2025 (UNOC3) provides a valuable platform for action, with 2,600 voluntary commitments and EUR 8.7 billion in pledges. Blue bonds, insurance instruments, and ecosystem service payments can unlock capital when designed to be accessible and inclusive.

In line with the Nice outcome, we must immediately integrate oceans into climate action: governments, businesses and communities should expand marine protection and restoration while embedding coastal and ocean-based climate solutions into national strategies. We should treat the oceans not just as a resource, but as a climate ally—reducing greenhouse gas emissions, addressing ocean acidification, and aligning with the Paris Agreement and the Convention on Biological Diversity goals. At the same time, we must ensure transparent, inclusive governance across climate, biodiversity and ocean policies, avoiding fragmented efforts and empowering coastal communities, youth and Indigenous Peoples to lead this transformation.

Mountain ecosystems are essential for water security, biodiversity, and cultural heritage, yet remain underfunded. Targeted investment can support climate-resilient infrastructure, watershed protection, and sustainable tourism, while empowering Indigenous and upland communities. Transboundary cooperation is key, as mountain ecosystems span national borders and require integrated approaches.

To truly realize the ambitions set out in the First Global Stocktake, climate, nature, and biodiversity finance must be ecosystem-specific, community-driven, and outcome-oriented. Financial flows should align with the realities of forests, oceans, and mountains—not only as carbon sinks or biodiversity reservoirs, but as living systems intertwined with human livelihoods and rights. This requires reforming global financial institutions, strengthening enabling environments at national levels, and embedding equity and justice into every financial decision.

Additional actions specific to nature:

- Multilateral development banks, bilateral and philanthropic donors could provide up-front investment and results-based payments for reducing deforestation and supporting ecosystem-based adaptation, including technical assistance, while supporting effective stakeholder participation.

- Governments and multilateral development banks could support the scale up debt-for-nature swaps as part of same initiative as debt-for-climate swaps, utilizing standard covenant templates, risk insurance products, and monitoring mechanisms, as well as facilitating peer exchange and learning among developing countries, as well as mainstreaming sustainable linked bond issuances with nature-related performance metrics, such as blue bonds and forest bonds.

- Enhance closer collaboration between public international finance and sovereign instruments, such as the Tropical Forests Forever Facility (TFFF), including pledging toward the initial resource mobilization. Financial institutions can send a demand signal for prospective contribution to senior debt tranche. Multilateral development banks, bilateral donor agencies, and philanthropies can establish a TFFF access support platform to provide technical assistance to tropical forest countries to meet eligibility criteria, particularly related to Indigenous Peoples and local communities, as well as direct support to civil society to play independent accountability roles.

- Insurance providers could explore combinations of parametric natural asset insurance with profits from premiums partially set aside for investment in ecosystem restoration.

- Governments and other relevant actors could identify scalable jurisdictional approaches for results-based financing for forest restoration.

- Private sector actors could support supply chain traceability and transparency data platforms to support corporate investment in resilient supply chains.

- Governments could strengthen country-led and country-owned frameworks and platforms**,** integrating NDCs, NAPs, and National Biodiversity Strategies and Action Plans into coherent investment strategies, building capacity for project pipelines, and supporting locally led approaches—including through Indigenous Peoples' organizations and women's groups—will ensure finance is effective and equitable.

- Governments and regulators could promote coherence and alignment in sustainable finance taxonomies treatment of nature and climate action.

4. Financing agriculture and food systems: nurturing the land that feeds us

Improving food security and nutrition and ending hunger must be at the center of climate solutions in agrifood systems. The Paris Agreement recognizes the fundamental priority of safeguarding food security and ending hunger and the particular vulnerabilities of food production systems to climate change. 673 million people still face hunger, while the projection for 2030 is a staggering 530 million. More than one third of the world population, 2.6 billion, cannot afford a healthy diet.[113] To meet this challenge, access to safe and nutritious food will have to increase in developing countries. However, agriculture and food systems are particularly vulnerable to climate change, which impacts food production, availability, accessibility and nutritional quality. At the same time, agriculture

is a source of greenhouse gases and, along with forestry and land use, accounted for 22 per cent of total emissions in 2019.[114] Low-carbon agriculture offers an opportunity to reduce emissions and sequester carbon.

The challenge is to increase food production to combat hunger and malnutrition in a manner that builds resilience, supports a just land transition, responds to loss and damage and unlocks the mitigation potential of agrifood systems. Contrary to common belief, meeting global food demand does not require further deforestation. Data from the UN Food and Agriculture Organization (FAOSTAT) indicate that despite the observed increase in agricultural production, the global agricultural area has remained stable over the past two decades. This reinforces that forest loss is not required to meet growing demand, but a consequence of policy and market failures.[115]

Agriculture remains severely underfunded relative to its climate vulnerability and its mitigation potential. Assessed needs of developing countries for agriculture and food systems actions as reflected in their NDCs amount to USD 201 billion/year—a conservative number, since many NDCs do not include actions in the agrifood sector. Some global estimates have pointed to a financing gap of USD 1 trillion annually until 2030. Adaptation costs alone for agriculture in developing countries are estimated at around USD 60 billion annually until 2035.[116]

Of the total finance toward climate action, only 7 per cent (c. USD 95 billion) were directed to agrifood systems in 2023, 80 per cent from domestic sources. Debt has also increasingly been replacing grant-based financing, particularly in Africa.[117] International climate-related development finance toward agrifood systems amounted to USD 225 billion from 2014 to 2023. However, the sector's share of total climate finance has dropped from 47 per cent in 2000 to 19 per cent in 2023. Adaptation accounted for 45 per cent of such flows, mitigation 34 per cent and cross-cutting 21 per cent. Food production—such as crops, livestock and fisheries—continues to be underfunded, receiving only 8 per cent of international climate-related development finance in 2023.[118] Current international public climate finance for agrifood systems is simply not sufficient and must be scaled up exponentially, while also leveraging other sources of capital, including private resources, through blended finance instruments.

Centrality of farmers and vulnerable populations*:* Agrifood systems largely depend on smallholder and family farmers, fishers, foresters, pastoralists, Indigenous Peoples, people of African descent and local communities and others working in the small-scale food production sector. These groups, which are vital to global food production, are also among the most vulnerable to climate impacts. They continue to face major obstacles in accessing climate finance, as existing mechanisms remain complex, fragmented, and poorly tailored to their realities. Financing solutions should take an inclusive, farmer-centric approach, recognizing farmers and farmer organizations such as cooperatives as equal partners in the design and implementation of programs and projects, bridging global financing with local needs and knowledge.

In the agrifood sector, women in developing countries face major barriers to accessing climate finance. Expanding gender-responsive climate finance, such as credit lines and extension services, is essential to close the productivity and empowerment gap.

Experiences across countries show that it is possible to combine rural credit, concessional lending, and targeted incentives to guide farm-level practices toward resilient, low-carbon agriculture while supporting food security and inclusion at scale. Capital can be tied directly to measurable changes in production systems through tailored credit lines and concessional loans that carry lower interest rates, longer grace periods, or premiums that can be made contingent on verifiable adoption of resilient and low-carbon practices, such as no-till farming, agroforestry and other integrated systems, methane-reducing livestock systems, bioeconomy or restoration of degraded lands. At the national level, harmful subsidies could be repurposed toward climate-resilient and low-carbon practices.

International public finance will continue to play a key role. Multilateral development banks and multilateral climate funds should enhance grant-based and highly concessional financing for rural development programs in developing countries that increase resilience and achieve mitigation co-benefits. Interventions should include specific concessional credit windows for smallholder farmers, Indigenous peoples and traditional communities and women, supported by technical assistance, in partnership with national and local stakeholders.

Financing from multilateral development banks can go the extra mile by designing interventions closely with public development banks and agricultural public development banks (agriPublic development banks) and local banks in developing countries, by building complementarity between MDB's concessional resources and Public Development Banks and agriPublic development banks flexible credit terms for structural programs and projects.

Restoring degraded agricultural lands can cut emissions, capture CO2, boost resilience, and deliver major social, economic, and environmental gains. With about 20 per cent of global farmland—roughly one billion hectares—already degraded, the challenge is to address an estimated USD 232 billion annual funding gap for land restoration. The Resilient Agriculture Investment for Net-Zero Land Degradation (RAIZ) initiative, to be launched at COP30, seeks to accelerate large-scale investment that links climate action, food security, biodiversity and land restoration. RAIZ will map degraded areas, mobilize finance, and support countries in preparing bankable restoration projects with a blended-finance model that combines concessional public and philanthropic funds with private investment to reduce risk and crowd in capital. By turning restoration targets into investable portfolios, RAIZ will help build a credible pipeline of agricultural-land restoration projects with measurable climate and development impact.

Similarly, bioeconomy approaches such as those underpinning productive forest models can drive climate action by linking forest restoration, rural inclusion, and low-carbon development. Such models support family farmers, Indigenous Peoples and traditional communities to convert degraded or under-used lands into multifunctional forest-based systems that produce food, restore native vegetation, and generate income from sociobiodiversity products. Financing is anchored in tailored rural credit lines with enhanced concessionality for restoration, agroforestry, and sustainable forest production—tied to environmental compliance, restoration quality, and productive use. Complementary

public investment supports technical assistance, seedling production, and community infrastructure to reduce farmers' upfront costs, while blended finance, interest subsidies, and performance-based disbursement mechanisms further de-risk participation.

Methane mitigation in agrifood systems represents one of the fastest and most cost-effective ways to slow global warming while improving food security. Agriculture accounts for about 40 per cent of human-caused methane emissions, largely from livestock, manure management, and rice cultivation. However, only 8 per cent of climate-related development finance to agrifood systems targeted methane emissions.[119] Improving efficiency in livestock management (such as integrated livestock-crop-livestock), targeted investment in enteric fermentation management, improved treatment of animal waste, and low-emission rice practices can attract funding through traditional and innovative mechanisms, through concessional streams or carbon credits.

Biological nitrogen fixation (BNF) is a technology that can remarkably reduce N2O emissions from the agriculture sector and is ready to attract results-based climate finance. Blended-finance mechanisms can support scaling up the uptake of this technology, combining public concessional capital, private co-investment, and risk-sharing instruments to lower adoption barriers for smallholders.

Additional actions specific to agriculture and food systems:

- Multilateral development banks and multilateral climate funds could enhance grant-based and highly concessional financing for rural development programs in developing countries that increase resilience and achieve mitigation co-benefits.
- Address barriers to agrifood finance for smallholder and family farmers, fishers, foresters, pastoralists, Indigenous Peoples, people of African descent, and other small-scale food producers, who are essential to global food systems.
- Blended-finance mechanisms could scale biological nitrogen fixation adoption by combining public concessional capital, private co-investment, and risk-sharing instruments to lower barriers for smallholders.
- Scale up methane mitigation efficiency through pricing mechanisms and innovative private sector instruments.
- Multilateral Development Banks could enhance impact by designing interventions in close collaboration with public development banks, agricultural Public Development Banks (agriPublic Development Banks), and local banks in developing countries, aligning MDB concessional resources with public development banks' and agriPublic Development Banks' flexible credit terms for structural programs and projects.

5. Financing just transitions: building fair change together

The success of climate action will ultimately rely on the implementation of NDCs, NAPs and other national climate plans that are socially inclusive and fair, placing people at the center. Transitions to low-greenhouse gas emissions and climate-resilient development pathways will inevitably bring about significant changes for workers, communities, enterprises, and consumers. Without careful attention to the social dimensions of this transformation, there is a risk of exacerbating inequality, undermining public trust, and slowing progress on climate action.

In practice, this means protecting the rights and livelihoods of those most affected by change, involving them in decision-making, and creating new opportunities for decent work and resilient communities. At COP29 in Baku, Parties underlined the importance of promoting the inclusion and extension of benefits to vulnerable communities and groups in climate finance efforts, including women and girls, children and youth, persons with disabilities, Indigenous Peoples, local communities, migrants and refugees, climate-vulnerable communities and people in vulnerable situations.[120]

Key transition issues cut across thematic and sectoral activities, particularly as it relates to reform of inefficient subsidies and economic activities due to market-based transitions and the need for augmenting such reforms with social protection mechanisms, education and skills development. Transparent communication and inclusive planning engaging labor unions, civil society, and local communities early in the process helps build trust and legitimacy for reform efforts.

According to the Independent High Level Expert Group (IHLEG), by 2035, developing countries will need to scale just transition spending from about USD 10 billion per year today to USD 50 billion per year. Though small relative to clean energy or adaptation needs, this spending is catalytic: it supports the political dimension of transition and protects vulnerable populations. Investment priorities cluster around three areas extending beyond coal to cover sectors such as transport, agriculture, and heavy industry where millions of livelihoods are at stake.

Workers and communities are directly and indirectly affected by structural shifts in major economic sectors that undergo climate-related transformations. Actively managing and supporting these transitions will go beyond the provision and mobilization of finance toward climate-positive activities, requiring holistic planning and financing strategies that blend social protection, education and reskilling, with low-GHG emissions and climate-resilient economic opportunities that ensure community wellbeing and prosperity. Reskilling and redeployment for those employed in fossil fuel or emissions-intensive sectors, as well as upskilling of new entrants (e.g., women in the clean energy sector) is essential.

One of the central challenges is the lack of direct access to finance for Indigenous Peoples, women, youth, and local communities. Despite their critical role in stewarding ecosystems and leading grassroots adaptation, the complexity of application procedures, lack of tailored financial instruments, and limited institutional capacity results in marginalized participation.

Women are disproportionately affected by climate change due to their roles in agriculture, water collection, and caregiving. Yet they face systemic barriers to accessing finance, including legal restrictions on land ownership, limited access to credit, and underrepresentation in leadership.

Indigenous Peoples and local communities face parallel challenges. Many climate finance mechanisms do not recognize Indigenous governance systems or uphold the principle of free, prior, and informed consent. This may lead to projects that can undermine Indigenous rights and priorities. Without legal land tenure, Indigenous communities are often excluded from accessing finance or participating in national climate strategies. Adaptation strategies developed over generations by Indigenous Peoples and local communities cannot be undermined, including crop diversification, rotational management, and conservation of local varieties. In this regard, the Baku Workplan constitutes an important basis to elevate voices of Indigenous Peoples and local communities via the UNFCCC process. It envisages several key areas and six collective approaches. In accordance with the Baku Workplan, integrating Indigenous knowledge with new opportunities can help overcome barriers and lead to innovative solutions for climate adaptation. Their participation in knowledge production and decision-making spaces regarding adaptation and mitigation must be fully recognized.

The just transition imperative calls for a reimagining of climate finance that centers equity, justice, and inclusion. This includes creating dedicated funding windows for Indigenous- and women-led initiatives, simplifying access procedures, and embedding social safeguards and participatory governance in all financing instruments. It also requires shifting power to local actors through direct access modalities, capacity building, and long-term partnerships.

Additional actions specific to just transitions:

- Consider social dimensions and people-centered approaches in climate finance allocations.
- Improve direct access modalities for more vulnerable populations and communities.
- Embed just transition into country strategies and provide grants and concessional lending directed to funding reskilling, social safety nets, and regional diversification to protect vulnerable groups and secure the political base of transition, aligning financial support with reskilling, subsidy reform, and regional resilience.
- Scale sustainability bonds that combine green and social dimensions.
- Sovereign instruments—such as sustainability-linked bonds with just transition targets—could help align financial markets with social outcomes.
- Establish effective monitoring approaches for just transitions, including capturing social, gender responsive and locally led outcomes from climate finance interventions.

3

THE BAKU TO BELÉM ROADMAP TO 1.3T

BEGINNING THE JOURNEY: SUGGESTED SHORT-TERM CONTRIBUTIONS

The following list outlines suggested short-term (2026–2028) contributions intended to serve as initial, practical steps to inform and guide the early implementation of the Roadmap. These suggestions are non-binding and non-exhaustive, offered as feasible, supportive inputs rather than formal commitments. While not comprehensive, they aim to facilitate informed decision-making, provide early strategic direction, and help shape evolving priorities as the Roadmap is implemented.

1. The CMA6 and CMA7 Presidencies will convene an independent expert group tasked with refining data and developing concrete financing pathways to get to 1.3T in 2035, building on the action fronts defined in this Roadmap, with a first report by October 2026. Throughout 2026, the Presidencies will also convene dialogue sessions with Parties and stakeholders to discuss how to make progress on the action fronts outlined in the Roadmap over the medium to long term.

2. To improve predictability, developed countries could consider working together on a delivery plan and communicate their intended contributions and pathways toward achieving the at-least-USD 300 billion goal by 2035 as well as other elements of the NCQG, such as access and adaptation finance, in their next biennial communications under Article 9, paragraph 5, of the Paris Agreement by end of 2026. Based on the information received, as well as other available information, Parties could request the Standing Committee on Finance to provide an aggregate view on pathways toward achieving various elements of the NCQG, taking into consideration, inter alia, information from biennial communications under Article 9, paragraph 5, of the Paris Agreement—by 2027. Parties could further request the secretariat to establish a registry for forward-looking information referred to above.

3. Governments could request UN entities to examine and review potential for enhancing collaboration and sharing of common services to reduce fragmentation and promote smooth decision-making—by October 2026.

4. Multilateral climate funds could report annually on the implementation of their operational framework on complementarity and coherence, enhancing cross-fund collaboration and building comparative advantages. They could also develop monitoring and reporting frameworks and coordination plans articulating their operations by region, topic and sector and promote mutual reliance on policies, processes and standards—by October 2027.

5. Multilateral development banks could collectively report on how they might be able to achieve a new aspirational target in climate finance by 2035, including through further capital adequacy framework reforms and capital injections—by October 2027. Multilateral development banks and development finance institutions, in coordination with their shareholders, could adopt explicit, ambitious, and transparent targets for adaptation and private capital mobilization taking account of evolving market appetite via regular soundings and adjusting approach to support the deployment of private finance—by October 2027.

6. The International Monetary Fund could conduct an assessment of the costs, benefits and feasibility of a new issuance of Special Drawing Rights, and their reallocation to developing countries for climate-related purposes—by October 2027.

7. UN Regional Economic Commissions could develop a study on the potential for expanding debt-for-climate and debt-for-nature swaps and sustainability-linked financing—by end of 2027.

8. The UNSG-convened Working Group tasked to propose a consolidated set of voluntary principles on responsible sovereign borrowing and lending, and proposals for their implementation, in accordance with paragraph 48 of the Sevilla Commitment, is established and functional—by October 2026.

9. Credit rating agencies could develop a structured dialogue platform with Ministries of Finance to make progress on refinements to credit rating methodologies, including integration of climate considerations, longer-term scenario analysis, and recognition of voluntary debt treatments—by October 2027.

10. Philanthropies could expand funding of knowledge hubs to provide technical and institutional support during the early design phase of new country platforms and to facilitate coordination between governments and support providers drawing in private sector actors—by October 2026.

11. Building on the collaboration between the Rio Conventions—based on existing mandates to national focal points, governing bodies, constituted bodies, Presidencies and Executive Secretaries— the Executive Secretariats could develop a joint report on economic instruments that support co-benefits and efficiencies in joint implementation—by the end of 2027.

12. The insurance industry could work with the V20, in consultation with Small Island Developing States, Least Developed Countries and donor governments, on a plan to reduce the financial protection gap through pre-arranged tools that reach people and enterprises immediately after disasters —by October 2026.

13. The Financial Stability Board, the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors could conduct a joint assessment of whether and how barriers to investment in developing countries could be reduced and removed through reform of prudential regulation in way which did not jeopardize financial stability—by October 2027.

14. The world's 100 largest companies (ranked by market cap) could report annually on how they are contributing toward the implementation of NDCs and NAPs and responding to the First Global Stocktake, in countries where they are present.

15. The world's 100 largest inverstors with investments in developing countries (ranked by assets under management—AUM) could report annually how they are contributing toward the implementation of NDCs and NAPs and responding to the First Global Stocktake.

The CMA6 and CMA7 Presidencies will reach out to the above actors to discuss how they could contribute to this broad effort.

Follow-up steps

In developing this Roadmap report, the Presidencies have concluded their mandated work on the Baku to Belem Roadmap to 1.3T. It is noted, however, that many submissions, from Parties and non-Party stakeholders alike, underlined the importance of clear follow up and follow through mechanisms to ensure regular monitoring and reporting on its implementation, as well as challenges encountered, or alternative remedies identified.

The NCQG decision offers several entry points to follow-up and track progress of the implementation of the actions identified in the Roadmap, including:

- The second and subsequent global stocktakes, commencing in 2027–2028: the CMA will take stock of the implementation of the NCQG decision as part of the global stocktake.[121] The technical phase of the global stocktake will commence in 2027. Parties may wish to consider requesting the Co-facilitators of the technical dialogue of the second global stocktake to provide a dedicated space for Parties and non-Party stakeholders, in particular key actors identified in the Roadmap, to follow up and report on progress on the actions identified in the Roadmap.

- The biennial report on progress by the Standing Committee on Finance, with work commencing in 2027- 2028, which is mandated to report biennially on progress on all elements of the decision.[122] Parties may wish to consider requesting the SCF to incorporate progress on the measures outlined in the Roadmap as part of its progress report.

- Review of the NCQG decision in 2030: the decision also provides for the CMA to undertake a review of the NCQG decision in 2030.[123] Parties may wish to consider a modality for an appropriate space, potentially in tandem with the Action Agenda, for different actors to report on their follow up on the actions in the Roadmap.

In addition to these deliberative spaces for exchanging views and monitoring progress, Enhanced Transparency Framework (ETF) processes under the Paris Agreement provide a further avenue to invite Parties to report on progress, and for such progress to be captured as part of compilation and synthesis reports that feed into the Standing Committee on Finance and Global Stocktake processes. These include:

- Biennial communications on *ex-ante* information on climate finance to be provided and mobilized by Parties under Article 9.5 of the Paris Agreement, with the fourth communications due by 31 December 2026 and biennially thereafter.

- Biennial transparency reports on climate finance support provided and mobilized, with the second reports due by 31 December 2026 and biennial thereafter.

- The facilitative, multilateral consideration of progress (FMCP) sessions that will be undertaken with respect to the Party's efforts under Article 9 of the Paris Agreement and the Party's respective implementation and achievement of its NDC.

At a political level, existing mandates for high-level ministerial dialogues on climate finance—on a biennial basis in 2027 and 2029, as well as high-level modalities outlined for the second global stocktake offer further opportunities for political consideration of progress on implementation of the measures identified in the Roadmap and for Parties to take action as needed.

The Paris Agreement provides the tools, modalities and processes for Parties, as well as non-Party stakeholders, to follow through and follow up on the actions identified in this Roadmap and we hope they avail of these opportunities to ensure a pathway to achieve at least USD 1.3 trillion by 2035.

CONCLUSION

BAKU, BELÉM AND BEYOND: TURNING COMMITMENTS INTO COOPERATION

The *Baku to Belém Roadmap to 1.3T* arises from one of the clearest lessons of our time: when science warns, humanity must listen. At the start of this critical decade in climate action, the COVID-19 pandemic showed that when confronted with an emergency, societies can mobilize resources with unprecedented speed and scale. Much more than USD 1.3 trillion was mobilized in a matter of months to safeguard lives and economies. Science has been sounding the alarm repeatedly about the climate crisis—now a coming planetary emergency. The pandemic was but a historic test of humankind's capacity to cooperate. But as we all know the consequences of the pandemic crisis still linger, especially in the most vulnerable countries and communities.

This time, we can and must do better—acting in fairness, equity, and solidarity. As the world marks the 10-year anniversary of the Paris Agreement, the mandate for this Roadmap was only possible because of the maturity of the multilateral climate regime and of climate action beyond the UNFCCC. Emanating from and building on the COP29 Baku Climate Unity Pact, the Paris Agreement's policy cycle is now fully in motion, allowing to redirect focus from negotiation to coordinated delivery, while, at the same time the global climate transition unfolds as both an irreversible trend and a key driver of sustainable development. Clean energy is expanding much faster than projections, nature-based solutions are emerging in every continent, adaptation is advancing propelled by governments and communities worldwide, and low-carbon innovation is reshaping industries and livelihoods. More solutions are available by the day.

The Paris Agreement is working. Its long-term goals on temperature, resilience and financial flows echoes well beyond climate-niched international law and policymaking. The task ahead is to make the Paris Agreement work faster while mainstreamed into structured change in economies, societies and the international financial architecture. For that, the USD 1.3 trillion must power the next leap in climate implementation. Through its five action fronts on finance—*Replenishing, Rebalancing, Rechanneling, Revamping,* and *Reshaping*—the Roadmap transforms scientific warning into a global blueprint for cooperation and tangible results.

This Roadmap aims to contribute as catalyst and foundation for the next phase of climate action. It reminds us that the resources exist, the tools are ready, and the time is now. It further demonstrates that climate finance is both planetary insurance and a sound investment in a shared, safe, and sustainable future—one that pays dividends back to societies through better jobs, innovation, resilience, stability, and renewed trust in multilateralism.

At COP30, the world will look ahead to 2035 asking whether, in aggregation, our NDCs and NAPs can paint a bright and credible picture of the future. That picture will not be complete without expectation around the USD 1.3 trillion. Just as every fraction of a degree and every year matters for keeping 1.5 °C within reach in the long-term, every dollar and every early deployment matter for mitigation, adaptation, loss and damage and just transitions.

The CMA6 and CMA7 Presidencies are grateful and inspired by the sense of engagement and collective ownership with which different actors rallied around the Roadmap's conception. That same spirit must prevail in its next phase forward contributing to help close the ambition and implementation gaps through the scaled-up deployment of finance, technology, and capacity-building. Envisioned ambition must now translate into accelerated implementation, guided by science and equity. In response to climate urgency, reaching at least USD 1.3 trillion annually for developing countries by 2035 should serve as the driving force for not only implementing but overachieving Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and the Global Stocktake (GST). This will anchor the Paris Agreement's evolution from promises to compounding transformation toward low-carbon and climate-resilient development that cascades across sectors, actors, and geographies.

Paving the new decade ahead of exponential climate action, the *Baku to Belém Roadmap to 1.3T* is also a stepping stone from mobilizing climate finance to mainstreaming climate in finance, making finance flows consistent with a pathway toward low-greenhouse-gas emissions and climate-resilient development. It calls on all actors—governments, institutions, businesses, and citizens—to join in a Global *Mutirão* for Humanity and the Planet, a global mobilization against climate change so that in the third Global Stocktake in 2033 the world may witness an emerging transformation: a cooperative humanity building prosperity in harmony with the planet.

The science is clear, the resources exist, and the moral imperative is undeniable. What remains is the resolve to act—to turn the unimaginable into the inevitable, and to make this decade of accelerated implementation the one in which humanity's response finally matches the scale of its responsibility.

ENDNOTES

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3. Submissions are available at https://unfccc.int/topics/climate-finance/workstreams/baku-to-belem-roadmap-to-13t#Submissions and the Presidencies have produced a catalogue tool of initiatives, concepts and best practices derived from the submissions available at https://unfccc.int/documents/650954 .

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15. The advisory opinions by the InterAmerican Court of Human Rights (2025), by the International Tribunal for the Law of the Sea on States on Climate Change and International Law (2024) and by the International Court of Justice on Obligations of States in respect of Climate Change (2025), have provide further clarity on states' obligations under international law regarding climate change, including in relation to climate finance.

16. First unveiled in 2022, the Bridgetown Initiative on the Reform of the International Development and Climate Finance Architecture, launched under the leadership of Barbados' Prime Minister Mia Amor Mottley, calls for a profound transformation of the global financial system to confront inequality, climate change, and underdevelopment. The Initiative proposes a three-part reform agenda: (i) Change the rules of the game—reform International Financial Institutions governance

to give developing countries stronger voices, improve debt restructuring frameworks, adjust IMF—World Bank debt sustainability analyses to account for climate investments, ensure equitable access to concessional finance based on vulnerability, not income, and promote fair carbon markets and trade regimes; (ii) Shock-proof economies—expand IMF liquidity tools, create universal contingent financing and insurance mechanisms, and embed natural disaster clauses in all debt instruments; (iii) Scale up financing—triple IDA by 2030, increase MDB lending by USD 300 billion annually, mobilize USD 500 billion per year of private capital, and explore new progressive international taxes (on the wealthy, fossil fuel profits, and financial transactions). For more information, see https://www.bridgetown-initiative.org/.

17. The Summit for a New Global Financing Pact, convened by French President Emmanuel Macron in June 2023, brought together world leaders who shared a common diagnosis of the urgent challenges facing the global community: the need to eliminate poverty and protect the planet through a unified agenda. The Summit culminated in the Paris Pact for People and the Planet (4P), designed to generate political momentum for reforming the international financial architecture. With the support of over 70 countries the four core principles of the 4P are: (i) no country should have to choose between fighting poverty and addressing climate change; (ii) each nation must define its own transition strategy; (iii) significantly more public finance is needed for vulnerable economies; (iv) private finance must be mobilized at greater scale. Since the Summit, 4P-related coalitions work has involved "Climate Resilient Debt Clauses", "Global Solidarity Levies Taskforce", "Expert Review on Debt, Climate and Nature", "Global Roadmap on Biodiversity Credits", "Call to Action on Paris-Aligned Carbon Markets", "Coalition for Capacity on Climate Action", "Dialogue on Export Credits". For more information, see https://www.pact-prosperity-people-planet.org/.

18. The first 2023 Africa Climate Summit resulted in the "Nairobi Declaration", which referred to proposals to reform the multilateral financial system, including: build resilience to climate shocks, including better deployment of the Special Drawing Rights (SDR) liquidity mechanism and disaster suspension clauses; re-channeling of at least USD 100 billion of SDRs to Africa; considering a new SDR issue for climate crisis response of at least the same magnitude as the COVID-19 issue (USD 650 billion); better leverage of the balance sheets of MDBs to scale up concessional finance to at least USD 500 billion per year; improving debt management, including through 'debt pause clauses'; interventions and instruments for new debt relief; measures to crowd in and de-risk private capital, such as blended finance instruments, purchase commitments, partial foreign exchange (FX) guarantee and industrial policy collaboration; the adoption of principles of responsible sovereign lending and accountability encompassing credit rating, risk analysis and debt sustainability assessment frameworks; and valuation of natural capital and ecosystem services and the use of natural resource accounting and development of national accounting standards. The Nairobi Declaration further urged world leaders to consider the proposal for a global carbon taxation regime including a carbon tax on fossil fuel trade, maritime transport and aviation, that may also be augmented by a global financial transaction tax for climate-positive investments at scale. It also proposed a new financing architecture responsive to Africa's needs, including debt restructuring and relief, and the development of a new Global Climate Finance Charter through UNGA and COP processes. The September 2025 Second Africa Climate Summit, held in Addis Ababa, underscored the need to transition from climate "aid" to climate "investment," with African leaders demanding predictable, equitable and large-scale finance. For mor information, see www.africaclimatesummit2.et.

19. Under the 2024 Brazilian G20 Presidency, the Task Force for the Global Mobilization against Climate Change (TF-CLIMA) united the G20's Sherpa and Finance Tracks for the first time to foster a high-level political and economic dialogue on embedding climate action into national planning and international finance. It broke new ground by integrating foreign affairs, finance and climate ministries, along with central banks, under a single collaborative framework—overcoming the traditional "silos" that separate climate policy from financial and regulatory systems. This approach

enabled a coherent agenda focused on aligning macro-economic, fiscal and financial systems with the goals of the Paris Agreement and resulted in unprecedented commitments such as bringing forward net-zero targets and the adoption of principles for transition planning and climate investment platforms and on financial frameworks consistent with low-emission, climate-resilient development. It also convened a Group of Experts to develop independent recommendations calling on all G20 countries to commit to new development pathways that reconcile economic growth with ambitious climate action—advancing green industrial strategies and green financial policies oriented around NDCs as key drivers of transition planning. Through this process, the G20 committed to political and economic objectives aligned with the First Global Stocktake and responsive to the needs of a just transition. Beyond its concrete outcomes, TF-CLIMA's bold governance innovation—bringing economic and climate decision-making together—marked a unique and meaningful contribution to the G20's structure and agenda. For more information, see https://www.gov.br/g20/en/tracks/sherpa-track/climate-change.

20. An initiative of the COP 29 Presidency, the Climate Finance Action Fund (CFAF) proposes a novel approach to increasing climate finance flows by involving fossil-fuel producing countries and companies. CFAF will be established as an investment fund focused on income-generating investments in developing economies that foster climate action and drive development outcomes. The proposed fund will concentrate on climate-related projects, foster renewable energy production with co-benefits in job creation and green diversification, and support research and development (R&D) to innovate new climate solutions. 20 per cent of the generated income will be allocated to the Fund's Rapid Response Facility, aimed at providing highly concessional and grant-based assistance to address the impacts of natural disasters in Small Island Developing States (SIDS) and Least Developed Countries (LDCs). CFAF's establishment will be contingent upon securing pledges from at least 10 countries and reaching a collective funding target of at least USD 1 billion, and participating parties will acquire shareholder status within the CFAF. For more information, see https://cop29.az/en/pages/the-climate-finance-action-fund.

21. The outcome of the Fourth International Conference on Financing for Development, held in Sevilla, Spain (30 June—3 July 2025) was adopted by Heads of State and Government and High Levels Representatives, reaffirming global commitments such as the legacy of the previous three conferences—the Monterrey Consensus, the Doha Declaration and Addis Ababa Action Agenda. The Compromiso de Sevilla sets out a renewed global financing framework for sustainable development. It reaffirms and updates the seven Addis Ababa Action Agenda areas: Domestic Public Resources (Strengthen tax systems, improve fiscal transparency, and combat illicit financial flows); Domestic and International Private Business and Finance—Encourage responsible investment, sustainable business practices, and blended finance mechanisms; International Development Cooperation—Scale up official development assistance (ODA), strengthen South-South and triangular cooperation; International Trade as an Engine for Development—Promote fair trade, reform WTO processes, and support developing country participation; Debt and Debt Sustainability—Advance debt relief initiatives, improve restructuring frameworks, and prevent unsustainable debt burdens; Systemic Issues—Reform global financial governance to increase fairness and resilience; Science, Technology, Innovation and Capacity-Building—Expand technology transfer, digital inclusion, and capacity development. For more information, see https://financing.desa.un.org/ffd4/outcome.

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