COP30 PRESIDENCY: IMPLEMENTING THE BAKU TO BELÉM ROADMAP TO 1.3T

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FOREWORD

As we conclude the COP30 Presidency, we also close a journey that began in Sharm el-Sheikh in November 2022. On his first trip overseas as President-elect, President Luiz Inácio Lula da Silva addressed COP27 participants and announced Brazil's wish to welcome the world to the Amazon for a COP. President Lula said that the fight against climate change would have the highest priority within the structure of his government, and that Brazil's contribution would be hope, "combined with immediate, decisive action for the future of our planet and humanity."

Brazil's journey since then has indeed been one of hope and action, helping reshape our domestic climate agenda, with significant resources and a new set of policy and financial instruments under the Ecological Transformation Plan led by the Ministry of Finance. The COP30 Presidency believes that this journey has also helped bring the international debate on finance for addressing climate change and transforming our economies to a new level of maturity.

This international part of the journey began in our own region. In August 2023, Brazil convened the Amazon Summit in Belém, where Amazon leaders committed to a sustainable bioeconomy and nineteen development banks from the region formed the Green Coalition to finance it. In 2024, under Brazil's G20 Presidency, we created the Task Force for a Global Mobilization against Climate Change (TF-CLIMA), bringing the G20's sherpa and finance tracks together for the first time. Foreign affairs, climate & environment and finance ministries and central banks worked under a single framework, overcoming the silos that usually separate climate policy from financial and regulatory decisions. For the preparation of COP30, we created the Circle of Finance Ministers in 2025, which resulted in a report that informed the Baku to Belém Roadmap process. Together with the COP29 Presidency and my dear friend Mukhtar Babayev, we subsequently presented the Baku to Belém Roadmap to 1.3T, and in Belém, Parties chose to move forward together through the Global Mutirão. What began in Belém in 2023 returned to Belém two years later. Throughout 2026, the COP30 Presidency has worked to turn the Roadmap into implementation, and this report is the result.

This domestic and international experience also taught us something about the moment we live in. Geopolitical hurdles have persistently slowed progress, even as economies and societies have embraced the net-zero and resilient transition with growing conviction. Climate finance sits in the space between these two realities, and this report seeks to narrow it.

Our conclusion is that we are ready. The evidence exists, the instruments are known, and a growing number of governments, central banks, development banks and investors are willing to use them. What remains is the collective choice to put public finance back on an ascending trajectory, expand the role of private investment and transform our financial systems so that they serve the transition towards low greenhouse gas emissions and climate-resilient development—a transition that, as Parties recognized in Belém, is irreversible and the trend of the future.

Belém gave us a mandate. Parties decided on the urgency of advancing actions that enable the scale-up of finance to developing countries to at least US$ 1.3 trillion per year by 2035. The Baku to Belém Roadmap to 1.3T, along with this report, offers an agenda. Every year of delay raises the cost of the transition and deepens the losses borne by those who contributed least to the crisis. We cannot afford to lose more time. Either we thrive collectively, or we fail and decline individually.

President Lula brought the COP to the Amazon so that the world could see what is at stake, and in Belém, Parties answered with the Belém Political Package, including the Global Mutirão Decision. The COP30 Presidency is grateful to all who joined this effort, and more confident that the task before us can be accomplished. The hope Brazil offered four years ago has carried us this far. It is now for all of us to match it with action at the scale this decade demands.

André Aranha Corrêa do Lago
COP30 President

I. INTRODUCTION

The Baku to Belém Roadmap to 1.3T, mandated by Decision 1/CMA.6, was presented in November 2025 by the COP29 and COP30 Presidencies, fulfilling the mandate agreed by Parties to the Paris Agreement in Baku. The Conference of the Parties took note of the Roadmap and welcomed the efforts undertaken by the Azerbaijani and Brazilian Presidencies (*Decision 1/CMA.7 – Global Mutirão: Uniting humanity in a global mobilization against climate change, paragraph 47)*. In addition, a consensus emerged in which Parties decided "to urgently advance actions to enable the scaling up of climate finance for developing countries, from all public and private sources, to at least US$ 1.3 trillion per year by 2035" (paragraph 48), elevating the call agreed in Baku and establishing its sense of urgency. Parties also emphasized "the urgent need to remain on a pathway towards the goal of mobilizing at least US$ 300 billion for developing country Parties per year by 2035 for climate action, with developed country Parties taking the lead".

These outcomes sit alongside other finance-related decisions taken in Belém: the call for efforts to **at least triple adaptation finance by 2035** (paragraph 53); the establishment of a **two-year work programme on climate finance**, including on Article 9, paragraph 1, of the Paris Agreement in the context of Article 9 as a whole (paragraph 54); and the **Veredas Dialogue** on implementation of Article 2.1(c) and its complementarity with Article 9, with its **Xingu Finance Talks** (Decision 11/CMA.7). These decisions confirm the enduring direction of the transition. They make it imperative to accelerate implementation and to scale up the finance needed for climate action in developing countries. They also show that key issues will continue to be addressed under the UNFCCC, but that the depth of systemic transformation required will also depend on other key actors in the international financial system taking decisions urgently. This document should be read in that context.

Five action fronts to scale up climate finance

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

The Baku to Belém Roadmap to 1.3T serves as a reference for the ongoing stage of implementation. The Roadmap translates the headline figure agreed in Baku and elevated in Belém into a structured framework to reach, by 2035, at least US$ 1.3 trillion in climate finance for developing countries. It sets out a series of suggested measures across five action fronts (*Replenishing, Rebalancing, Rechanneling, Revamping, and Reshaping: the 5Rs)*. The 5Rs (see figure above) point to a system that must be reformed across its full range: from scaling grants and concessional finance and expanding private sector investments, to addressing the structural constraints of debt sustainability and the wider international financial architecture. From a thematic viewpoint, the Roadmap also sets out specific measures in support of financing adaptation and loss & damage; clean energy access and transitions; nature and support to its guardians; agriculture and food systems; and just transitions.

A continuously changing world. Since the Baku to Belém Roadmap to 1.3T was presented at COP30, the context for its implementation has shifted in two ways. First, **overshooting 1.5 °C has moved from a risk to a planning assumption**, as concluded by a significant group of scientists and experts in the UNEP report *Limiting Overshoot: Navigating exceedance of 1.5°C and pathways towards return.*[1] The second shift concerns energy security. The world is living through another energy crisis in five years, and **energy security has risen again as a major investment driver**. Evidence published this year shows that clean energy, efficiency and electrification are among the most effective ways to deliver that security.[2] Yet the developing countries that most need these investments still face the highest cost of capital.

In Belém, Parties reiterated "the resolve to pursue efforts to limit the temperature increase to 1.5 °C, to limit both the magnitude and the duration of any temperature overshoot, and to close adaptation gaps" (Global *Mutirão*, paragraph 7). Parties also reaffirmed the direction and momentum of the global climate transition, acknowledging that "the transition towards low greenhouse gas emissions and climate-resilient development is irreversible and represents the trend of the future" (Global *Mutirão*, paragraph 10), while recognizing that "the Paris Agreement is working and resolving to go further and faster" (Global *Mutirão*, paragraph 11). Honoring those commitments cannot be done without adequate finance. It requires faster mitigation, but also adaptation at the core of financing strategies and a stronger, well-governed role for carbon dioxide removals.

A contribution for accelerating implementation. To translate the Baku to Belém Roadmap to 1.3T's priorities into action, the COP30 Presidency undertook further consultations with Parties and non-Party stakeholders through a series of meetings at key moments in the climate and finance calendars, in partnership with the World Resources Institute, including the 64th Session of the UNFCCC Subsidiary Bodies (June 2026), the International Monetary Fund and the World Bank Group Spring Meetings (April 2026), the 81st United Nations General Assembly opening events (September 2026) and many other online and in-person engagements. Building on this effort and given the decision taken in Belém to urgently advance actions toward the at-least-1.3T goal, the COP30 Presidency has undertaken work comprising two mutually reinforcing pillars:

1. Assessment of sources of public and private climate finance: the quantum leap to 1.3T. As indicated in the Baku to Belém Roadmap to 1.3T (see chapter Beginning the journey), the COP30 Presidency has engaged a wide range of experts and institutions to deepen the understanding of the quantitative pathways for key sources of climate finance identified in the Roadmap. Building on existing analysis, this work clarifies the policy interventions and future pathways—including indicative quantitative trajectories—needed to scale finance across public and private sources, based on the best available information.

2. Accelerating implementation and monitoring reform. The COP30 Presidency has worked with the Independent High-Level Expert Group on Climate Finance (IHLEG) and the Climate Policy Initiative (CPI) to develop an implementation framework—identifying policy and institutional enablers, good practices, and remaining gaps and barriers—together with a reformed monitoring tool, the Climate Finance Action Compass. To equip countries with practical tools to mobilize finance and link them to national priorities and realities, including Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs), the COP30 Presidency has organized insights collected through this process into functions that countries may draw on to better connect finance with domestic action.

Across these two elements of the work, implementation is understood not only as the mobilization of larger volumes of finance, but as the process of making finance usable through country systems and markets. Climate finance needs to be connected to national development priorities, public investment programs, budget and planning processes, domestic financial institutions and the sector institutions responsible for delivery. This means placing ministries of finance and planning, sector ministries, regulators, public procurement authorities, national development banks, domestic financial institutions and subnational institutions at the center of the implementation agenda, alongside international partners and private investors.

This implementation document summarizes the outcomes of work undertaken at the initiative of the COP30 Presidency. Offered as a non-prescriptive contribution, it aims to help translate the Belém decisions into concrete action, set delivery in motion and clarify the opportunities and challenges of an evolving climate finance architecture. In doing so, it seeks to complement political deliberations on climate finance, which have remained largely confined to consensus-based negotiations, with an analytical discussion grounded in agreed decisions and focused on implementation pathways, as many of the solutions that contribute to the goal of at least US$ 1.3 trillion per year lie outside the purview of the UNFCCC.

As the multilateral climate change regime enters its full implementation phase, actors beyond Parties will play an increasingly important role in accelerating action. A positive feedback loop is therefore needed. Parties should engage more actively across the full scope of the climate finance debate, while space opens for subnational governments, regulators, financial institutions, investors, academia and civil society to work through operational questions beyond negotiating positions. The document, read alongside the Baku to Belém Roadmap to 1.3T, offers a basis for taking this debate further in the relevant forums, under the UNFCCC process and beyond.

The aim remains the same: **to channel external finance urgently to where it is most needed.**

Key developments in 2026

Despite headwinds, the climate finance system has responded to the urgency. Below is a non-comprehensive list of highlights across the 5Rs

R1 Replenishing
Grants, concessional finance & low-cost capital

HIGHLIGHTS

Multilateral development banks' climate finance to low- and middle-income countries surpassed USD 100 billion for the first time in 2025, according to 2026 data.

The Green Climate Fund's balance-sheet efficiency unlocked more than USD 4 billion for new investments.

Rechanneling Special Drawing Rights continues to expand affordable finance for vulnerable countries: by 2026, 23 contributor partners had pledged or provided about USD 49 billion in resources to the IMF's Resilience and Sustainability Trust, which is on-lent to borrowing countries.

The Green Climate Fund established the Indigenous Peoples Advisory Group to strengthen coordination between the GCF, accredited and executing entities, States and Indigenous Peoples on matters concerning Indigenous Peoples.

R2 Rebalancing
Fiscal space & debt sustainability

HIGHLIGHTS

Climate-resilient debt clauses expanded in 2026: the World Bank broadened the instrument to cover more perils and charges, and the African Development Bank adopted the clauses — extending shock-responsive debt relief across more lenders.

Launched in April 2026, the Borrowers' Platform held its first Governing Council meeting in October, adopting shared priorities for its first year. Some 30 developing countries have joined this permanent space to share experience, improve debt management and speak with one voice on debt.

R3 Rechanneling
Transformative private finance & cost of capital

HIGHLIGHTS

Clean energy investment is set to reach about USD 2.2 trillion in 2026, nearly double fossil-fuel spending.

The OECD's Private Finance Mobilisation Report 2026 identified guarantees as the primary leveraging mechanism between 2021 and 2024, crowding in an annual average of USD 22.4 billion — almost 30% of total private finance mobilised.

The Open Coalition on Compliance Carbon Markets adopted its 2026–27 work plan, with a strategic horizon extending to 2030, and endorsed its institutional structure and Secretariat.

Thirty MDBs and development finance institutions endorsed the revised and expanded MDB Joint Methodologies for Private Sector Mobilization, responding to the G20 Bigger, Better and More Effective agenda.

R4 Revamping
Capacity & coordination for climate portfolios

HIGHLIGHTS

Country platforms are scaling: by early 2026 the Green Climate Fund had 17 platforms under engagement and 23 more in the pipeline, broadening beyond energy to adaptation, nature, agriculture and cities.

Finance in Common and The Currency Exchange Fund are building a USD 2 billion local-currency lending facility — with USD 500 million for public development banks — under the Sevilla Platform for Action.

R5 Reshaping
Systems & structures for equitable capital flows

HIGHLIGHTS

Following S&P's 2024 methodology revision on callable capital, Moody's opened a new-methodology consultation for multilateral institutions in 2026 — both major rating agencies now engaged on MDB capital.

The joint IMF–World Bank Debt Sustainability Framework for low-income countries was reviewed in September 2026, broadening the lens on debt risks — analysing domestic debt vulnerabilities more systematically and better reflecting long-term challenges, including climate adaptation and development needs.

37 jurisdictions have decided to use, or are taking steps to introduce, the International Sustainability Standards Board Standards.

Forthcoming OECD analysis shows that while investment in large-scale renewable projects in countries classified as high-risk more than tripled (from 6 to 21 billion dollars a year) after Basel III was phased in, foreign bank lending to them barely moved, and full implementation of Basel III in a lender's home country is associated with about 58% less foreign bank lending to such projects in high-risk countries compared to low-risk countries.

II. ASSESSMENT OF SOURCES OF PUBLIC AND PRIVATE CLIMATE FINANCE: THE QUANTUM LEAP TO 1.3T

The nature of the 1.3T goal. The intellectual foundations of the at-least 1.3T goal rest on a 2023–2025 estimate of needs to 2035, together with an assumption about how those needs divide between domestic and external sources.[3] Two issues follow. First, developing countries´ needs will evolve. Second, the basis for both the estimated total and the internal/external split will change as the underlying drivers move, including annual GDP growth and its effect on energy demand, projected technology cost curves and similar assumptions that are frequently not in the public domain. External capital flows to developing countries consistent with meeting the underlying needs could therefore fall below US$ 1.3 trillion, if technology costs decline faster than assumed, or rise above it, under inflationary pressure or higher-than-expected costs. Adaptation costs are likely to increase as climate change becomes worse and exceeds 1.5°C. This assessment does not revisit or sense-check the needs estimate or its assumptions. It takes the individual sources and channels as its starting point and provides ranges for the external capital flow each could generate—ranges that may help chart a path toward the needs underlying the goal, rather than re-deriving the goal itself.

Refining the evidence base. Delivering on the Belém decision to urgently advance action to scale up finance toward at least US$ 1.3 trillion to developing countries requires a clearer understanding of how different sources of finance can collectively reach the goal over time. Quantitative estimates of potential financing sources toward the at-least-1.3T goal presented during the development of the Baku to Belém Roadmap represented an important first step, but remained preliminary and highly dependent on underlying policy and technology assumptions. Submissions to the Baku to Belém Roadmap process in 2025 revealed methodological divergences, data limitations, and differing assumptions, underscoring the need for more structured and coordinated technical engagement.

From estimates to pathways. The Baku to Belém Roadmap to 1.3T identified that further work was required to refine quantitative estimates of external finance sources and potential channels, grounded in a clear and consistent set of assumptions, policy levers, and enabling actions, and taking into account Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). Strengthening the evidence base and improving transparency around the assumptions required to reach the at-least-1.3T goal will enable policymakers to better identify and prioritize the most effective levers across sources and channels of climate finance. This document represents an effort to gather the best available information and analysis in 2026 to chart the path ahead.

Sources, channels and instruments (and their interlinkages). Discussions of climate finance depend on distinguishing three concepts that are often conflated. *Sources* are where finance originates, such as tax revenues, public and private balance sheets, and private investment. Channels are the routes by which external finance reaches developing countries—bilateral, multilateral, carbon markets, and private finance. *Instruments* operate at two points: those by which finance is raised from a source, such as revenue schemes,

Special Drawing Rights (SDR), bond issuances and debt relief; and those by which a channel allocates it, such as grants, loans and guarantees. The literature frequently treats these interchangeably, without attending to which sources are routed through which channels, or to the instruments used at each step. This distinction is not merely analytical: the same source can yield a materially different aggregate flow depending on the channel and instrument through which it is used. Concessional resources held by a multilateral climate fund, for instance, can finance a project directly as a grant, delivering their face value and no more. Alternatively, they can back a first-loss guarantee that mobilizes a multiple of that amount in private finance. Similarly, a budget contribution from a shareholder government to a multilateral development bank can be deployed through a concessional window through a single disbursement. Or it can enter as paid-in capital, which the bank leverages by issuing bonds on capital markets against its credit rating, supporting several times that amount in lending.

Approach. The chapter covers six assessment areas, which correspond to the financing pathways commonly identified during the development of the Baku to Belém Roadmap to 1.3T. For five of those assessment areas (namely Grants, concessional finance and low-cost capital; Private sector investment and improvements in cost of capital; South-South cooperation; SDR channeling and debt-relief instruments; and Innovative mechanisms), it provides: (a) a description of the source and its sub-components; (b) the challenges, barriers and uncertainties associated with it; and (c) the key policy interventions required to realize a more ambitious scenario. Estimates are presented under two scenarios:

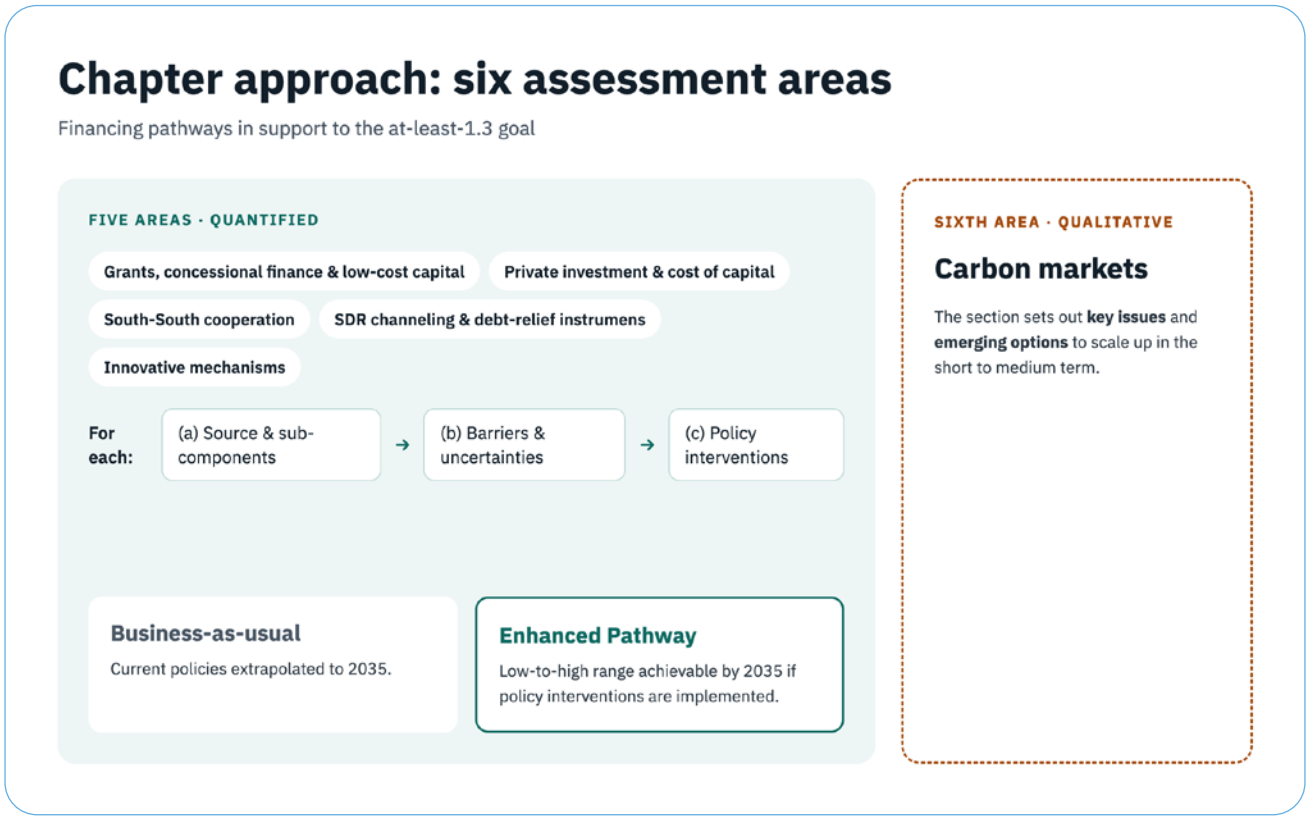
- **Business-as-Usual (BAU) scenario.** Current policy trajectories extrapolated to 2035, with no major policy commitments beyond those in place as of mid-2026 and no real growth (flows held constant in real terms).

- **Enhanced Pathway scenario.** The low-to-high range of flows achievable by 2035 if identified policy interventions are implemented, including by tapping new sources and instruments.

In the case of carbon markets, the divergence in methodologies and the sensitivity of any estimate to assumptions about future demand make point estimates challenging. This area is therefore treated qualitatively: rather than the two scenarios above, it sets out the key issues and emerging options for achieving greater scale in the short to medium term.

The six assessment areas correspond to the principal channels and instruments identified through the Baku to Belém Roadmap to 1.3T process, rather than to their current or potential size. They are therefore not of comparable scale or maturity, and should not be read as six equivalent pillars. Some—notably concessional finance and private investment—are large, established flows measured in the tens or hundreds of billions; others, such as the channeling of SDRs as hybrid capital or several of the innovative-source levies, are small today and remain speculative, resting on instruments not yet deployed at scale. Efforts have been made to avoid significant overlaps in quantitative estimates across assessment areas, although significant interdependencies and interlinkages exist between them that

can substantially affect estimates from each assessment area. The estimates should be read in that light: a continuation scenario for an established source carries a very different degree of confidence from a pathway for an instrument still being designed. Multilateral development banks warrant particular note. Because they operate across several of these areas at once—delivering concessional resources, mobilizing private capital, and serving as the vehicle through which rechanneled SDRs would be leveraged—their role is distributed across the assessment rather than confined to a single area, and is correspondingly larger than any one area's figures convey.



GRANTS, CONCESSIONAL FINANCE AND LOW-COST CAPITAL

Current levels	Business-as-Usual scenario 2035	Enhanced Pathway scenario 2035
Approximately US$ 155 billion	Up to US$ 220 billion/year	Up to US$ 342 billion/year

Description of the source and its sub-components

This section addresses the contribution of grants, concessional finance and low-cost capital from public sources to the goal of at-least-1.3T per year in external climate finance for developing countries by 2035, directly linked to core elements of the first action front of the Baku to Belém Roadmap to 1.3T—*Replenishing*. The main sources of concessional and low-cost international climate finance include bilateral climate finance (grants and concessional loans from developed countries); dedicated multilateral climate and environmental funds; multilateral development banks' concessional climate finance; multilateral development banks' market-based lending windows (low-cost capital, non-concessional); and other multilateral concessional finance mainly from UN entities.

Concessional finance can be a key multiplier in enabling finance to flow at scale. It is the basis on which other sources of financing will rely for more ambition. 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. Concessional finance is particularly critical to meeting the needs of the poorest and most vulnerable, financing activities and coping with impacts of climate change that cannot be met by commercial finance.

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.

For developing countries, the provision of new, additional and predictable public resources by developed countries, consistent with Article 9 of the Paris Agreement, remains the benchmark against which international climate finance is judged. That expectation is still very much alive, as reflected in the multilateral negotiations, in particular in the context of Article 9 obligations and the New collective quantified goal, including its at-least-300 billion goal, and in growing scrutiny of aggregate headline figures. At the same time, as stated in the Baku to Belém Roadmap to 1.3T, even a significant increase in such contributions would not, on its own, get us to where we need to be.

While we see scarce financial resources and difficult budgetary trade-offs in many of the traditional donors, concessional finance will remain a critical foundation for ambitious climate action. It is the resource that allows for direct implementation and acts as an enabler that unlocks other dimensions, such as enabling policy reforms, preparing pipelines and

lowering the cost of capital so that private finance can follow. Its recent decline therefore threatens not only the flows it represents directly, but the far larger volumes it is meant to catalyze. Reversing that trajectory is an indispensable enabling step toward the at-least-1.3T goal. Doing so means honoring existing commitments, in particular under Article 9 of the Paris Agreement as noted above, Decision 1/CMA.6 on the New collective quantified goal, and the *Compromiso de Sevilla* (outcome of the Fourth International Conference on Finance for Development), in which countries reaffirmed the importance of official development assistance and of meeting the targets of an ODA/GNI ratio of 0.7 per cent for developing countries and 0.15–0.2 per cent for the least developed. More importantly, it means rebuilding the trust on which the whole system depends.

The analysis below should not be read as a forecast. It looks at the potential contribution of public sources and channels in both bilateral and multilateral form, as well as low-cost capital. Concessional finance provides a real transfer of resources as it is in the form of grants or loans at below-market rates and with long grace periods. Low-cost capital, mainly the market lending windows of the multilateral development banks, is cheaper than a country could borrow on its own, but it is not subsidized: the saving comes from the banks' strong balance sheets and credit ratings, not from donor money. Both are assessed below but reported separately rather than merged into one concessional total.

Existing challenges, barriers and uncertainties related to this source

Throughout the dialogues conducted by the COP30 Presidency in 2026, declining public finance from developed countries has been identified as a major barrier to climate action in developing countries. Sources of concessional finance, traditionally reliant on taxpayer-funded public budgets, are under growing pressure. Consultations have also pointed to eroding trust, given the tension between, on the one hand, discussions on broadening the contributor base and expanding the role of the private sector and, on the other, the reduced engagement of some major contributors, which has taken two simultaneous forms: a retreat from the multilateral process and the backsliding of individual climate finance commitments.

Following its own methodologies, the OECD assessed that developed countries provided and mobilized a total of US$ 136.7 billion in climate finance for developing countries in 2024 (up from US$ 132.8 billion in 2023), with more than three-quarters coming from direct public climate finance (bilateral and multilateral attributable to developed countries) and the rest in the form of mobilized private finance. Within this, multilateral public climate finance reached US$ 57.7 billion in 2024, while bilateral public climate finance dropped to US$ 43.9 billion (a 12% decrease in relation to the peak achieved in 2023).

Recent trends and the outlook for concessional finance are being driven by the declines and difficult prospects for official development assistance (ODA). Total ODA from OECD´s Development Assistance Committee members declined from a peak of US$ 288 billion in 2023 to US$ 174 billion in 2025 and is expected to decline further to US$ 152 billion in 2026. This decline in ODA will have a direct impact on bilateral climate finance, which may decline further in the period ahead. The decline in ODA will also have repercussions on multilateral concessional climate finance, both for contributions to the dedicated climate funds and concessional finance channeled through multilateral development banks. This was evident in the Global Environment Facility's ninth replenishment, which saw a 27% decline from the

record US$ 5.33 billion raised at the previous replenishment; within it, the Climate Change Focal Area shrank from 16% to 9% of the portfolio.

Financing from market windows of the multilateral development banks is less directly affected by ODA declines. Recent assessments confirmed by the MDBs indicate that they have over US$ 650 billion in additional lending headroom and there is potential to unlock a further US$ 300-US$ 500 billion in additional lending through further balance sheet optimization and financial innovation. Beyond that, MDBs will need capital infusion from shareholders with every dollar in contribution unlocking 8-10 dollars in lending.

The lack of comprehensive data and methodologies has been pointed out as another major area for improvement. Bilateral finance providers report concessionality of *development* finance using methodologies to calculate the grant-equivalent values but many do not report climate finance using the same metrics. Definitions of concessionality differ between bilateral providers and MDBs.

Business-as-Usual scenario	
Component(s)	**1A.** Bilateral climate finance (grants and concessional loans from developed countries) **1B.** Dedicated multilateral climate and environmental funds **1C.** MDB concessional climate finance **1D.** MDB low cost, market-based lending windows (non-concessional) **1E.** Other multilateral concessional finance such as financing from UN entities
2035 estimate	**Total: US$ 220 billion/year by 2035** *Of which concessional (i.e. excluding MDB market windows): US$ 95 billion/year.* **2035 BAU—US$ billion/year, constant 2025 prices** **1A. Bilateral: 60** **1B. Dedicated funds: 6.54** **1C. MDB concessional: 25** **1D. MDB market-based lending windows: 125** **1E. Other multilateral: 5**
Baseline convention	Continuation of current policy trajectories. Modest recovery in official development assistance (ODA) and share of climate finance after 2030 following ongoing declines. Agreed replenishment cycles (for example, the 21st replenishment of the International Development Association (IDA21), the 17th replenishment of the African Development Fund (ADF-17), the 14th replenishment of the Asian Development Fund (ADF 14) and the 13th replenishment of the International Fund for Agricultural Development (IFAD13)) are run through; new replenishments including for multilateral climate and environment funds held flat in real terms. MDB finance from market-based windows reaches US$ 100 billion in 2030 in line with the agreed broader commitment of US$ 120 billion and trajectory continues to 2035. For reference, 2025 baseline: bilateral 40, dedicated funds 5.5, MDB concessional 19, MDB market windows 88, other multilateral 3—total 155.

→

Business-as-Usual scenario	
Assumptions & references	**What each component rests on** **1A.** Bilateral public climate finance reported by developed countries, comprising grants and concessional loans. **1B.** Calendar-year project approvals of the assessed climate funds, harmonized to a common annual measure. **1C.** Multilateral development bank (MDB) own-account concessional climate finance, principally from the International Development Association (IDA) and the African Development Fund (ADF), based on annual commitments. **1D.** MDB market-rate (non-concessional) climate lending. **1E.** Remaining multilateral concessional providers, such as the United Nations Development Programme (UNDP), the International Fund for Agricultural Development (IFAD) and the rest of the UN system. **Sources** OECD Climate Finance Provided and Mobilized (2013–2024). Climate Funds Update; reports from Green Climate Fund, Global Environment Facility, Adaptation Fund, Fund for Responding to Loss and Damage, Climate Investment Funds. Joint MDB Climate Finance Report; and institutional replenishment documents (World Bank/IDA, African Development Fund, Asian Development Fund, UN, IFAD).
Calculation steps	
1A. Bilateral climate finance is estimated to decline to US$ 40 billion in 2025 from US$ 43.5 billion in 2024. It is split equally between grants and loans which are predominantly concessional. Further declines in bilateral climate finance are anticipated in the next 2-3 years as a result of declining ODA. This trend is expected to reverse by 2030 with a recovery in the BAU case to US$ 60 billion by 2035. **1B.** Dedicated funds. Each fund's 2024 baseline is its calendar-year project approvals; the 2035 figure carries each fund forward based on a replenishment trajectory that is flat in real terms, and the total is their sum. **1C.** MDB concessional. The baseline for 2025 is the total of existing climate finance commitments from International Development Association and the African Development Fund. Replenishments are expected to remain flat in real terms in the BAU and with no change in the share allocated to climate, giving a total of US$ 25 billion by 2035. **1D.** MDB market windows. MDBs are on track to meet their climate finance commitment to low- and middle-income countries of US$ 120 billion by 2030. This trajectory is projected to be sustained to 2035 with MDB financing from market-based windows reaching US$ 125 billion by 2035. **1E.** Other multilateral. Remaining providers, carried forward on their current trajectory. **Boundary and double-counting treatment.** Climate funding from multilateral climate and environmental funds implemented by MDBs is counted under (b), not (c) or (d). Mobilized private finance, South-South cooperation, carbon-market and SDR-derived flows are excluded to avoid overlap with those assessments.	

Key policy interventions required to realize the more ambitious pathways scenario

The more ambitious scenario set out below depends on the following conditions being met:

- **Larger future bilateral climate-finance envelopes** based on a recovery of official development assistance (ODA) after 2030 reaching 0.32 percent of Gross National Income (GNI) by 2035 compared to 0.2 percent in 2026, and with an increase in the share of climate finance to 0.32 from around 0.23 at present. This is entirely feasible and in line with stated intentions of some major donors. A higher share of grants is also desirable as is a higher share of financing for adaptation and resilience.

- **Stronger replenishments of multilateral climate and environmental funds**, 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 US$ 300 billion goal.

- **Larger future replenishment cycles of MDB** concessional windows, based on an increase in donor commitments, broadening of the donor base and leveraging of own balance sheets, with climate shares of roughly 50–55%.

- **Utilizing the full potential of the MDB market-based lending windows** in line with the G20 Independent Expert Group in *The Triple Agenda* report (2023). This would entail both an increase in direct lending especially for public infrastructure, and catalytic support to mobilize private finance at scale. For this, MDBs would need to step up their support for country-led investment including stronger pipelines of projects, pursue concerted efforts and better instruments for private capital mobilization, foster stronger collaboration across the MDB and DFI system, and take the necessary steps to ensure the adequacy of their lending capacity. To ensure that MDBs are not held back in fulfilling this role, MDBs will need the backing of their shareholders including through timely infusion of new capital. Accordingly, MDB financing from MDB market-based windows is estimated to reach US$ 200 billion by 2035 in the more ambitious scenario.

Enhanced Pathway scenario	
Component(s)	**1A.** Bilateral climate finance (grants and concessional loans from developed countries) **1B.** Dedicated multilateral climate and environmental funds **1C.** MDB concessional climate finance **1D.** MDB low cost, market-based lending windows (non-concessional) **1E.** Other multilateral concessional finance such as financing from UN entities
2035 estimate	**Up to US$ 342 billion/year by 2035** *Of which concessional (excluding MDB market windows): US$ 142 billion/year.* **2035 Pathways—US$ billion/year, constant 2025 prices** **1A. Bilateral: 80** **1B. Dedicated funds: 16** **1C. MDB concessional: 40** **1D. MDB market-based lending windows: 200** **1E. Other multilateral: 6**
Assumptions & references	**Assumptions** **1A.** Bilateral: the reported bilateral climate-finance envelope scales above 2025 based on a recovery of ODA after 2030 to 0.32 percent of Gross National Income (GNI) and an increase in share of climate finance to 0.32 in 2035 from 0.23 in 2025. **1B.** Dedicated funds: each fund on a larger future replenishment; the loss-and-damage fund in particular rises from a near-zero base and is highly scenario-dependent. **1C.** MDB concessional: larger future replenishment cycles and climate shares of roughly 50–55%. **1D.** MDB market windows: increase in lending by utilizing available headroom, developing further lending capacity through further balance sheet optimization and financial innovation, and proactive shareholder support through additional capital. **1E.** Other multilateral: modest scale-up. **Primary references or models used** As listed in the baseline sources.

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Enhanced Pathway scenario
Calculation steps
1A. Bilateral. The medium-ambition figure of about US$ 80 billion reflects the reported bilateral climate-finance envelope growing roughly in line with a doubling of 2024 levels under sustained replenishment A stricter grants-and-concessional reconstruction, applying a scale factor and a qualifying concessional share to the 2024 reported total of US$ 44 billion, gives a central US$ 63 billion—44 × 1.65 × 87.5%—within a range of 52–79.
1B. Dedicated funds. The figure is the sum of fund-by-fund scenario levels, each fund set to a larger future replenishment than in the baseline. The largest contributions come from the Green Climate Fund (rising from about US$ 2.5 billion in 2024 to US$ 5.6 billion, on a replenishment roughly 1.75 times its current cycle) and the Fund for Responding to Loss and Damage (from a near-zero operational base to about US$ 1.5 billion as its first replenishments take effect), with the remainder from the Adaptation Fund, the Least Developed Countries Fund, the Global Environment Facility's climate-specific programming, the Special Climate Change Fund, and the Climate Investment Funds. Summed, the strict fund-level central scenario reaches about US$ 9 billion; the broad reported medium-ambition figure used here is about US$ 16 billion.
1C. MDB concessional. The sum across institutions of replenishment resources ÷ cycle length × climate share, with larger future cycles and higher climate shares than the baseline—for example, International Development Association (IDA) at a US$ 135 billion cycle over three years at a 50% climate share gives about US$ 22.5 billion a year.
1D. MDB market windows. Reported market-rate lending scaled up on the more ambitious trajectory.
1E. Other multilateral. The remaining providers on the more ambitious trajectory.

PRIVATE SECTOR INVESTMENT AND IMPROVEMENTS IN COST OF CAPITAL

Current levels	Business-as-Usual scenario 2035	Enhanced Pathway scenario 2035
US$ 94 billion (yearly flows)	Up to US$ 229 billion/year	Up to US$ 882 billion/year

Description of the source and its sub-components

This section assesses the potential contribution of external private finance to the goal of at-least-1.3T per year in external climate finance for developing countries by 2035. The analysis is directly related to the third action front of the Baku to Belém Roadmap to 1.3T—*Rechanneling*. Transformative private finance and affordable cost of capital.

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.

Views differ on the role private finance can play in financing climate strategies. Some see greater reliance on direct investment, supported by risk-sharing instruments, as the main route to unlocking the economic opportunities of the transition. Others caution that this emphasis should complement, never replace, public finance, which remains essential where private capital does not flow on its own.

The focus on *external* private finance follows the external-finance framing of the at-least-1.3T goal. External and domestic private finance are nonetheless complementary and difficult to assess as sources in isolation. Stronger domestic financial systems and deeper local capital markets are themselves a direct source of investment, help reduce the risks associated with foreign-currency funding, support project origination and refinancing, and create the conditions for international capital to enter at greater scale. Estimating how much external private finance can be mobilized requires looking beyond a single aggregate number. Different investment opportunities require different forms of capital at different stages of their development, together forming a complete capital stack. The risks that capital must bear, and the interventions required to mobilize it, change as investments move through this lifecycle.

The proposed **Originate, Structure, Scale framework** provides a way to map these changing capital needs and risks. *Originate* covers developing investable opportunities into well-prepared and bankable projects. *Structure* covers allocating and mitigating risks to unlock the capital expenditure required to develop projects. *Scale* covers turning mature assets into asset classes suitable for institutional pools of capital. This

framework organizes the assessment of the potential nature and scale of the private finance contribution, and of the different policy, risk-sharing and financing instruments required to mobilize it. It is retained here as the organizing logic for the barriers and policy levers; the quantitative estimate itself is built on a separate, additive decomposition, since the lifecycle describes stages that a given flow passes through rather than distinct components that can be summed.

Not all private finance is alike in the conditions under which it can be deployed. Some private capital can flow without significant intervention, responding to commercially attractive opportunities. In other cases, there are sectors, technologies and markets where public and concessional finance are expected to remain the primary source of funding, with private finance playing a complementary role. Between these two ends lies a significant share of investment opportunities where private capital can participate, but only where risks are appropriately managed through de-risking instruments, catalytic capital and other forms of support.

For the estimates, the source is decomposed into two components—energy, and nature and adaptation—each split into three sub-components: international private equity, international private debt, and MDB/DFI-mobilized private investment. This mirrors how the underlying data sources report the flows, and keeps the mobilized channel distinct from the two commercial channels so that finance is counted once.

Existing challenges, barriers and uncertainties related to this source

Barriers differ by stage of the investment lifecycle. At *origination*, the binding constraints are insufficient project pipelines, limited project-preparation funding, fragmented country platforms, and poor data. Project development costs typically represent around 5 percent of total project costs; for low-GHG emissions power generation in most developing countries, that is over US$ 30 billion in 2035 under the International Energy Agency's Net Zero Scenario, much of it falling on developers and smaller enterprises least able to bear it. Nature and adaptation face a sharper version: much of the underlying value is either non-monetizable, as with avoided losses in adaptation, or depends on nascent and non-standardized markets for environmental services.

At *structuring,* the constraints are political and regulatory uncertainty, currency and convertibility risk, weak or non-creditworthy offtakers, and cost-of-capital differentials that in many developing countries run two to three times those in developed countries and in China. Hedging the currency mismatch between hard-currency debt and local-currency revenues can add several hundred basis points to the cost of foreign-currency loans. For adaptation, where much investment generates no revenue stream, the toolkit shifts from de-risking a cash flow to transferring risk—through instruments such as catastrophe bonds, parametric insurance and resilience-linked loans. Elevated risk perceptions and low sovereign credit ratings structurally may also act as a "sovereign" ceiling determining private sector borrowing costs in developing countries.

At *scale,* the constraints are small transaction sizes, limited standardization and aggregation, shallow secondary markets, and prudential rules that often do not recognize multilateral development banks and development finance institutions credit-enhancement mechanisms or that limit institutional exposure to these markets. Nature finance in particular still lacks the standardized pricing, clear mandates and liquid secondary markets of more established asset classes, and much of the adaptation investment case rests on avoided losses that are valuable but unpriced.

In terms of overarching challenges, another key barrier is the fragmented assessment of private finance, with external and domestic sources often considered separately despite their strong interdependence. Limitations in domestic financial systems and local capital markets can constrain investment, increase currency risks, and limit project pipelines. At the same time, mobilizing private capital requires matching different forms of finance to the evolving risks and needs of projects across their investment lifecycle.

Data gaps remain another major barrier to scaling private investment in developing countries. Limited and fragmented data on project-level credit risk, asset performance, investor track records, expected returns, and the relationship between sovereign and project risk make it difficult for investors to price and manage risk accurately. This also constrains efforts to estimate the volume of additional investment that could be unlocked through a reduction in the cost of capital. Gaps are particularly acute for resilience investments and in assessing the effectiveness of guarantees and blended finance instruments. At the same time, fragmented regulatory and policy data limits efforts to identify and address prudential and policy barriers. Although several initiatives are addressing these gaps, greater coordination, interoperability and systematic data-sharing are needed to build a stronger evidence base for investment and regulatory reform.

Business-as-Usual scenario	
Component(s)	**2A. Energy** 2A1. International private equity 2A2. International private debt 2A3. MDB/DFI-mobilized private investment **2B. Nature and adaptation** 2B1. International private equity 2B2. International private debt 2B3. MDB/DFI-mobilized private investment
2035 estimate	**2A. Energy—US$ 210 billion/year by 2035** equity 35 | debt 40 | MDB/DFI-mobilized 135 **2B. Nature and adaptation—US$ 19 billion/year by 2035** equity 1.02 | debt 6.08 | MDB/DFI-mobilized 11.98 **Total baseline external private finance—US$ 229 billion/year by 2035**
Baseline convention	Continuation of current policy trajectories to 2035, with no new policy commitments beyond those in place as of mid-2026. For energy, the baseline follows the trajectory of the relevant IEA scenario rather than a flat extrapolation, since private energy investment tracks GDP growth and technology deployment. For nature and adaptation, the baseline extrapolates the observed 2020–2025 growth of private flows.

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Business-as-Usual scenario	
Assumptions & references	**Assumptions** **2A. Energy—from US$ 91 bn (2025) to US$ 210 bn (2035)** Base-year flows and the debt/equity/mobilized split are taken from the IEA sources-of-finance analysis, which reports that developing countries financed about 67 percent of energy projects from commercial sources in 2025 (against 85 percent in advanced economies), with debt the faster-growing channel. International commercial finance is split into debt and equity on the IEA model; the MDB/DFI-mobilized line tracks energy investment mobilized through international public finance. On current trends the three sub-components rise from 16/20/55 (2025) to 35/40/135 (2035). **References:** IEA, World Energy Investment 2026. IEA, World Energy Outlook 2025. **2B. Nature and adaptation—from US$ 3.1 billion (2025) to US$ 19 billion (2035)** Base-year private, external nature and adaptation flows and their debt/equity split are taken from the Climate Policy Initiative's Global Landscape of Climate Finance 2026, excluding all energy-system flows and all mitigation flows in other sectors. CPI itself cautions that private adaptation finance is severely under-reported, so the base year is a lower bound. The MDB/DFI-mobilized line is estimated by applying assumptions about the implied private flows requiring mobilization across nature and adaptation sub-sectors. The baseline applies the observed 2020–2025 annual growth rate of private adaptation and nature finance, taken as 20 percent, to the 2025 flows. **References***:* CPI, Global Landscape of Climate Finance 2026 (and dataset). Making Natural Capital Count 2025. Gaining Ground: State of Private Investment in Nature 2026. Delivering an Integrated Climate Finance Agenda in Support of the Baku to Belém Roadmap 2025. Returns on Resilience and Adaptation 2025. **Boundary and double-counting treatment** The MDB/DFI-mobilized sub-components (2A3, 2B3) do not overlap with the grants, concessional finance and low-cost capital section. They are counted here. Domestic private finance is excluded, in line with the external-finance scope of the goal.

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Business-as-Usual scenario
Calculation steps
2A. Energy
The estimates cover external private finance for energy investment in developing countries other than China. Investment flows and financing shares are derived from the IEA investment and sources of finance model. MDB/DFI-mobilized private investment tracks the amount of energy investment mobilized as a result of intervention through international public finance, provided by actors including multilateral development banks and development finance institutions. The remaining portion of international commercial finance is split into debt and equity based on the results of the IEA's latest sources of finance model analysis.
Step 1. In 2025, external private finance for energy investment in developing countries other than China amounts to US$ 91 billion, comprising US$ 16 billion in equity, US$ 20 billion in debt and US$ 55 billion in MDB/DFI-mobilized private investment.
Step 2. Under the IEA baseline scenario, these flows reach US$ 35 billion in equity, US$ 40 billion in debt and US$ 135 billion in MDB/DFI-mobilized private investment in 2035.
Step 3. US$ 35 billion + US$ 40 billion + US$ 135 billion = US$ 210 billion/year in 2035.
2B. Nature and adaptation
Step 1. 2025 private, external flows by channel from CPI: equity US$ 0.16 billion +, debt US$ 0.98 billion, MDB/DFI-mobilized US$ 1.94 billion = Total US$ 3.08 billion. Step 2. Growth extrapolation: Apply an estimated 2020–25 growth rate of 20 percent per year over ten years: factor = 1.20^10 ≈ 6.19.
(The baseline scenario applies an estimated ~20% historical growth rate to 2025 flows based on historical growth rates of private adaptation and nature finance from 2020-2025; based on CPI flows for adaptation and Nature Conservancy analysis for nature, assuming 70% of private finance flows are for nature and 30% are for adaptation)
Step 3. US$ 0.16 billion × 6.19 = US$ 1.02 billion; US$ 0.98 billion × 6.19 = US$ 6.08 billion; US$ 1.94 billion × 6.19 = US$ 11.98 billion. Sum = US$ 19.08 bn/year.

Key policy interventions required to realize a more ambitious pathway scenario

The below estimates are based on a departure from current flows and a more ambitious, Paris-aligned scenario for 2035. This Enhanced Pathway scenario set out below depends on the following interventions at the proposed lifecycle stage:

- **Originate.** Building and expanding the pipeline of investable opportunities is the first requirement. Investment plans and deployment targets that set out country-level energy and carbon pathways give investors visibility over future opportunities across power generation, fuels and end-use. Country investment platforms build on this by identifying priority projects, convening governments and financiers, and pinpointing where targeted public support is needed—several such platforms are now operating in developing countries across power, industry and clean cooking. Project-preparation facilities and viability-gap funding strengthen local capacity to bring projects to bankability, particularly for smaller renewables

and for micro, small and medium enterprises that struggle to access early-stage development capital. For nature and adaptation, origination depends further on market infrastructure that energy does not require to the same degree—clear land tenure, and standardized measurement, reporting and verification—without which a pipeline is not yet investable; and for much of adaptation there is no forward revenue stream to model at all.

- **Structure.** Mobilizing private capital then depends on structuring investments so that risks are reduced and allocated to the actors best placed to bear them. Revenue and payment guarantees and political-risk insurance address the political and regulatory uncertainty that weighs on long-lived assets. Foreign-exchange hedging and local-currency solutions address the mismatch between hard-currency financing and local-currency revenues. First-loss and subordinated capital, and blended structures more generally, improve the risk-return profile for private investors and can crowd in larger volumes; MDBs, DFIs, philanthropies and bilateral partners play a catalytic role here by providing the concessional layer. For adaptation, the emphasis shifts toward instruments that transfer diffuse climate risk into a tradeable premium rather than de-risking a cash-flow-generating asset. Where the underlying barrier is currency risk rather than the nature of the asset, structuring solutions built for energy can transfer with little modification to nature investments.

- **Scale.** Once projects are originated and their key risks addressed, scaling requires connecting them to larger pools of capital, including the international institutional capital that exceeds US$ 100 trillion. Syndication and co-investment platforms distribute risk across investors for large, capital-intensive projects. Debt capital markets—project, green and sustainability-linked bonds—recycle institutional capital into new investment and provide vehicles suited to institutional mandates. Institutional capital is entering nature finance selectively but at growing scale, and adaptation is drawing on institutional pools through catastrophe bonds and resilience covenants embedded in existing bond frameworks, rather than requiring a new asset class to be built from scratch. Scaling also depends on market infrastructure—taxonomies, disclosure frameworks and standards—and on targeted regulatory and prudential reform so that credit-enhanced and developing countries' exposures can be held at scale. These frameworks should not be assumed to apply uniformly across technologies or markets; the appropriate instruments differ by stage of deployment and by recipient country.

Specifically on the crucial role of multilateral development banks and development finance institutions in mobilizing private capital, latest research[4] suggests additional interventions such as clearer mandates and strategies that make mobilization a core objective. Under such mandates, these institutions would use their capital, credit ratings and expertise to attract private investors rather than relying mainly on lending from their own balance sheets. Other interventions include more flexible and catalytic financial models; operational systems whose incentives, skills and culture are aligned with mobilization; and decisive support from shareholders, together with collective action across institutions.

Enhanced Pathway scenario	
Component(s)	**2A. Energy** 2A1. International private equity 2A2. International private debt 2A3. MDB/DFI-mobilized private investment **2B. Nature and adaptation** 2B1. International private equity 2B2. International private debt 2B3. MDB/DFI-mobilized private investment
2035 estimate	**Up to US$ 882 billion/year by 2035** **2A. Energy— up to US$ 740 bn/year by 2035** equity 130 | debt 130 | MDB/DFI-mobilized 480 **2B. Nature and adaptation—up to US$ 142 bn/year by 2035** equity 7.6 | debt 45.2 | MDB/DFI-mobilized 89.1
Assumptions & references	**2A. Energy—from US$ 210 bn (baseline) to US$ 740 bn (Paris-aligned)** The Paris-aligned figure is the external commercial energy finance consistent with the IEA Paris-aligned scenario for developing countries excluding China. The same debt/equity/mobilized split from the IEA sources-of-finance model is applied. The three channels rise to 130/130/480. The equity channel rises fastest relative to the baseline, consistent with the IEA finding that early-stage and risk capital must grow most to reach the aligned path. **References:** IEA, World Energy Investment 2026. IEA, World Energy Outlook 2025. **2B. Nature and adaptation—from US$ 19 bn (baseline) to US$ 142 bn (Paris-aligned)** The Paris-aligned figure is not a growth extrapolation. It is the share of total nature and adaptation finance needs by 2035 that could plausibly come from private, international sources, drawing on UNEP, IHLEG and CPI needs estimates. The debt/equity split and the MDB/DFI-mobilized share observed in today's flows are then applied to that private, international total. The channels rise to 7.3/45.4/89.3. **References:** CPI, Global Landscape of Climate Finance 2026 (and dataset) Making Natural Capital Count 2025. Gaining Ground: State of Private Investment in Nature 2026. Delivering an Integrated Climate Finance Agenda in Support of the Baku to Belém Roadmap 2025. Returns on Resilience and Adaptation 2025.



Enhanced Pathway scenario
Calculation steps
2A. Energy The estimates cover external private finance for energy investment in developing countries other than China. Investment flows and financing shares are derived from the IEA investment and sources of finance model. MDB/DFI-mobilized private investment tracks the amount of energy investment mobilized as a result of intervention through international public finance, provided by actors including multilateral development banks and development finance institutions. The remaining portion of international commercial finance is split into debt and equity based on the results of the IEA's latest sources of finance model analysis. Step 1. Under the IEA Paris-aligned scenario, external private finance for energy investment in developing countries excluding China reaches US$ 740 billion/year in 2035 Step 2. Based on the IEA investment and sources of finance model, this comprises US$ 130 billion in equity, US$ 130 billion in debt and US$ 480 billion in MDB/DFI-mobilized private investment. Step 3. US$ 130 billion + US$ 130 billion + US$ 480 billion = US$ 740 billion/year in 2035. **2B. Nature and adaptation** Step 1. Share of total nature and adaptation finance needs by 2035 = US$ 750 billion (US$ 400 billion for adaptation and US$ 350 billion for nature), of which from private, international sources = US$ 142 billion (est. US$ 42.6 billion for adaptation and US$ 99.4 billion for nature; assumes 15% of all adaptation need is private and 71% of that is international; assumes 40% of all nature need is private and 71% of that is international—drawing on UNEP, IHLEG and CPI needs estimates) Step 2. Analysis by instrument and channel: Apply 2025 shares (BAU current financing shares): Equity = 0.053 x US$ 142 billion = US$ 7.57 billion; Debt = 0.312 x US$ 142 billion = US$ 45.25 billion; MDB/DFI-mobilized = 0.628 x US$ 142 billion = 89.18 billion

SOUTH-SOUTH COOPERATION

Current levels	Business-as-Usual scenario 2035	Enhanced Pathway scenario 2035
Average of US$ 3 billion/yearly (peak of US$ 6 billion in 2018	Up to US$ 3 billion/year	Up to US$ 39.5 billion/year

Description of the source and its sub-components

This section examines South-South cooperation as a potential source of climate finance towards the at-least-1.3T goal. Voluntary South-South cooperation is growing not only in terms of volume of resources, but also of content, encompassing the sharing of knowledge, skills and expertise between developing countries.

In line with the Paris Agreement and subsequent decisions, countries other than developed countries are encouraged to provide or continue to provide support voluntarily, including through South-South cooperation. South-South cooperation can directly support three action fronts of the *Baku to Belém Roadmap to 1.3T, Replenishing* grants, concessional finance and low-cost capital, *Rebalancing* fiscal space and debt sustainability and *Revamping* capacity and coordination for scaled climate portfolios.

The *Compromiso de Sevilla* situates South-South cooperation as "a complement to, not a substitute for, North-South cooperation," noting that it has been expanding alongside triangular cooperation. The provisions point in three directions. First, on scale: Member States welcomed "the efforts and contributions of developing countries in providing finance for sustainable development" and encouraged them to "scale up their voluntary contributions and support." Second, on principles and effectiveness: Member States committed to enhance the impact of South-South cooperation "guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit," and to strengthen triangular cooperation through deeper partnerships, knowledge exchange, alignment with the Sustainable Development Goals and innovative financing. Third, on the enabling architecture: Member States undertook to "strengthen regional financing mechanisms that facilitate cross-border investment, resource mobilization and knowledge-sharing among developing countries," so that cooperation becomes "more sustainable, demand-driven and aligned with national development priorities."

The following analysis builds on existing research that contains estimates for South-South cooperation involving fourteen non-Annex II countries.[5] The datasets, definitions and categories used here are adopted solely for the purpose of this analysis and as a matter of data availability. They are without prejudice to the positions of Parties, and are not intended to prejudge any definition, classification, methodology or topic under negotiation in the UNFCCC or other fora.

The sub-components included here are bilateral public climate finance and officially supported export credit. Multilateral public climate finance (including finance channeled through multilateral development banks and multilateral climate funds) is excluded from the analysis to avoid double-counting. Climate finance projects include projects with both principal and significant components with the associated weights applied.

Existing challenges, barriers and uncertainties related to this source

Estimating South-South climate finance is constrained primarily by the state of the underlying data, which varies in granularity and coverage across South-South partners, as there are no commonly agreed reporting standards across countries. The definitions of climate finance applied here may also differ from those individual partners use in their own reporting. A second issue concerns what numbers represent. They are reported at face value in current US dollars and reflect commitments rather than disbursements, so they capture neither grant-equivalent value nor the effect of concessional terms.

Additionally, the data coverage here is not exhaustive: not every South-South cooperation climate finance provider has been captured. Volatility in annual flows further amplifies uncertainties in the projections. Taken together, these limitations mean the baseline numbers should be treated as a conservative estimate.

A final consideration for projecting future estimates lies beyond measurement. South-South cooperation is, in the spirit of the Paris Agreement and in the language of the *Compromiso de Sevilla,* "a complement to, not a substitute for, North-South cooperation." Its future scale therefore depends not only on the willingness of developing countries to expand their voluntary contributions, but also on the wider environment of trust and ambition in which that willingness is exercised. This may well be shaped by developed countries taking the lead in delivering on their own obligations.

Business-as-Usual scenario	
Component(s)	3A. Bilateral public climate finance 3B. Public export credit
2035 estimate	Up to US$ 3 billion total/yearly 3A. Bilateral public climate finance: US$1.6 billion 3B. Export credit: US$ 1.4 billion
Baseline convention	Continuation of current policies to 2035, with no new policy commitments beyond those in place as of mid-2026.

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Business-as-Usual scenario	
Assumptions & references	**Allocation assumption.** The baseline assumes existing policy commitments continue and that bilateral public climate finance and public export credit are the only two sub-components. The projection does not alter the proportions between them. It does not include the share of multilateral public climate finance linked to developing countries. **References** (*The following sources provide the underlying data for this analysis. Drawing on them does not imply countries´ endorsement of methodologies, which vary across countries*). Climate-Related Development Finance dataset (CRDF/OECD). The core dataset for non-multilateral public climate finance, categorized as bilateral public or export credit by funding-agency type. Total Official Support for Sustainable Development database (TOSSD). Extends coverage beyond the countries that report to the OECD. Official national sources. Provider-reported data where the multilateral databases fall short. The Brazilian Cooperation for International Development program and the Institute of Applied Economic Research, the Saudi Aid Platform and the Lines of Credit statistics published by the Export-Import Bank of India. References of non-official information include *Liu, S., et al. 2026. "Beyond the usual suspects: assessing climate finance from the largest non-Annex II economies." World Resources Institute*, AidData and the China Overseas Finance Inventory.
Calculation steps	
Estimates apply fixed Rio-marker coefficients to each commitment for the fourteen countries taken as reference: 100% for principal (score 2), 30% for significant (score 1); duplicates across sources are removed. Baseline 2013-2023 average = US$ 3 billion, of which: Bilateral public climate finance: US$1.6 billion, Export credit: US$ 1.4 billion	

Key policy interventions required to realize the more ambitious pathway scenario

The following assessment deems that it is feasible for non-multilateral South-South cooperation to triple compared to its peak in the 2017-2018 period, with an even higher ambition scenario assuming private capital mobilization on the back of public climate finance. Policy interventions that would help these governments reach these higher levels of international climate finance include the following.

- **Create a pre-feasibility fund to identify and scale climate-aligned investments.** Many promising climate projects in developing countries never get past the idea stage because the early work of assessing their viability is costly, uncertain and rarely funded by investors or lenders. A dedicated fund, pooled across South-South cooperation partners, could finance this early-stage screening and pre-feasibility work, such as market and demand assessments, site identification, preliminary technical and cost analysis, and early mapping of regulatory and permitting requirements. This would build a pipeline of bankable, climate-consistent projects that development banks, concessional lenders and private investors could then take forward, addressing one of the main bottlenecks to scaling climate finance: a shortage of investment-ready projects rather than of capital itself.

- **Require overseas investment projects receiving official support to meet climate criteria.** Several South-South cooperation partners run programs backing overseas investment through financing, guarantees and insurance. Establishing climate and environmental criteria for the projects that receive this support would shift the composition of overseas investment toward climate-consistent projects, working through incentives and standards for new investment rather than abrupt restrictions on existing ones.

- **Enhance the role of national and regional development banks' financing.** Many developing countries have national or regional development banks with established mandates, expertise and relationships with overseas governments and businesses and across peers. Strengthening their capital base and climate policies and targets would let them expand climate-related lending through institutions already equipped to deliver it, directing capital toward renewable energy, resilient infrastructure and clean transport. Modest support for project preparation at these banks or through governments and coalitions (e.g. feasibility studies, engineering and design, environmental assessments, financial modeling, and legal or regulatory preparation) could also unlock much larger downstream investment.

- **Increase concessional finance for the segments commercial capital will not reach.** Expanding concessional loans, grants and other below-market finance, particularly in lower-income and climate-vulnerable countries, would complement existing commercially oriented investment precisely where returns are limited but development and climate benefits are high, such as rural electrification, flood protection, water infrastructure, clean industrial development and climate-resilient agriculture. This could include (I) joint funds to pool resources, such as climate investment funds with other governments and private investors, allowing participating countries to share risks and finance projects that would be too large or risky for any one institution to undertake alone; or (II) debt-for-climate swaps or similar debt arrangements, through which countries work with heavily indebted developing countries to restructure or refinance portions of their debt in exchange for commitments to invest in climate and environmental priorities, with careful assessment of debt sustainability, transparency, and credible mechanisms for verifying climate outcomes.

Enhanced Pathway scenario	
Component(s)	**3A. Modest ambition scenario.** Assumes tripling both on average and on the peak. No private sector mobilization included in this scenario. **3B. High ambition scenario**, with private sector mobilization multipliers on the basis of the tripling.
2035 estimate	**Up to US$ 39.5 billion in 2035** ***Gross revenue raised*** **3A. Modest ambition scenario** Low end: Tripling from the average 2013-2023 reaching US$ 9 billion in 2035 High end: Tripling from the peak reaching US$ 17.9 billion in 2035 **3B. High ambition scenario** Low end: uses 0.6 multiplier for mobilized private finance and peak as base for tripling reaching US$ 28.7 billion in 2035 High end: uses 1.2 multiplier for mobilized private finance and peak as base for tripling reaching US$ 39.5 billion in 2035.
Assumptions & references	The same set of countries and references as in the business-as-usual scenario are used, with the core assumption that South-South cooperation can triple by 2035. No country-specific allocation assumptions are used in this exercise. The methodology utilizes both principal and significant Rio marker coefficients. The overall estimate therefore will display sensitivity to the coefficient used for "significant" climate finance. The methodology adopted in *Liu et al* adopts a conservative approach pegging the significant coefficient to 30 percent. Typical application is usually 30-50 percent. The components of climate finance included here are bilateral public and export credit which tend to be more sensitive than other components of climate finance. For the high ambition scenario, public climate finance will have to be geared at least in part towards facilitating private climate finance. The high ambition scenario assumes private capital mobilization on the back of public climate finance. Within this high ambition scenario, two versions are presented. The first one utilizes a multiplier of 0.6, that is, for every dollar of public climate finance, 0.6 dollar is mobilized. This ratio is based on empirically observed estimates of multilateral development banks private finance mobilization. The second version utilizes a multiplier of 1.2 which reflects the level of ambition as proposed by the G20 Independent Expert Group in *The Triple Agenda* report (2023) in the case of multilateral development banks.
Calculation steps	
For 3A US$ 9.1 billion in 2035 based on tripling for the average climate finance flows over the period, with 17.9 billion at the high end if the peak in 2017-2018 is used as the basis for tripling. For 3B. The low-end estimate uses a 0.6 multiplier to estimate additional public-private mobilization to reach 28.7. The high end uses a 1.2 multiplier to reach 39.5 billion in 2035.	

SPECIAL DRAWING RIGHTS CHANNELING AND DEBT-RELIEF INSTRUMENTS

Current levels	Business-as-Usual scenario 2035	Enhanced Pathway scenario 2035
US$ 34 billion (RST lending capacity from the SDRs rechanneled since 2022)	Up to US$ 5 billion/year	Up to US$ 20 billion/year

Description of the source and its sub-components

This section covers the channeling of Special Drawing Rights (SDRs) through trusts managed by the International Monetary Fund (IMF) and to multilateral development banks (MDBs) to generate concessional lending capacity for climate action in developing countries.

SDRs are the International Monetary Fund (IMF)'s international reserve asset, whose value is based on a basket of five currencies. In 2021, in the context of the COVID-19 pandemic, a historic US$ 650 billion allocation of SDRs was agreed by IMF member countries to supplement their pool of official reserves and boost global liquidity. Subsequently, G20 countries pledged to rechannel the SDR equivalent of US$ 100 billion from their existing allocation to vulnerable countries in need of external support, which they did through the IMF's Poverty Reduction and Growth Trust and the Resilience and Sustainability Trust.

The voluntary channeling of SDRs is an innovative way to tap unused SDRs in countries with sound external positions, at no additional cost to them. It responds directly to two action fronts of the *Baku to Belém Roadmap to 1.3T, both to Replenishing* innovative concessional finance sources and *Rebalancing* fiscal space. It does not generate new external resources in the conventional sense; rather, it mobilizes latent or underused, existing financial resources. Rechanneled SDRs are not envisaged to be a large source of grant or highly concessional loans, nor of direct climate financing. Their distinct roles are to expand affordable financing to support reforms to address macro-critical risks, but also to leverage lending by MDBs and catalyze other sources of investment financing. Channeling SDRs amplifies the impact of SDR allocations that ease global liquidity constraints by also providing additional liquidity, lowering borrowing costs and providing fiscal space in developing countries in need of such support.[6]

The Resilience and Sustainability Trust (RST) is currently the main instrument for channeling SDRs to address climate change. The RST, through its lending vehicle, the Resilience and Sustainability Facility (RSF), provides affordable financing to support countries undertaking reforms to deal with prospective Balance of Payment risks due to external shocks, including climate change. The SDR equivalent of US$ 49 billion was rechanneled through the RST, generating US$ 34 billion in lending capacity while US$15 billion is set aside in a reserve and deposit fund. Since its creation in late 2022, RSF programs rapidly increased: 29 countries have now borrowed from the RST with lending commitments amounting to US$ 25 billion in June 2026. The RST is projected to have enough resources to meet country demand until 2028, but there is no predictable financing plan to sustain lending afterwards.[7]

A further step, not yet taken, is to use SDRs to acquire hybrid capital to leverage the financing of multilateral development banks, as proposed by the G20 Independent Expert Group in *The Triple Agenda* report (2023). Based on the assumption that MDBs' issuance of hybrid capital does not exceed 30 percent of total equity, the Expert Group estimated that mobilizing hybrid capital could increase MDB sustainable lending headroom by around US$ 29 billion per year, although exact limits will have to be tested in practice. MDBs have the capacity to issue more hybrid capital, given existing shareholder equity and prudential norms, and some have already raised hybrid capital from shareholders and private investors—the African Development Bank amounting to US$ 1 billion and the World Bank Group US$ 1.2 billion. Channeling idle SDRs by acquiring MDB hybrid capital would mobilize climate finance without new money from treasuries, and would ease the reserve and borrowing constraints that keep fiscally pressured developing countries from investing in the transition. The IMF also approved the use of up to SDR 15 billion (about US$ 20 billion) to acquire hybrid capital from MDBs that are prescribed SDR holders.[8] Some central banks, however, have expressed reservations that SDRs rechanneled through MDBs can maintain their reserve-asset character and no SDRs have yet been used to acquire hybrid capital.

The *Compromiso de Sevilla* (outcome of the 4th International Conference on Finance for Development) highlighted the progress on SDR rechanneling. It welcomed the 2021 IMF SDR allocation and the channeling through IMF facilities, while pressing for outstanding pledges to be delivered promptly and for additional interested countries to join the effort. It renewed the call for those in a position to do so to rechannel at least half of their SDRs to developing countries, including through multilateral development banks subject to the standing safeguards on legal frameworks and on preserving the liquidity and reserve-asset character of SDRs. Looking ahead, it invited the IMF Executive Board to consider an SDR "playbook" to guide the use of SDRs during crises, and encouraged the Fund both to stand ready to issue new allocations where a long-term global need to supplement reserves arises, and to keep the role of SDRs in the international monetary system under review.

Key challenges, barriers and uncertainties related to this source

Throughout the consultations, debt-for-climate and debt-for-nature swaps have been identified as a significant means of creating fiscal space in developing countries. Indeed, since 2020, six major debt-for-nature swaps across five developing countries have retired approximately US$ 5.45 billion in debt. However, given the difficulty of projecting how far these instruments might scale up by 2035, and the varying ways in which creditors account for them, this analysis does not assess them and focuses instead on the channeling of SDRs.

Estimating the financial flow of rechanneled SDRs is highly uncertain. Much depends on how much more countries are willing to rechannel from their unused holdings, which is not yet clear. The 2028 Review of the Resilience and Sustainability Trust is expected to discuss future financing and could result in a new call for additional voluntary SDR rechanneling. A major commitment by the G7 or G20 to sustain the Resilience and Sustainability Trust lending beyond 2028 at past levels would incentivize a substantial replenishment. Without it, a smaller replenishment could be generated from new voluntary contributions of some interested countries with sound external positions.

A technical roadblock also remains. The 2021 allocation drew wide interest in becoming prescribed holders, MDBs included, but some central banks are still reluctant to join the liquidity-support arrangement meant to protect the reserve-asset quality of SDRs channeled to MDBs. That reluctance has stalled concrete proposals from the African Development Bank and the Inter-American Development Bank, which would otherwise have demonstrated the use of SDRs to acquire MDBs' hybrid capital. There are studies on how to preserve reserve-asset quality, but central banks have not yet agreed that the proposed liquidity arrangement will effectively do that.

Additionally, a comprehensive assessment of the SDRs contribution to climate finance will require capturing both direct impacts on financial flows and indirect effects on the cost of and access to capital. These matter because a large part of an SDR's value works through better liquidity, stronger reserves and lower sovereign risk premia, none of which show up in gross-flow figures. These are harder to estimate than direct flows, and there is no agreed method to measure them. A comprehensive assessment would entail quantifying these cost-of-capital effects, which are methodologically harder to estimate than direct flows and for which a consistent approach across countries is yet to be established. Such an assessment would arguably make a stronger case for the use of rechanneled SDR as a mechanism to mobilize resources, including for climate finance.

The Resilience and Sustainability Trust shows this in practice. Its financing has gone mainly to creating fiscal space for climate-related reforms, and in some cases to building buffers against climate shocks. There is also early evidence that it draws in further financing, especially from multilateral development banks and official development assistance, but more data will be needed to quantify the full impact including in catalyzing private financing.[9] For new SDR allocations, in particular, capturing their impact on liquidity, increased fiscal space and reduced sovereign risk premia in capital will provide a better, comprehensive assessment of overall impact.

The scenarios below estimate the potential impact on climate lending of further SDR channeling from existing allocations, under both Business-as-Usual and Enhanced Pathway scenarios.

Business-as-Usual scenario	
Component(s)	4A. IMF Resilience and Sustainability Trust's (RST) climate-relevant loans 4B. SDRs rechanneled as MDB hybrid capital instruments
2035 estimate	Up to 5 bn/yr (nominal 2035 gross flows)
Baseline convention	RST sustained at ~US$ 5 bn/yr climate-relevant disbursements. RST uses up the lending capacity from previous SDR contributions. Following the 2028 RST review, it is assumed that IMF reaches out to countries to voluntarily rechannel additional SDRs to the RST, which generates a modest US$ 2 bn of lending each year. MDB hybrid capital acquired using SDRs can generate up to US$ 3 bn/yr.
Assumptions & references	The BAU scenario assumes the continuation of existing policies and voluntary pledges to rechannel SDRs, with some progress in implementing their use to acquire MDB hybrid capital. The US$ to SDR exchange rate used is 1.35. **4A. The IMF´s Resilience and Sustainability Trust** The low-end assumes that Resilience and Sustainability Trust's lending capacity from the previous SDR channeling is exhausted, with no new replenishment. The high end assumes that some countries will respond to a new call for voluntary contributions, following the 2028 Review of the Resilience and Sustainability Trust, yielding up to SDR 10 bn that allows new lending of up to US$ 2 bn a year (or less than half of previous lending levels). Principal repayments of some scale, which can add to lending capacity, are not expected by 2035. Resilience and Sustainability Trust lending has been mostly climate-related (IMF's Independent Evaluation Office, 2026), and this scenario continues to assume the full amount is enabling climate action. **4B. Use of SDRs to acquire MDB hybrid capital instruments** This assumes that constraints to the use of SDRs to acquire hybrid capital are addressed sufficiently to enable initial issuances of up to SDR 5 billion, or the equivalent of US$ 6.75 billion by 2035. If leveraged 5 times, this will result in additional MDB lending of US$ 33.75 billion. If at least 40 percent is climate-related lending, new climate financing over 5 years will amount to about US$ 2.7 bn/year.
Calculation steps	
4A. The IMF´s Resilience and Sustainability Trust Low: US$ 0 High: New voluntary contributions of up to SDR 10 bn generates SDR 7 bn in lending capacity, based on previous usable loan resources to pledges ratio of 70%. This translates to a lending commitment capacity of about US$ 2 bn per year over 5 years. **4B. Use of SDRs to acquire MDB hybrid capital instruments** Low: US$ 0 High: SDR 5 billion, equivalent to US$ 6.75 billion, is used to acquire hybrid capital. Leveraged 5 times, this translates to MDB lending amounting to US$33.75 billion. Assuming that at least 40 percent is used for climate financing, this will translate to about US$ 2.7 bn/year over 5 years. BAU TOTAL: US$ 0 - 5 bn/yr in gross financing.	

Key policy interventions required to realize a more ambitious pathway scenario

The more ambitious scenario set out below depends on the following conditions being met:

- A **new call by the International Monetary Fund for SDR channeling** by countries with sound external positions to sustain Resilience and Sustainability Trust lending starting in 2030.
- A **new coordinated pledge** by the G7 and G20 of up to the SDR equivalent of US$ 40 billion in additional voluntary channeling of unused SDRs.
- Central banks and the International Monetary Fund confirm **a common framework**, with guidance on the mechanisms that preserve the reserve-asset quality of rechanneled SDRs.
- The International Monetary Fund increases the amount of SDRs that can be used to acquire hybrid capital from MDBs and other climate financing institutions approved as prescribed SDR holders.
- MDBs continue to scale up and mainstream climate-related lending.

Enhanced Pathway scenario	
Component(s)	Replenishment at scale of the RST through increased channeling of existing SDR allocations to the RST. SDRs are used to acquire MDB hybrid capital up to the maximum limit approved by the IMF. The high end of the pathway scenario does not assume a new IMF SDR general allocation. A new SDR general allocation, if it happens, will only enable additional SDR rechanneling, including to replenish the RST and to acquire hybrid capital of MDBs.
2035 estimate	**Up to US$ 20 billion/year** An additional SDR30 billion from existing SDRs is rechanneled to the RST, or US$40 billion in SDR equivalent, sustaining the RST's lending capacity to about US$ 6 billion/year. The authorized amount of SDRs to acquire MDBs' hybrid capital increases from SDR15 billion to SDR20 billion, generating MDB climate lending amounting to close to US$ 14 billion/year.

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Assumptions & references	**Further channeling of existing SDRs to RST.** This assumes a new decision by the G7/G20 to rechannel additional SDR 30 billion from existing SDR allocations, which will sustain RST lending at US$ 5-6 bn/yr. This assumes the willingness of countries with sound external positions to significantly raise the shares of their SDR channeling from existing SDR allocations. It also assumes that the RST will continue to focus on climate related lending. **The reserve asset framework is confirmed by Central Banks, and the IMF expands the authorized amount to acquire MDB hybrid capital from SDR15 billion to SDR20 billion.** This expanded amount is about 10 percent of the shareholder capital held by MDBs that are prescribed SDR holders, which is within their capacity to issue hybrid capital. MDBs are assumed to issue hybrid capital, with a portion subscribed to by rechanneled SDRs and financial markets absorbing the rest. This expanded limit to SDR purchases will generate close to US$ 14 billion in annual climate-related lending, assuming that half of MDB lending is climate-related.
Calculation steps	
Larger SDR channeling to RST: The SDR equivalent of US$ 40 billion is rechanneled, generating US$ 28 billion of loan resources, after setting aside 30 percent in reserve and liquidity buffers. This translates to nearly US$ 6 billion of lending capacity per year over 5 years. **Expanded MDB hybrid capital:** SDR 20 bn cumulative allocation to hybrid capital instruments, or the equivalent of US$ 27 bn. Leveraged 5 times, it can generate US$ 135 billion of new MDB lending. If climate-related lending reaches 50% of total lending by MDBs, then new climate lending amounts to nearly US$14 billion per year over 5 years.	

INNOVATIVE MECHANISMS

Current levels	Business-as-Usual scenario 2035	Enhanced Pathway scenario 2035
Nil	Up to US$ 6.6 billion/year	Up to US$ 128.7 billion/year

Description of the source and its sub-components

This section assesses the potential contribution of innovative mechanisms to the goal of at-least-1.3T per year in external climate finance for developing countries by 2035, mainly through enhanced international cooperation on taxation, as well as voluntary or regulated sector-level contributions and the Tropical Forest Forever Facility (TFFF).

This source could complement concessional sources, directly contributing to the first action front of the *Baku to Belém Roadmap to 1.3T, Replenishing*—Grants, concessional finance and low-cost capital, where it is suggested that all countries could work together to explore innovative sources of concessional finance, including through 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.

Innovative mechanisms of finance to complement scarce grants and concessional resources have been discussed since the 2000s, with the first proposals dating back to the 1980s.[10] In 2010, the 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 of climate finance, including carbon pricing and levies. Several of these ideas moved from proposal toward practice over the following years. A solidarity levy on air travel has financed international health financing since the mid-2000s. National financial transaction taxes have been introduced in a number of jurisdictions. More recently, the Climate Finance Action Fund announced at COP29 proposed a fossil-fuel-producer-funded vehicle channeling a share of its returns to Small Island Developing States and Least Developed Countries—contingent on securing pledges from at least ten countries and US$ 1 billion in funding.

International coordination on taxation has recently advanced on several fronts. At the United Nations, Member States are negotiating a Framework Convention on International Tax Cooperation, an international legal instrument intended to make global tax cooperation more inclusive and effective. The process runs until 2027, and alongside the main convention states are negotiating two initial protocols, one on the taxation of cross-border services, the other on dispute prevention and resolution. It is not possible at the moment to define how climate and sustainable development issues will be tackled in the final negotiated outcome. According to estimates, a robust outcome could generate additional US$ 500 billion every year.[11]

At the level of the G20, other efforts include the so-called OECD Pillar Two, under which large multinational groups (annual revenue ≥ €750 million; about US$ 800 million) must pay a minimum effective tax rate of 15% in each jurisdiction where they operate, with any shortfall collected through top-up taxes. It is a set of Model Rules (the Global Anti-Base Erosion, or GloBE, rules) agreed at the OECD/G20 Inclusive Framework, which each jurisdiction implements through its own domestic legislation, rather than a binding multilateral treaty. Also under the G20, Members agreed[12] to engage cooperatively to ensure that ultra-high-net-worth individuals are effectively taxed, which could involve exchanging best practices, encouraging debates around tax principles, and devising antiavoidance mechanisms, including addressing potentially harmful tax practices.

In the *Compromiso de Sevilla*, Member States committed to strengthening international tax cooperation so that it is fully inclusive and beneficial to all, with a stronger voice for developing countries in the international tax architecture. They pledged to engage constructively in the negotiations on the United Nations Framework Convention on International Tax Cooperation and its protocols, and recognized the ongoing implementation of Pillar Two of the OECD/G20 Inclusive Framework, which seeks to ensure that large multinationals pay a minimum level of tax in each jurisdiction where they operate—calling for technical support to help interested countries implement it. The provision situates these efforts within a broader agenda of tax transparency, beneficial-ownership disclosure, and capacity-building support for developing countries.

Debate on sector-level contributions through levies and fees is also consolidating, both through coalitions of the willing, such as the Premium Flyers Solidarity Coalition, and through regulation, as in the case of the International Maritime Organization (IMO), where a portion of the revenues from the economic mechanism under the IMO Net-Zero Framework could

be directed to climate finance. Solidarity levies—as they are often referred to—are nationally determined and implemented taxes and charges applied to activities, sectors, or economic actors that have a high environmental footprint, generate significant economic rents, or are disproportionately associated with high-income individuals. They can be coordinated through international frameworks in order to maximize revenues and channel revenues from high-income sources toward developing countries and vulnerable populations. They are designed to raise predictable and additional public revenues that can be allocated to climate action, sustainable development, and other global public goods. Solidarity levies can be implemented by individual countries, regional groupings, or coalitions of willing governments, with revenues retained domestically, shared internationally, or channeled through dedicated multilateral funds.

The following analysis covers two strands. The first concerns coordinated efforts to strengthen international cooperation on taxation, focusing on two instruments:

International coordination efforts evolving through the OECD/G20 Inclusive Framework and the G20:

- **OECD Pillar Two**, the global minimum effective tax of 15% on large multinational groups. The analysis considers the additional revenue that could arise from fuller implementation and from raising the minimum rate, and the share that could be directed to climate finance in developing countries.

- **Taxation of ultra-high-net-worth individuals**, building on the G20 commitment to ensure the very wealthy are effectively taxed. The analysis considers the revenue a coordinated minimum tax on the largest fortunes could raise, and the share that could be channeled to climate action. Some studies point to the case for taxing ultra-high-net-worth individuals across several dimensions, such as wealth, consumption and the emissions financed through their investments, on the grounds that ownership-based emissions are far more concentrated at the top than consumption-based emissions, and that conventional carbon pricing reaches the latter but not the former.[13]

The second strand concerns sector-level contributions such as levies and charges on activities with a high environmental footprint or significant economic rents:

- **Aviation levies**, particularly on premium air travel (business- and first-class tickets) and private jet travel. Work in this area has advanced through the associated coalition of countries exploring premium-flyer levies, launched in 2024. These are voluntary initiatives and should not be confused with the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which is a separate compliance mechanism (see next section on carbon markets). Some countries have noted possible overlaps with existing national taxes, which can be addressed through domestic design.

- **Maritime shipping levies**, such as charges on greenhouse gas emissions from international shipping or fuel use, including mechanisms being discussed and developed through the International Maritime Organization (IMO).

- **Fossil fuel levies**, ongoing discussions on taxes on fossil fuel extraction, production, exports, windfall profits, or carbon-intensive activities. These apply the polluter-pays principle and capture a share of the excess profits generated by the sector.

- **Financial transaction taxes**, ongoing discussions on applying small charges to transactions involving equities, bonds, derivatives, foreign exchange, or other financial instruments. Explicit carbon taxes on greenhouse gas emissions are covered separately, in the carbon markets section, as direct carbon pricing instruments.

- **Digital asset and cryptocurrency levies**, including taxes on cryptocurrency transactions, trading activity, or energy-intensive mining operations. These remain relatively novel but may provide additional revenue as digital-asset markets expand.

Another innovative mechanism is the Tropical Forest Forever Facility (TFFF), which creates positive incentives for standing tropical and subtropical forests by linking payments to their maintenance at a national jurisdictional scale, rather than rewarding measured reductions in loss. Its financial model is based on investments rather than donations and grants. At least 20% of country payments should go to Indigenous Peoples and Local Communities. Approximately USD 7.8 billion has been committed by countries and philanthropies. The TFFF had its charter already approved, as well as its financial arm, the Tropical Forest Investment Fund (TFIF).

Existing challenges, barriers and uncertainties related to this source

Estimating the revenue potential of taxation and levies remains subject to uncertainty. Estimates are sensitive to economic factors, to behavioral responses, data availability and political factors. Projected revenues are therefore indicative scenarios, not precise forecasts.

Much depends on the economic outlook. Revenue projections depend on assumptions about future economic growth, demand patterns, commodity prices, financial market activity, technological change, and policy adoption. Small changes in these assumptions can result in large differences in estimated revenues.

Behavior also shifts in response to new taxation. Taxpayers, firms, and consumers may alter their behavior in response to new levies by reducing consumption, changing investment patterns, shifting activities across jurisdictions, or adopting alternative technologies. In financial and digital asset markets, for example, participants may relocate activity to lower-tax jurisdictions.

The data are often thin. For several proposed solidarity levies, particularly those related to financial transactions, cryptocurrencies, and fossil fuel profits, comprehensive and internationally comparable datasets remain incomplete. This requires analysts to rely on assumptions, proxies, or market forecasts that may not hold over time.

Above all, the outcome turns on political feasibility. Because international taxation and levies act directly on specific sectors and activities, their design and adoption naturally attract close attention from affected stakeholders. Advancing them therefore calls for sustained political engagement and coordination. Considerations of competitiveness, cross-border mobility of the taxed activity, and national sovereignty over tax matters shape the pace at which coordinated action can develop. This impacts a wide range of decisions, such as the scope of international participation and decisions on allocation of revenues. Many projections assume coordinated implementation by a critical mass of countries. If participation is more limited, revenues could be substantially lower and risks of avoidance or relocation correspondingly higher. Gross revenue estimates do not necessarily translate into concessional finance for climate and development purposes. The share ultimately directed towards international solidarity objectives will depend on national policy decisions, revenue allocation arrangements and governance frameworks. For this source, the decisive factor is therefore building of the political consensus needed to realize it, rather than the estimation of resource generation potential.

Business-as-Usual scenario	
Component(s)	**5A. International coordination efforts evolving through the OECD/G20 Inclusive Framework and the G20** 5A1. OECD Pillar 2 5A2. Yearly tax on ultra-high-net-worth individuals **5B. Sector-level contributions** 5B1. Aviation levies 5B2. IMO Net-Zero Framework's economic element: pricing mechanism for maritime GHG emissions. 5B3. Fossil fuel levies 5B4. Financial transaction taxes 5B5. Levies on digital asset transactions and mining
2035 estimate	**US$ 6.6 billion US$ bn/year by 2035** **Gross revenue raised—US$ bn/year by 2035** 5B1. *US$ 1.3 billion* (50% allocated as external finance to developing countries US$ 0.65 billion) 5B2. *US$ 12 billion* (50% allocated as external finance to developing countries US$ 6 billion) Total gross: US$ 13.3 billion
Baseline convention	Continuation of current policy trajectories to 2035, with no new policy commitments beyond those in place as of mid-2026 and no growth beyond inflation.

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Business-as-Usual scenario	
Assumptions & references	**5A. International coordination efforts evolving through the OECD/G20 Inclusive Framework and the G20** OECD Pillar 2: No policy change is assumed in this scenario. 0% allocated as external finance to developing countries, all revenues remain to collecting countries. Yearly tax on ultra-high-net-worth individuals: non-existent. No policy change is assumed in this scenario. **5B. Sector-level contributions** Aviation levies: all participating governments of the Premium Flyers Solidarity Coalition implement their commitment to introduce levies on premium flyers by 2030 and no further developments in this scenario. Only countries of the Premium Flyers Solidarity Coalition with the capacity to act in the short term are included in the baseline calculation. The Coalition agreed a significant share of these countries'"proceeds would be allocated"; significant is assumed to be at least 50%. The underlying information comes from the OAG, an independent provider of aviation data, as compiled and analyzed by the International Council on Clean Transportation (ICCT). Shipping levies: full adoption and implementation of the Net Zero Framework at the International Maritime Organization and conservatively assuming no further changes to the Framework after adoption or through revision processes to 2035. The IMO Net Zero Framework emission pricing mechanisms, if adopted as agreed at MEPC83, are expected to generate approximately US$ 11-12bn US$ per year in revenue, according to best estimates. Fossil fuel levies: many jurisdictions implement levies on fossil fuels, but none are currently used for international climate finance. No policy change is assumed in this scenario. Financial transaction taxes: although many jurisdictions implement levies on financial transactions, none are currently used for international solidarity on climate. No policy change is assumed in this scenario. Levies on digital asset transactions and mining: no governments currently implement these for international solidarity on climate. No policy change is assumed in this scenario.



Business-as-Usual scenario

Calculation steps

Aviation levies:

Calculating gross levy revenue = taxable base [premium flyer passengers] x rate

Assumed tax rates:

- Business class: US$ 60 (Short-haul) ; US$ 175 (medium-haul);US$ 250 (long-haul)
- First class or equivalent : US$ 100 (Short-haul) ; US$ 300 (medium-haul);US$ 400 (long-haul)
- Small unscheduled commercial flights: US$ 400 (Short-haul) ; US$ 1,000 (medium-haul); US$ 1,200 (long-haul)
- Private jet x cruise tax on uplifted : US$ 0.84/L

Gross revenues = ***US$ 1.314bn US$ per year***

Gross levy revenue x allocated share (50%) = ***US$ 0.657bn US$ per year to developing countries***

Shipping levies: the revenues from the Net Zero Framework mechanism are expected to fund both rewards for zero- and near zero-emission fuels, and to enable a just and equitable transition by establishing a global climate fund specifically for international shipping (Net-Zero Fund). The former incentivizes the transition to near zero-emission fuels thus speeding up the decarbonization of the shipping sector, and as such these revenues will largely go to shipping operators. The latter is more strictly relevant to the finance goal, as there is clear scope for these revenues to support climate vulnerable countries to adapt to climate change and enhance resilience. The extent of allocation between these two objectives is unknown but for the purposes of this exercise a 50:50 split is assumed.

The IMO Net Zero Framework emission pricing mechanisms, if adopted as agreed at IMO's Maritime Environmental Protection Committee's 83rd session, are expected to generate approximately US$ 11-12bn US$ per year in revenue, according to best estimates in the existing academic literature.[14]

This estimate would apply for the first 3 years of the mechanism. Though there is potential for significant expansion in the subsequent years, this would be the subject of review in 2030 if adopted.

This would leave ***US$ 5.5-6bn US$ per year available to support developing countries.***

Key policy interventions required to realize a more ambitious pathway scenario

Achieving the projected revenue would require domestic reform, international coordination, institutional innovation and sustained political leadership. The interventions differ across the two strands.

- **International coordination efforts evolving through the OECD/G20 Inclusive Framework and the G20.**[15] For the minimum tax on multinationals and the coordinated taxation of ultra-high-net-worth individuals, the priority is to advance negotiation and implementation through the OECD/G20 Inclusive Framework and the G20—and, critically, to agree that a share of the resulting revenue is directed to external finance for developing countries. Without that second step, fuller implementation raises revenue but does not, on its own, reach the goal.

- **Sector-level levies**. Several solidarity-levy models have been tested or are under active consideration; scaling them to the levels in the ambitious scenarios depends on action at two levels.

Nationally, the appropriate package will vary with each country's economic structure, fiscal system and administrative capacity, but three requirements recur: broadening participation and expanding the tax base where appropriate; establishing robust revenue-allocation mechanisms, such as dedicated national funds, international trust funds, or burden-sharing arrangements, that channel proceeds to climate and development objectives under clear governance; and investing in the administrative, monitoring and data systems needed to reduce uncertainty around revenue estimates, strengthen enforcement, and demonstrate the additionality of the resources raised.

Internationally, broader participation across countries reduces competitiveness concerns, narrows opportunities for avoidance, and raises the overall revenue potential. Coordination is also needed to establish common principles for revenue allocation, including shared expectations on the proportion of proceeds directed to international climate and development objectives. A related priority is a recognized framework for attributing and reporting those internationally-directed revenues: public acceptance of allocating revenue abroad depends on citizens and policymakers seeing their country's contribution recognized as part of a collective effort. Without that visibility, governments bear the political cost of raising the resources while receiving little credit for them, weakening the incentive to scale up.

Enhanced Pathway scenario	
Component(s)	**5A. International coordination efforts evolving through the OECD/G20 Inclusive Framework and the G20** 5A1. OECD Pillar 2 5A2. Yearly tax on ultra-high-net-worth individuals **5B. Sector-level contributions** 5B1. Aviation levies 5B2. IMO Net-Zero Framework's economic element: pricing mechanism for maritime GHG emissions. 5B3. Fossil fuel levies 5B4. Financial transaction taxes 5B5. Levies on digital asset transactions and mining

→

Enhanced Pathway scenario	
2035 estimate	**Up to US$ 128.7 billion/year** **5A. International coordination efforts evolving through the OECD/G20 Inclusive Framework and the G20** ***Gross revenue raised—US$ bn/year by 2035*** Low end: [US$ 587 billion] High end: [US$ 724 billion] 5A1. OECD Pillar 2. [US$ 235 billion] to [US$ 267 billion] 5A2. Yearly tax on ultra-high-net-worth individuals. [US$ 352 billion] to [US$ 457 billion] ***Allocated as external finance to developing countries—US$ bn/year by 2035*** Low end: [US$ 58.7 billion] High end: [US$ 72.4 billion] 5A1. OECD Pillar 2. [US$ 23.5 billion] to [US$ 26.7 billion] 5A2. Yearly tax on ultra-high-net-worth individuals. [US$ 35.2 billion] to [US$ 45.7 billion] **5B. Sector-level contributions** ***Gross revenue raised—US$ bn/year by 2035*** Low end: US$ 31.9bn High end: US$ 220.26 bn 5B1. Aviation levies - up to US$ 28.86bn 5B2. IMO Net-Zero Framework's economic element: pricing mechanism for maritime GHG emissions - US$ 12bn 5B3. Fossil fuel levies - up to US$ 85bn 5B4. Financial transaction taxes - US$ 12bn to US$ 78.6bn 5B5. Levies on digital asset transactions and mining - US$ 7.9bn to US$ 15.8bn ***Allocated as external finance to developing countries—US$ bn/year by 2035*** Low end: US$ 9.9bn High end: US$ 56.3bn 5B1. Aviation levies - Up to US$ 14.43bn 5B2. IMO Net-Zero Framework's economic element: pricing mechanism for maritime GHG emissions - US$ 6bn 5B3. Fossil fuel levies - Up to US$ 17bn 5B4. Financial transaction taxes - US$ 2.4bn to US$ 15.72bn 5B5. Levies on digital asset transactions and mining - US$ 1.58bn to US$ 3.16bn



Enhanced Pathway scenario	
Assumptions & references	**5A. International cooperation on taxation** *Main source: Country by country reports of multinational companies. See detailed estimation done by the EU Tax Observatory and the OECD (links below)* OECD July 2026 estimation: https://www.oecd.org/en/about/news/announcements/2026/07/oecd-publishes-new-analysis-on-the-economic-impacts-of-the-global-minimum-tax.html EU Tax Observatory estimation (which is consistent with OECD July 2026 estimates): https://taxobservatory.world//www-site/uploads/2023/10/global_tax_evasion_report_24.pdf a. Global Tax Evasion Report 2024 https://taxobservatory.world//www-site/uploads/2023/10/global_tax_evasion_report_24.pdf b. A blueprint for a coordinated minimum effective taxation standard for ultra-high-net-worth individuals https://gabriel-zucman.eu/files/report-g20.pdf updated **5B. Sector-level contributions** The Untapped Potential of Solidarity Levies: recommendations for the future of climate and development finance. https://solidaritylevies.org/app/uploads/2025/11/GSTFL_TheUntappedPotentialOfSolidarityLevies_DigitalSinglePages-V2.pdf

→

Enhanced Pathway scenario
Calculation steps
5A. International cooperation on taxation OECD estimates of Pillar 2 revenues (about US$ 100 billion per year), assumed to grow 3% per year in annual terms. a. Higher rate of 20% (currently 15%) and no loophole (i.e. full participation) b. Assume a minimum tax equal to 2% of wealth for US$ billionaires is introduced Assume global participation a. Rate [20%]; assessable base [profits of multinational firms]; coverage [All multinationals with more than €750 million in revenue] b. Rate [2%]; assessable base [billionaire wealth]; treatment of existing exemptions [none] Allocation to external finance. A low-end share of 10% of gross revenue at the low and high end of the range is assumed to be directed to external climate finance for developing countries. No established norm exists for channeling domestic tax revenue to international climate purposes; these shares are conservative scenario assumptions, reflecting that revenue from corporate and wealth taxation is not explicitly tied to an international solidarity purpose. **5B. Sector-level contributions** Aviation levies. On a mid-growth baseline for international traffic in 2028 (about 7.7 million flights; 1,026 million economy and 49 million business passengers; 78 Mt of fuel), the levy rates yield gross revenue of about €25 billion (US$ 28.9 billion). Applying the 50% allocation gives about US$ 14.4 billion a year to developing countries. **Shipping levies.** As in the baseline scenario. **Fossil fuel levies and taxes on extractive profits**. Six high-income participants, near-constant extraction, a low but rising carbon price. An international oil extraction levy could raise about US$ 85 billion a year by 2035. Revenue builds from US$ 9 billion in 2027 to US$ 85 billion in 2035, as the carbon price rises in US$ 5/tCO_2 annual increments against broadly constant extraction volumes. Applying the 20% allocation gives about US$ 17 billion a year to developing countries. **Financial transaction taxes**. At a rate of 0.5% on share and equity trades, gross revenue is about US$ 12.0 billion at the low end (participation across EU members) and US$ 78.6 billion at the high end (OECD members). Applying the 20% allocation gives about **US$ 2.4 billion a year (low) to US$ 15.7 billion a year (high) to developing countries**. **Levies on cryptocurrencies and crypto-assets**. On 2021 crypto trading volume of about US$ 15.8 trillion,[16] a 0.1% levy yields about US$ 15.8 billion in gross revenue at full coverage. Coverage of 50% of transactions gives about US$ 7.9 billion gross; 100% gives about US$ 15.8 billion. Applying the 20% allocation gives about **US$ 1.6 billion (low) to US$ 3.2 billion (high) a year to developing countries**.

CARBON MARKETS

Carbon markets have for decades channeled finance towards climate action by putting a price on emissions and allowing that value to move between those who can reduce greenhouse gas emissions in a cost-effective way, and those who pay to have their own emissions offset, thus bringing more efficiency to mitigation efforts. The Baku to Belém Roadmap to 1.3T points to several of the enabling conditions for effective use of carbon markets under the action front *Rechanneling*—Transformative private finance and affordable cost of capital. Those include high-integrity standards, interoperable market infrastructure, and the operationalization of Article 6, which together would allow carbon markets to channel finance to developing countries at greater scale.

Carbon markets take a variety of forms, which differ in how the tradable unit is created, who may use it, and how the underlying reduction is measured, as follows:

- *How the unit is created:* (i) **a cap-and-trade system** sets an absolute cap on total emissions and issues exactly that many allowances, so supply is fixed: whatever one entity emits under its limit, another can buy. (ii) **a baseline-and-crediting system** instead models a counterfactual (what would have happened otherwise) and issues credits for the gap between that baseline and measured performance.

- *Who may use the unit, and for what claim:* (i) in a **compliance market**, created by law or treaty, covered entities or countries must surrender units to meet a binding obligation. (ii) in a voluntary market, companies or individuals buy credits with no legal requirement (for net-zero or brand claims) with the reductions historically left on the host country's own ledger.

- *How the baseline is drawn (particularly relevant for forest-related activities):*[17] (i) **project-based credit** is set for one discrete site, such as a single concession or facility: fine-grained and quick to establish, but potentially exposed to inflated baselines and to leakage, where the prevented activity simply moves beyond the fence line. (ii) a **jurisdictional approach** draws the baseline around an entire national or subnational area, capturing leakage within that boundary, scaling monitoring more effectively, and rewarding policy change rather than a single site.

Countries and institutions draw on these attributes in different combinations, depending on their nationally determined pathways. This variety is reflected in how market participants themselves see the constraints and the potential: recent sentiment is one of cautious optimism, with confidence in the long-term direction of these markets and a marked rise in expectations for Article 6 following the completion of the rulebook agreed at COP29, set against sober assessments of near-term prices, uneven host-country capacity, and the pace of implementation.[18]

Domestic carbon pricing is now well established. According to the World Bank, some 80 instruments, including 43 carbon taxes and 37 emissions trading systems, were in operation in 2025, covering around 28 per cent of global emissions, and jurisdictions representing two-thirds of global GDP have now adopted them. Revenues rose to over US$ 107 billion. Most of this arises in developed countries, since carbon prices in developing countries are generally lower; but the growth in coverage is increasingly driven by developing countries.

The estimation challenge. Experts differ in designing methodological approaches that could calculate how much external finance for developing countries could be generated through carbon markets (that is, the financial flow, beyond the domestic revenues raised through in-country pricing instruments), irrespective of how the underlying mitigation outcomes are accounted for toward NDCs under Article 6 of the Paris Agreement. The accounting question, though central to the integrity of the market, is separate from the question of how much finance the market can move. The main difficulties lie in supply and demand dynamics, domestic challenges and in the impact of trade-related measures.

On the demand side, and central to the Baku to Belém Roadmap to 1.3T's 2035 horizon, the key uncertainty is how far countries will rely on cooperative approaches to meet their NDCs. The more they turn to international carbon markets to deliver part of their targets, the greater the demand for tradable units—and the more finance the channel can move to developing countries. At the same time, the prospect of overshooting 1.5°C is opening a new source of demand: as temporary overshoot makes large-scale carbon removals necessary to return within the limit, a market for high-integrity removal credits is beginning to form. The need for sustained mitigation efforts, alongside the management of residual emissions and potential temperature overshoot, may support continued demand for high-integrity mitigation outcomes over time. However, the scale and composition of this demand will depend on domestic emissions reductions, the evolution of compliance obligations and the rules governing the use of international credits.

On the supply side, the constraints are about credibility and capacity. In international aviation, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), a major compliance market, faces a projected shortfall of eligible credits, with market participants doubting that supply and enforcement will keep pace with obligations. The voluntary market, after several years of falling volumes, is working through a credibility problem—tightening integrity standards, improving verification, and shifting toward higher-quality removal credits, but not yet at the scale or price that would make it a large finance channel. And across both the voluntary market and Article 6, concerns persist around complex methodologies, limited host-country capacity, and weak near-term demand, underscoring the need for greater clarity, coordination, and investment in the infrastructure—registries, accredited verifiers, monitoring systems—without which supply cannot scale.[19]

For domestic carbon pricing specifically, the main obstacles are political and administrative. Pricing carbon domestically is often resisted for its perceived effect on consumer prices and industrial competitiveness, and implementing it requires institutional capacity that is not always in place—in particular, the monitoring, reporting and verification systems, reliable emissions data and independent verification arrangements on which a credible scheme depends. A further difficulty is that developing countries differ widely in structure, resource endowment and trade patterns, so aggregate modeling and extrapolation across regions can mislead and should be read with care.

In addition to facilitating direct mitigation, carbon markets and carbon taxes generate public revenues that can finance green research and development, industrial transformation, clean-technology deployment and sustainable investment, including in sectors not directly covered by carbon pricing. The strategic recycling of these revenues—including, potentially, international transfers—represents a further pathway for mobilizing climate finance. For the purposes of this analysis, however, these flows must be distinguished: domestic carbon-

pricing revenue, international credit transactions and cross-border revenue transfers are distinct, and only cross-border payments reaching developing countries count toward the at-least-1.3T goal. Most carbon-pricing revenue is raised and retained domestically, and conflating the categories would overstate the external finance contribution.

On trade-related measures favoring the import of products with reduced emissions, the evidence on how they affect developing countries is not settled. Some analysis finds they could disadvantage developing-country exporters, raising the price of their carbon-intensive goods in key markets and shifting trade patterns against them—though modeling suggests the aggregate export effect is modest, on the order of one to two per cent across the covered sectors, while the distributional effect, favoring developed over developing economies, is more pronounced. Other analysis emphasizes that the same measures create an incentive for exporting countries to price carbon domestically and retain the revenue, and to shift toward cleaner production. Both strands tend to converge: the effects are real but bounded, and their severity depends heavily on whether the revenue raised is recycled toward cleaner production and technology transfer in developing countries. Some point to the strategic recycling of these revenues, including potential international transfers, as an additional pathway for mobilizing climate finance that could be developed further.

A further, more technical obstacle to cooperation in this area is the divergence in carbon-accounting methodologies, including how direct and indirect emissions are treated, how carbon prices already paid in exporting countries are recognized, and how product-level carbon intensity is measured. Some international initiatives are working to narrow these gaps. The Open Coalition on Compliance Carbon Markets seeks to foster cooperation on carbon accounting methodologies, measurement, reporting and verification, and the long-term interoperability of compliance systems, while respecting national policy autonomy and different stages of market development.

The range of estimates. The above-mentioned challenges make scenario modeling speculative and heavily dependent on assumptions about how many internationally transferred mitigation outcomes would be transacted. Estimates of how much carbon pricing could contribute to the at-least-1.3T goal span an extremely wide range: submissions over the course of the Roadmap process varied from about US$ 20 billion to US$ 4.9 trillion. For comparison, the voluntary carbon market currently mobilizes roughly US$ 1 billion a year.[20]

The Economics of Climate Organization (a coalition of researchers from the London School of Economics, Columbia, PUC-Rio, Yale, Massachusetts Institute of Technology and the University of Chicago, launched with the support of the COP30 Presidency) has set out proposals for bringing low-cost, high-integrity mitigation from developing countries into carbon markets at scale. A more grounded estimate, derived from a 2035 simulation of a global carbon market, gives the following figures: permit payments received by developing country sellers of US$ 40 billion to 144 billion a year in 2035, at carbon prices of US$ 25 to 50 per tonne of CO_2e. These are gross receipts to the main developing country sellers and include payments from both developed and developing economies. The estimate rests on an illustrative permit-allocation rule rather than existing policy, and on a single year and a limited set of regions. The Economics of Climate Organization has been working to advance the analytical work needed to close this gap.

Two emerging ideas aim at tackling structural challenges that keep low-cost mitigation out of compliance markets.

- The first is the **compliance-ready credit**—a unit engineered from the outset to meet the standards of a capped market, so that low-cost mitigation, including forest and other nature-based projects in developing countries, can enter without eroding integrity. Some projects are largely excluded from compliance markets today because their reductions are hard to guarantee: uncertain to measure, questionable in additionality, and not always durable. Building on the jurisdictional REDD+ approach, which credits a whole country or state against a single government baseline and so captures internal leakage, a compliance-ready credit would add what a capped market requires: independently assessed baselines, full jurisdiction-wide accounting, insurance in place of undersized buffer pools, payment linked to verified results, and verifiers assigned and paid independently of the developers they audit. If made to work, such instruments could open a large, low-cost source of supply, while holding integrity, and channel finance at a scale the voluntary market has not reached.

- The second idea[21] concerns mobilizing **results-based finance for unauthorized Paris Agreement Crediting Mechanism units—Mitigation Contribution Units (MCUs)**.[22] By combining existing corporate demand for voluntary recognition of investments that support mitigation in developing countries with the prospective future value of those reductions under domestic compliance markets now being established, such an instrument could bring forward international private finance for mitigation ahead of full authorization. This has been recognized, for example, by the Article 6 Ambition Alliance (AAA6) launched at COP30.

SYNTHESIS

Each of the six assessment areas outlined above highlights their potential contribution to reaching at least US$ 1.3 trillion in per annum external finance flows for developing countries by 2035. When providing a synthesis across these areas, it is important to note that not all assessment areas can be represented in the same way. Some assessment areas represent a scale up of existing delivery channels, including through bilateral channels, multilateral climate funds, MDBs and the private finance these public finance actors can mobilize. Other assessment areas are ways of reinforcing and scaling up sources of climate finance such as through new rechanneling of SDRs or revitalizing carbon markets, while other assessment areas are innovative ways of tapping into new pools of capital to allocate through delivery channels.

The synthesis below aims to provide an illustrative overview of how each assessment area may work together and result in a scale up of external flows to at least US$ 1.3 trillion by 2035, with a first focus on innovative sources, followed by delivery channels by public and private finance, and carbon markets.

On tapping innovative sources of finance, with the advent of the IMO Net-Zero Framework and the Premium Flyers Solidarity Coalition, a BAU pathway could result in US$ 6.2–6.7 billion in new sources tapped by 2035. However a basket of innovative revenue raising mechanisms, including modest fossil fuel levies, financial transaction taxes, levies on digital asset transactions and mining, corporate taxes, a tax on ultra-high-net-worth individuals and a modest expansion of aviation levies, could raise between US$ 68.2–128.7 billion by 2035. This estimate is based on some mechanisms allocating 50 per cent of revenue raised to financing climate actions in developing countries (e.g. solidarity levies on aviation) while others assume only 10 per cent. In aggregate, of total gross potential revenue raised, only 11 per cent is assumed to be allocated to developing countries climate action for the low-end of the range and 14 per cent in the high-end of the range.

On delivery of climate finance through public finance channels, approximately US$ 160 billion is the current baseline as of 2024, of which US$ 63 billion is estimated to be grant or concessional finance.[23] A BAU pathway may result in US$ 229–232 billion in public climate finance by 2035, of which US$ 95 billion may be considered as grants and concessional finance. However, a series of key interventions could lead to delivery of public climate finance in a range of US$ 351–384 billion per year by 2035, including:

- Bilateral climate finance: A 72–120 per cent increase in nominal grant and concessional finance through bilateral channels;
- MCFs: larger replenishments by a factor of 63–150 per cent that support flows beyond the tripling of outflows by 2030 over 2022 levels;
- MDBs concessional windows: Bespoke larger replenishments (up to 50 per cent more nominally) and proportionally higher allocation to climate action from 45 per cent to between 55 and 65 per cent, could result in 60 per cent more flows nominally;
- MDB market-based lending windows: expansion of climate lending in the region of 60 per cent nominally;
- South-South climate finance: a tripling of the annual average from 2013–2023 or the peak estimated in 2018;
- SDR channeling to support the Resilience and Sustainability Trust on-lending at US$ 5 billion and using SDRs to acquire MDB hybrid capital instruments resulting in an additional US$ 13.5 billion in MDB lending.

Although the multiples in public finance delivery channels may appear significant, the capital raised through innovative sources may fully account for the estimated increases needed. In the low-end estimate of US$ 351 billion in public finance delivered to developing countries, an additional US$ 152 billion flows through bilateral, multilateral climate funds and multilateral development banks channels compared to current estimates. This can be met by raising at least US$ 68 billion in capital through innovative mechanisms where one-third is directed for provision through bilateral channels, 10 per cent towards replenishing

multilateral climate funds, and the remainder toward capitalizing multilateral development banks with an assumed mobilization ratio of 3.5. In the high-end estimate of US$ 384 billion delivered to developing countries, an additional 185 billion flows through bilateral, multilateral climate funds and multilateral development banks channels compared to current flows. This can be met by raising at least US$ 90 billion in capital through innovative mechanisms where 50 per cent is directed through bilateral channels, 15 per cent towards multilateral climate funds and 40 per cent through multilateral development banks.

When taken together, the capital raised through innovative sources may fully account for the estimated increases assumed for these public finance delivery channels. The public finance estimates are feasible in a scenario where one-third of the US$ 68.2–128.7 billion capital raised is directed for provision through bilateral channels, 10 per cent towards replenishing MCFs, and half toward capitalizing MDBs with an assumed MDB mobilization ratio of 3.5.

On delivery of private climate finance, the current baseline of US$ 94 billion in external capital flows to developing countries may rise to US$ 229 billion by 2035 in a BAU pathway based on stated policy scenarios. It should be noted that in itself, this represents significant growth in the range of 8.7 per cent per annum. However, Paris-aligned scenarios require approximately US$ 882 billion in private finance with US$ 740 billion in energy sectors, and US$ 142 billion for nature and adaptation through the following instruments:

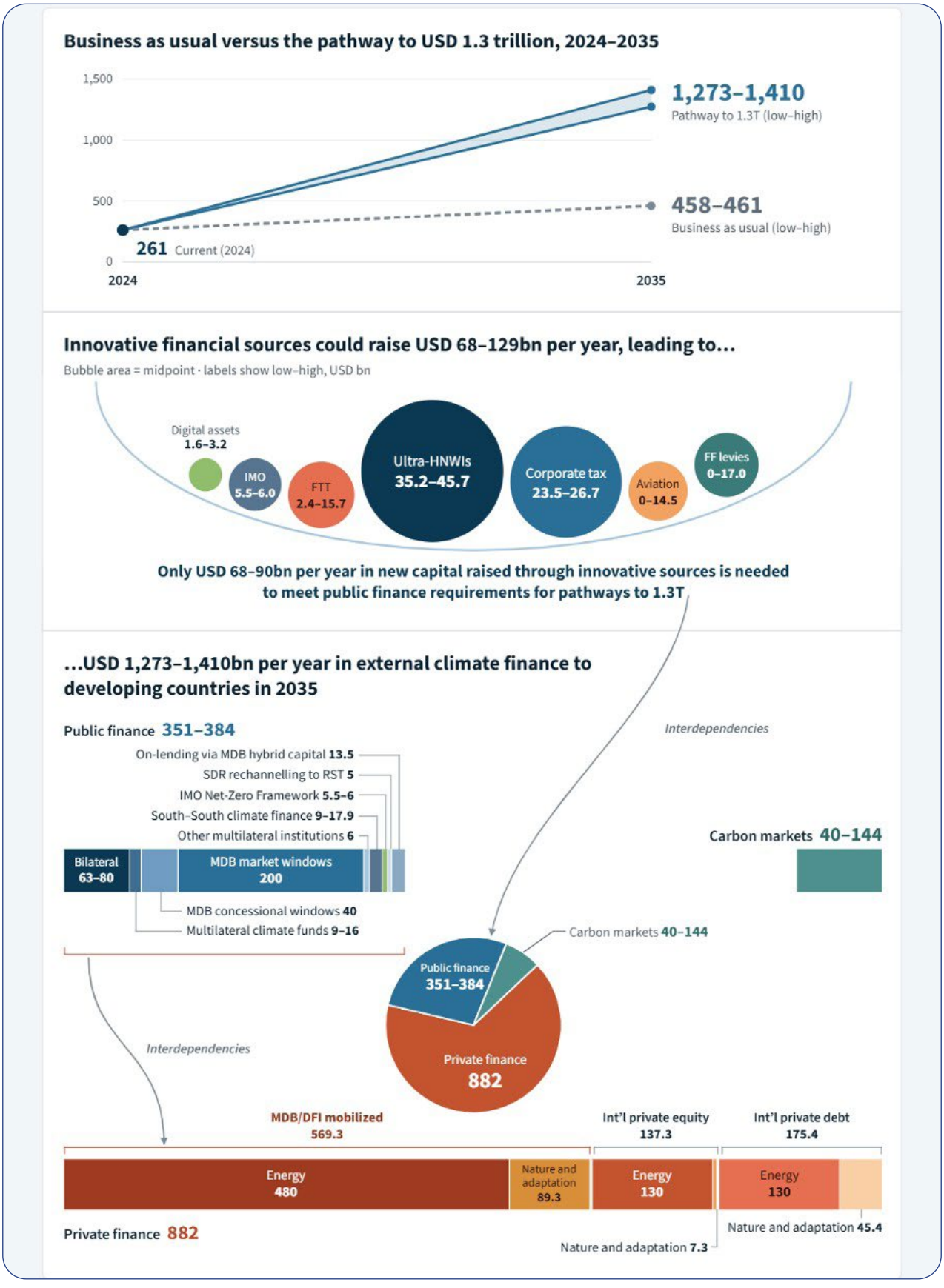
- Mobilized private investment by MDBs and DFIs at US$ 569 billion represents an aggregate mobilization ratio of 1.68–1.82 from the public finance delivered through bilateral channels and MDBs;

- International private debt of US$ 175 billion and private equity of 138 billion.

Such estimates may be met through sustained support for originate-structure-scale approaches for deployment of climate solutions.

On carbon markets, cross-border payments for mitigation are currently at low levels but may rejuvenate through the onset of Article 6. A simulation of verified mitigation outcomes from developing countries transferred to government or regulated firms in other countries may lead to US$ 40–144 billion in finance flows based on a carbon price of US$ 25–50 per ton.

In aggregate, the combination of measures outlined above leads to US$ 1,273–1,410 billion in external climate finance flows to developing countries for climate action by 2035, providing adequate confidence in the ability to reach at least USD 1.3T through key interventions are followed through.


Business as usual versus the pathway to USD 1.3 trillion, 2024–2035
1,500
1,000
500
0
1,273–1,410
Pathway to 1.3T (low–high)
458–461
Business as usual (low–high)
261 Current (2024)
2024
2035
Innovative financial sources could raise USD 68–129bn per year, leading to…
Bubble area = midpoint · labels show low–high, USD bn
Digital assets 1.6–3.2
IMO 5.5–6.0
FTT 2.4–15.7
Ultra-HNWIs 35.2–45.7
Corporate tax 23.5–26.7
Aviation 0–14.5
FF levies 0–17.0
Only USD 68–90bn per year in new capital raised through innovative sources is needed to meet public finance requirements for pathways to 1.3T
…USD 1,273–1,410bn per year in external climate finance to developing countries in 2035
Public finance 351–384
On-lending via MDB hybrid capital 13.5
SDR rechannelling to RST 5
IMO Net-Zero Framework 5.5–6
South–South climate finance 9–17.9
Other multilateral institutions 6
Bilateral 63–80
MDB market windows 200
MDB concessional windows 40
Multilateral climate funds 9–16
Interdependencies
Carbon markets 40–144
Public finance 351–384
Private finance 882
Interdependencies
MDB/DFI mobilized 569.3
Int'l private equity 137.3
Int'l private debt 175.4
Energy 480
Nature and adaptation 89.3
Energy 130
Energy 130
Nature and adaptation 45.4
Private finance 882
Nature and adaptation 7.3

III. ACCELERATING IMPLEMENTATION, TRACKING REFORM AND TRANSFORMING DEVELOPMENT PATHWAYS

Accelerating implementation. COP29 and COP30 set the direction, with Parties deciding to scale up climate finance for developing countries to at least US$ 1.3 trillion per year by 2035. As stated in the Baku to Belém Roadmap to 1.3T, achieving this goal will require engaging all relevant actors and sustaining cooperation within and beyond the UNFCCC. The policy cycle of the Paris Agreement is in motion, and national plans such as NDCs and NAPs increasingly serve as whole-of-government and whole-of-economy instruments across different time horizons. Effective use of the constituted bodies and institutional arrangements under the UNFCCC will continue to play a key role.

Information on progress. Current reporting arrangements provide information mainly on finance flows, largely from the provider side and with a time lag. Less information is available on whether the conditions for scaling up finance are in place, for example on fiscal space, the development of investment pipelines or access to instruments by the countries and sectors that need them most. The same applies to persisting barriers, whether on the side of countries, providers or the financial system. A clearer picture of these elements would help Parties and other actors direct their efforts where they are most needed. This does not require new reporting obligations, but better use of existing information, organized around a common framework.

The wider implementation ecosystem. Beyond UNFCCC modalities and institutional arrangements, a broad network of institutions, initiatives and actors supports implementation. The Global Climate Action Agenda has become an important part of this ecosystem and can be a strong platform for supporting the implementation of the Baku to Belém Roadmap to 1.3T, including through its more than 120 active Plans to Accelerate Solutions: voluntary, collaborative implementation plans that convene different stakeholders to rapidly scale up proven climate solutions. An initial analysis shows that around 30 of these plans and more than 50 initiatives address elements of all five action fronts of the Roadmap. The analysis also points to areas where activity remains limited e.g. fiscal space and debt. It offers a first illustration of how a common framework can help identify where efforts are concentrated and where gaps remain.

The 5x5 Implementation Framework, delivered through three pillars. Ensuring adequate implementation will increasingly rest on in-country planning, clarity on where finance must be directed and continuous tracking of the evolving financial system. To organize this effort, the COP30 Presidency, in collaboration with the IHLEG, proposes the 5x5 Implementation Framework. From a strategic perspective, it combines the Roadmap's five finance action fronts *(Replenishing, Rebalancing, Rechanneling, Revamping and Reshaping) with its thematic areas (adaptation and loss and damage; clean energy access and transitions; nature and support to its guardians; agriculture and food systems; and just transitions)*. Cities have also been identified as an area of special focus reflecting their position in the frontline of climate impact and action. In practical terms, the framework is organized around the three following pillars—and supported by a regular monitoring tool (see Climate Finance Action Compass below):

The three pillars translate the Baku to Belém Roadmap to 1.3T agenda into an implementation framework, organizing action across country-level foundations, investment in key transitions and the finance needed to deliver it. They are mutually reinforcing, with the 5Rs cutting across them.

- **Pillar 1: Country-led investment for sustainable development, climate, nature and resilience.** This pillar focuses on the country-level foundations for translating national priorities into investment and delivery: investment frameworks and platforms, effective institutions and coordination, sustainable debt and fiscal space, domestic resource mobilization and stronger domestic financial systems. It also considers how national frameworks connect with subnational governments and institutions, which are central to translating priorities into investment and implementation on the ground. International support should reinforce country priorities and institutions rather than create parallel processes.

- **Pillar 2: Coalitions to accelerate key transitions.** This pillar assesses implementation across the five investment priorities (*adaptation and loss and damage; clean energy access and transitions; nature and supporting its guardians; agriculture and food systems; and just transitions)*, with a special focus on cities as a cross-cutting investment and delivery challenge. It considers how coalitions and partnerships, alongside country-led action, are helping overcome sector-specific constraints, accelerate investment and delivery, and achieve real-economy outcomes.

- **Pillar 3: Delivering the US$1.3 trillion capital stack.** This pillar assesses progress in scaling and improving the mix, affordability and accessibility of domestic and international, public and private finance, including grants and concessional resources, MDB and development finance, private finance, South-South cooperation and other sources and instruments. The objective is to mobilize finance suited to different country and investment needs.

The three pillars provide the structure for organizing implementation, while the Scale, Speed, Reach and Impact (SSRI) framework (see below) provides a common lens for assessing progress and identifying delivery gaps.

Intended outcomes. Through these pillars, the Implementation Framework is designed to deliver on the following objectives: (I) a common implementation structure and language, so that Parties, institutions and investors describe the same actions in the same terms (II) building on this shared language, work towards a more coordinated delivery system, with clearly defined roles for the actors and instruments involved (III) better information on where enabling conditions are in place and where barriers persist, for countries, providers and the financial system, and (IV) implementation decisions grounded in evidence on which levers are most effective.

Assessing implementation progress: scale, speed, reach and impact. Progress towards these outcomes will be measured across four dimensions, each capturing a distinct aspect of implementation: ***Scale, Speed, Reach and Impact (SSRI)***. Taken together, they move the assessment beyond the volume of finance mobilized towards what that finance achieves.

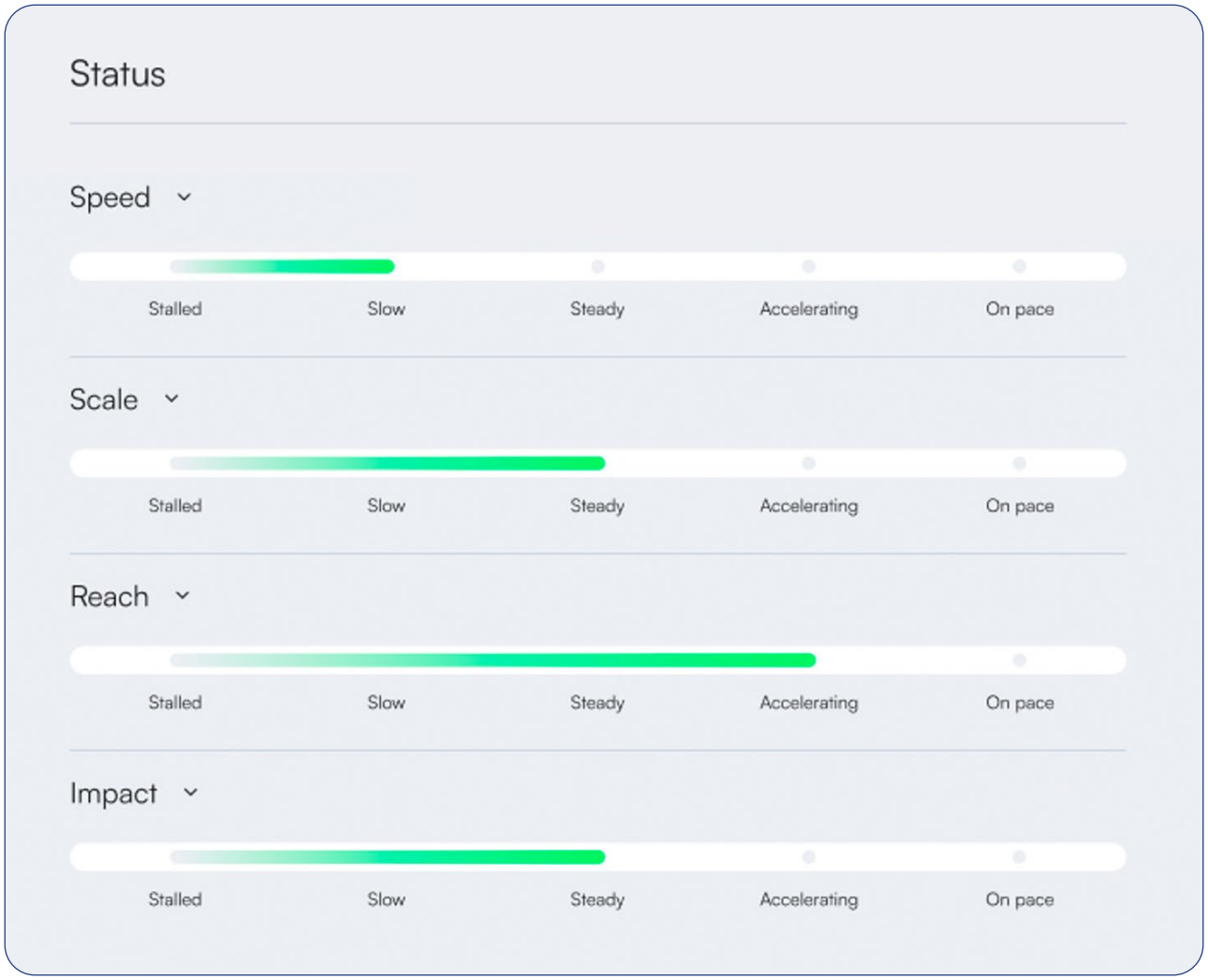
The evidence base combines quantitative indicators, where comparable data exist, with qualitative evidence on policies, institutions and delivery. Where data or monitoring are lacking, this will be reported as part of the findings, since such gaps are themselves an indication of where further work is needed.



Climate Finance Action Compass. The COP30 Presidency has worked in collaboration with Climate Policy Initiative (CPI) to update its former **Climate Finance Reform Compass** compass.climatepolicyinitiative.org to serve as a monitoring mechanism for the implementation of the Baku to Belém Roadmap to 1.3T and the wider global climate finance agenda. The Compass the was first tool designed to coordinate action and create a shared understanding under the Global Climate Finance Framework agreed under the Global Action Agenda at COP28.

The new version, now the Climate Finance Action Compass, complements the implementation framework as a quantitative and qualitative tool to measure advances, identify implementation gaps, enhance coordination, and support transparency. It is also closely aligned with the work of the International High Level Expert Group on climate finance (IHLEG). For this purpose, it will assess progress using the SSRI dimensions across multiple action areas under each of the three pillars. Its findings will inform key political moments with evidence and practical options to speed up action and improve coordination across the climate finance landscape. The Compass is housed on an interactive website, allowing users to select specific pillars and action areas to understand current progress. Results are expressed as qualitative ratings rather than numerical scores, on a scale of low, moderate or high, with intermediate ratings (low–moderate and moderate–high) between each level. Where performance varies significantly, the rating is mixed; where the evidence does not support a robust judgment, it is noted as insufficient. Together, these elements give stakeholders a consistent and common basis for tracking implementation and identifying where further action is needed.

Strengthening collective accountability. Through regular updates, the Compass could complement existing transparency and reporting arrangements for climate finance under the UNFCCC, including the Enhanced Transparency Framework. It could also provide timely input to upcoming milestones: the second Global Stocktake process, starting at COP31, and the first biennial report of the Standing Committee on Finance on progress towards the NCQG, due in 2028. Over time, the Compass could become a standing reference, tracking implementation across successive COPs and informing future implementation developments.



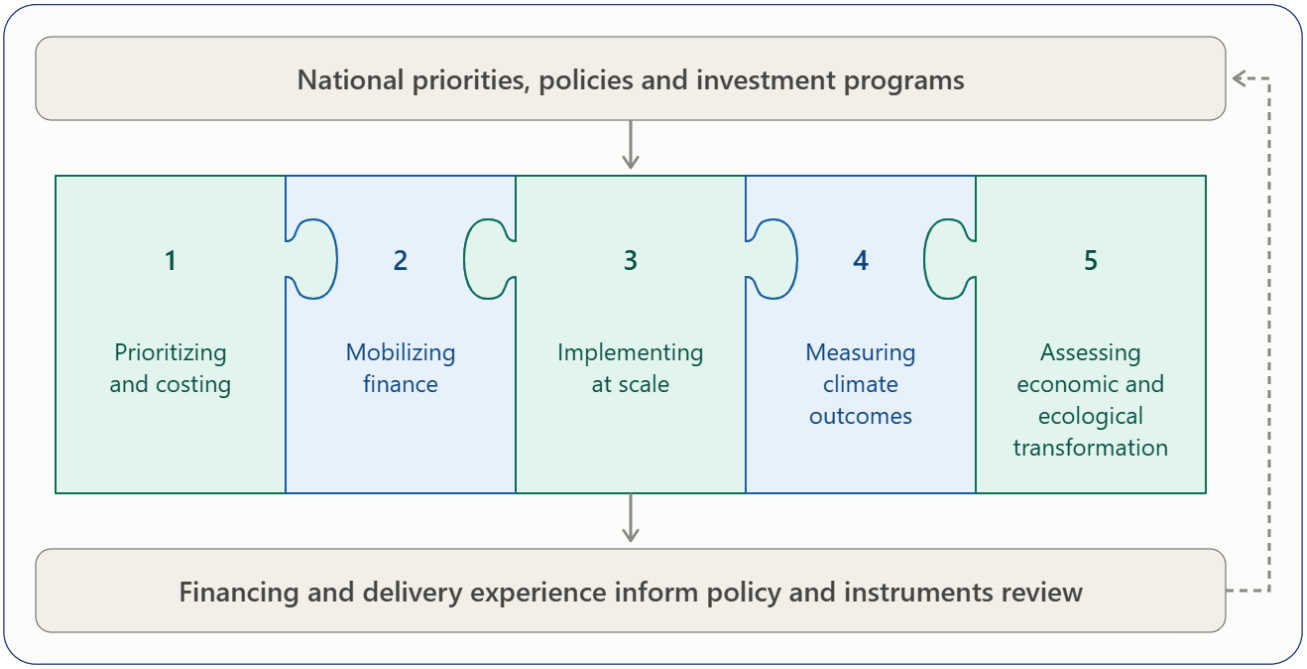
Linking finance to national climate action and transformation. The Baku to Belém Roadmap to 1.3T, presented in 2025, and the previous chapter on sources of finance, devoted considerable attention to transformations required at the international level, particularly on the dimension of the supply of financing. In 2026, progress on preparation and communication of a new round of NDCs and National Adaptation Plans (NAPs) have brought the national dimension to the fore. These processes provide useful insights into how countries are identifying their investment priorities and how international finance may better respond to them. The present chapter seeks to reflect some of these learnings, in support of the first pillar of the 5x5 Implementation Framework.

Where we are. As of 31 August 2026, 154 Parties to the Paris Agreement have submitted NDCs and 81 developing country Parties have submitted NAPs. Nearly 66 per cent of Parties referenced efforts to develop climate financing strategies or investment plans to support NDC implementation. Parties reporting financial needs provided cost estimates ranging from aggregate totals to sector-specific breakdowns, amounting to US$ 3.6–3.6 trillion overall. Mitigation finance needs, estimated at US$ 2,511 billion, are concentrated in the energy, agriculture, forestry and other land use (AFOLU), industrial processes

and product use (IPPU) and waste sectors; while adaptation finance needs, estimated at US$ 893–898 billion, are focused on agriculture, water, infrastructure, health, biodiversity and disaster risk management sectors. A total of 78 per cent of the Parties that reported costed needs identified a mix of international and domestic sources of finance needed, including public and private sources; 14 per cent identified international sources only and 3 per cent domestic sources only.

The question is not only how much finance is available, but how it reaches country priorities. NDCs, NAPs and long-term strategies set out those priorities. The challenge now is to turn them into investment pipelines that countries own and that finance can respond to at scale. This means moving beyond project-by-project approaches towards programmatic pipelines grounded in NDCs and NAPs. It also means anchoring those pipelines in the domestic instruments that guide public decisions: national development plans, sector programs, public investment plans and budget processes. Once climate priorities are internalized in these instruments, Ministries of Finance and Planning, sector ministries, regulators and subnational authorities can act on them. That is what turns climate finance into a practical enabler of implementation at scale.

From climate action planning to economic and ecological transformation. Building on the issues raised by stakeholders[24] in developing the Baku to Belém Roadmap to 1.3T and throughout the COP30 Presidency in 2026, below are five interdependent functions that countries could consider to better link finance to domestic action: prioritizing and costing; mobilizing finance; implementing at scale; measuring climate outcomes; and assessing economic and ecological transformation. Together, they connect national pathways with financing, the adoption of solutions and the evaluation of their effects on climate and development.



The functions, elaborated below, are presented in sequence to distinguish obstacles from potential responses, but they are interdependent and may run simultaneously. What holds them together is a standing governance and coordination arrangement under national leadership. The objective is not to impose a single model of country coordination or investment planning, but to ensure that climate finance is organized around the way governments make and deliver decisions. This also gives partners a clearer basis for alignment: it asks international providers and investors to support country priorities through the institutions and systems responsible for implementation.

This national financing architecture connects public resources and capital markets with investment needs. Country platforms and equivalent instruments can provide an institutional form for this coordination, adapted to domestic mandates, fiscal space and market depth. They can link all five functions while preserving the responsibilities of ministries, financial institutions and implementing entities. Predictable multi-year programs give project developers and investors a basis for preparing a continuous pipeline, alongside dedicated funding channels for public benefits that do not generate sufficient revenue.

These functions bring together economic instruments, institutions, project preparation capacity, and information and verification systems. Their purpose is to enable financing to reach suitable investments and deliver climate outcomes. Sustaining this effort also requires development benefits: higher productivity and income, technological capabilities and protection of people and economic activity from climate impacts.

FUNCTION 1: PRIORITIZING AND COSTING

Climate solutions span a heterogeneous universe of sectors, technologies and value chains. This heterogeneity appears not only across sectors but also within them: closely related activities may be at different stages of maturity depending on market conditions, demand and technological pathway. When development, mitigation and adaptation priorities are examined separately, NDCs and NAPs become disconnected from budgets, economic instruments and investment conditions. Insufficient data and fragmented responsibilities across ministries make it difficult to compare pathways and decide where to begin, with costing exercises often stopping at aggregate figures. They may not test alternatives against fiscal space and debt sustainability or against existing policies on credit, guarantees, public procurement, taxation and subsidies. Readiness support, in turn, is frequently fragmented and supply-driven rather than directed to where national gaps lie. Costing individual interventions arising from adaptation priorities identified in NAPs is one of the critical challenges to advance in resource mobilization. Adaptation also faces a preparation incentive gap. Interventions that protect lives, ecosystems or essential services often generate public benefits without revenues. Public or grant resources may therefore be needed from the earliest preparation stages.

Enablers

- **Joint prioritization** led by finance and planning, with environment and sectoral authorities, recognizing existing competitive advantages, opportunities to build capabilities, climate risk levels and differences across sectors and territories.
- **Consult with all relevant stakeholders**, such as Indigenous People, local authorities, communities, workers, youth, women, trade unions and vulnerable groups.
- **Comparison of mitigation alternatives** using abatement cost curves, complemented by pathway analysis and assessments of technology, demand, infrastructure and competitiveness, since static cost curves miss learning effects and path dependence.
- **Adaptation diagnosis** combining risk exposure, vulnerability, potential losses and intervention benefits, with priority to protecting lives and essential services.
- **Testing options against fiscal space and debt sustainability**, and realigning subsidies, taxes and public credit with attention to effectiveness, cost and distributional effects.
- **Support:** readiness programs and technical assistance to sectors with low maturity and high climate relevance, in response to country-identified gaps rather than through parallel planning exercises.

FUNCTION 2: FINANCE MOBILIZATION

Public, private, domestic and international resources have different mandates, currencies, tenors and return requirements. Country, currency, credit and climate risks constrain investment, and access to private capital remains starkly uneven across countries. Generic risk-reduction solutions may fail to address the actual barriers. Scarce concessional resources are not always allocated efficiently, and support may subsidize investments that would proceed on commercial terms, while adaptation, just transition and vulnerable territories remain underserved. Where debt burdens are high, limited fiscal space constrains both sovereign borrowing and contingent liabilities such as guarantees. Access barriers also affect Indigenous Peoples and other underserved groups. The gap lies in organizing complementary contributions according to the needs identified in the first function.

Enablers

- **Efficient use of concessional resources**, directed to where commercial finance will not go and to adaptation, loss and damage and just transition needs.
- **Local-currency finance and currency risk solutions**, through national development banks, hedging facilities and domestic capital markets.

- **Coordinated contributions** from government, donors, multilateral development banks, development finance institutions, philanthropy and investors through appropriate institutions and vehicles. Country platforms can organize these connections and the combination of instruments without channeling all resources through a central fund or centralizing investment decisions.

- **Feedback from financial institutions to government** on demand, funding conditions and terms offered, allowing instruments and program horizons to be adjusted.

- **Aligning offers** with country programs, co-financing on harmonized terms, providing currency and risk-sharing instruments at scale, and offering climate-resilient debt clauses.

FUNCTION 3: IMPLEMENTATION AT SCALE

Mobilized resources must still move through preparation, contracting, disbursement, construction or deployment, and operation. Pipelines remain thin where there are no standing institutions to originate projects. Repeated due diligence, incompatible documentation and differing requirements among providers raise transaction costs and delay deployment. Implementation capacity varies across activities and territories. Smaller projects, often where adaptation and local benefits are greatest, struggle to reach the scale and standardization that institutional investors require.

Enablers

- **Standing origination and preparation capacity** in national development banks, project preparation facilities or dedicated units, providing technical studies and legal and financial structuring.

- **Aggregation** by investment funds, anchor companies, national development banks and other vehicles, combining smaller projects into diversified portfolios and programs that reduce transaction costs and open access to institutional investors.

- **Support for financial modeling, guarantees and contractual structures**, particularly for first-of-a-kind projects and subnational entities.

- **Standardized contracts and procurement, and repeated delivery**, generating economies of scale and learning.

- **Provider-side harmonization:** optimize common due diligence and mutual reliance on each other's procedures.

- **Systematic learning:** implementing institutions record actual costs, delays, barriers and performance and share them through the national coordination arrangement. Verified demonstration effects can reduce uncertainty and improve financing terms.

- **Funding permanent preparation capacity and patient capital**, coordinating technical assistance, and simplifying co-financing procedures with domestic institutions. Support should strengthen local capabilities and record progress from commitments through disbursement to operational delivery

FUNCTION 4: CLIMATE OUTCOMES

Many verification systems are not transparent, so funders cannot use each other's results. Some requirements are too demanding, which raises costs and shuts out small projects. Reports often do not show what the money achieved, so they are of little use for improving programs. And separate reporting for each project adds work for countries that already report under the Paris Agreement.

Enablers

- **Metrics designed from the investment stage:** taxonomies guide eligibility, and baselines, indicators and commitments allow implementation and outcomes to be monitored.

- **Proportionate requirements** scaled to project size and risk.

- **Alignment with the Enhanced Transparency Framework**: project- and program-level data should be compatible with national methods so that they can support reporting in Biennial Transparency Reports rather than creating parallel systems.

- **Adaptation metrics** combining exposure and vulnerability with implemented measures and changes in service continuity and expected losses, consistent with the Belém indicators adopted under the Global Goal on Adaptation.

- **How partners can support:** sharing anonymized data on costs, timelines, defaults, leverage, performance and impact; harmonizing diligence; and tracking capital through to implementation; building robust data systems on risks and vulnerabilities.

FUNCTION 5: ECONOMIC AND ECOLOGICAL TRANSFORMATION

Climate outcomes are often evaluated without examining their contribution to productivity, income, innovation and resilience. Aggregate benefits can conceal losses for workers, companies and territories. Without economic and distributional assessment, it becomes difficult to identify complementary policies and justify sustained effort. The transition must produce recognizable benefits for the countries and populations implementing it.

Social returns are also sometimes confused with private profitability or fiscal returns. Subsidies, guarantees and borrowing involve costs and risks, and there is no guarantee that every climate investment will pay for itself through the public budget. In adaptation, avoided losses depend on scenarios. Protecting lives, heritage and ecosystems may justify interventions even when monetization is incomplete.

Enablers

- **Context-specific indicators** of productivity, employment, income, innovation, water and energy security, and business and community resilience.
- **Distributional assessment** of who receives benefits and who bears costs, including workers and territories, accompanied by skills development, social protection and regional development policies.
- **Recognition of resilience as an economic return:** in adaptation, preserving services and supply chains is a significant return in its own right. Scenarios consistent with asset lifetimes help assess resilience without treating estimated avoided losses as realized revenues.
- **A fiscal and macroeconomic lense that weighs costs**, risks and opportunities against different plausible futures over time, including contingent liabilities. Climate and nature economic policy scenarios could test the resilience of pathways and economic policies under different global and local economic and climate conditions.
- **Feedback into planning**, so that economic evaluation refines sequencing and sustains the transition through continuity of direction, social participation and instruments adapted to national conditions.

IV. THE ROAD AHEAD

When Parties launch the Second Global Stocktake at COP31, they will look to the next cycle of implementation of the Paris Agreement and ask whether collective climate action can offer a credible picture of a future that safeguards the planet and strengthens livelihoods. That picture will be incomplete without sound action to scale up financing to developing countries to at least US$ 1.3 trillion per year by 2035, as called for in Baku and decided upon in Belém.

The Baku to Belém Roadmap to 1.3T, presented in 2025 by the COP29 and COP30 Presidencies, was the first answer to that question. Throughout 2026, in the spirit of the *Global Mutirão*, the COP30 Presidency has sought to carry that debate into the rooms where climate finance is discussed, bringing together Parties, multilateral institutions, regulators, investors, researchers and civil society around the implementation of the Roadmap. Building on the Quantum Leap pathways, this document identifies the policy interventions required to unlock the sources of finance set out in the Roadmap and estimates what each can deliver by 2035. It also proposes an implementation framework and an open-access tool to monitor progress and examines what it takes to convert the needs expressed in NDCs and NAPs into concrete financing, better aligned with national development priorities.

The task ahead is demanding. Geopolitical tensions, constrained fiscal space in many developing countries and the high cost of capital where it is most needed are among the obstacles. Trust between developed and developing countries has been severely tested in recent years. The evidence gathered in this document nonetheless leads to three conclusions.

First, the goal of at least US$ 1.3 trillion per year is achievable, but business as usual will not deliver it. Under current trends, external climate finance to developing countries would reach approximately US$ 461 billion per year by 2035, leaving a gap of around US$ 840 billion against the goal. The interventions identified in this document could close that gap, raising external flows to between US$ 1,273 and 1,410 billion per year by 2035. Advancing these interventions without delay is essential to limit the extent and duration of the 1.5°C overshoot, and to ensure that prosperity reaches every household and every community.

Second, this effort calls for a genuine *Mutirão*. Public finance will remain the backbone of ambitious climate action and the foundation of trust between Parties, and the UNFCCC will remain the appropriate forum to affirm this and to advance the full implementation of Article 9, including through *Replenishing*. The reach of public finance grows when others act on the same evidence. *Rebalancing* and *Rechanneling* resources, *Revamping* in-country institutions and *Reshaping* the rules of the financial system also depend on decisions taken by multilateral development banks, regulators, central banks, investors and subnational governments. Parties should therefore engage more actively across the full scope of the climate finance agenda and open space for these actors, together with academia and civil society, to work through decisions and operational questions that lie beyond negotiating positions. Forums outside the UNFCCC are already responding to the at-least-1.3T ambition, and their contributions should be recognized and connected.

Third, progress depends on regular tracking and accountability. The Baku to Belém Roadmap to 1.3T aspiration must be translated into action at the domestic level, within multilateral institutions and across the financial system, and that action must be measured. The *5x5 Implementation Framework* and the *Climate Finance Action Compass* proposed in this document would assess progress on the scale, speed, impact and reach of Roadmap actions. Reporting their findings would give the effort a steady rhythm, and their results could inform key moments, including each session of the COP, the regular meetings of the international financial institutions and future Global Stocktakes.

Climate finance also underpins the wider agenda that Parties set for this decade. The COP30 Presidency's International Roadmaps on transitioning away from fossil fuels in energy systems and on halting and reversing deforestation and forest degradation by 2030 recognize that each country will choose its own path. Those paths will be credible to the extent that finance reaches the countries that undertake them. The work presented here is offered in that spirit to the incoming Presidencies of COP31 and COP32, so that the effort begun in Baku and carried through Belém continues on its way to Antalya, Addis Ababa and beyond.

Belém showed that Parties can still choose to act together. The COP30 Presidency invites every government, institution and investor to take up its share of this work, so that this decade of accelerated implementation becomes the one in which humanity's response finally matches the scale of its responsibility.

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VI. ANNEX

The table below lists key UNFCCC structures and Global Climate Action Agenda plans and initiatives that support each of the three pillars of the 5x5 Implementation Framework. The list is indicative, non exhaustive.

PILLAR 1	PILLAR 2	PILLAR 3
COUNTRY-LED INVESTMENT FOR SUSTAINABLE DEVELOPMENT, CLIMATE AND RESILIENCE	**COALITIONS TO ACCELERATE KEY TRANSITIONS**	**DELIVERING ON THE US$ 1.3 TRILLION CAPITAL STACK AND AGENDA**
Just transition mechanism 2025 · Decision 2/CMA.7	**Global Implementation Accelerator** 2025 · Decision 1/CMA.7	**Green Climate Fund** 2010 · Decision 1/CP.16t; 1/CMA.7
Belém Adaptation Indicators 2025 · Decision 12/CMA.7	**UAE Framework for Global Climate Resilience** 2023 · Decision 2/CMA.5	**Adaptation Fund** 2001 · Decisions 10/CP.7; 13/CMA.1; 1/CMP.14
Nationally determined contribution 2018—Decision 4/CMA.1	**Sharm el-Sheikh Mitigation Ambition and Implementation Work Programme** 2022 · Decisions 4/CMA.4; 13/CMA.7	**Fund for responding to Loss and Damage and its replenishment cycle** 2022 · Decisions 2/CP.27–2/CMA.4; 1/CP.28–5/CMA.5; 1/CMA.7
National adaptation plan process and assessment of progress 2011 · Decision 5/CP.17	**Sharm el-Sheikh joint work on climate action on agriculture and food security** 2022 · Decision 3/CP.27	**Least Developed Countries Fund and Special Climate Change Fund** 2001 · Decision 7/CP.7
Least Developed Countries Expert Group (LEG) 2001 · Decision 29/CP.7	**Framework for non-market approaches (Art. 6.8) and Glasgow Committee on NMAs** 2021 · Decision 4/CMA.3; CMA 7 decision on the NMA work programme	**Global Environment Facility** 1992 · Convention; replenishment; 1/CMA.7
Country Platforms for Climate and Nature Finance PAS · Country Platforms Hub (CP Hub)	**Forum on the impact of response measures and Katowice Committee of Experts** 2018 · Decisions 7/CMA.1; 14/CMA.7	**Standing Committee on Finance** 2010 · Decision 1/CP.16
Fostering Investable National Adaptation & Resilience Planning and Implementation (FINI) PAS · Resilience Hub Finance Track	**Local Communities and Indigenous Peoples Platform and its Facilitative Working Group** 2017 · Decisions 2/CP.23; 2/CP.24	**Biennial Transparency Reports (BTRs)** Decision 18/CMA.1 including annex

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PILLAR 1	PILLAR 2	PILLAR 3
COUNTRY-LED INVESTMENT FOR SUSTAINABLE DEVELOPMENT, CLIMATE AND RESILIENCE	**COALITIONS TO ACCELERATE KEY TRANSITIONS**	**DELIVERING ON THE US$ 1.3 TRILLION CAPITAL STACK AND AGENDA**
Methodologies for identifying environmental and climate expenses in the public budget PAS · Inter-American Development Bank (IDB)	**Belém Technology Implementation Programme** 2025 · Decision 18/CMA.7	**Biennial communications under Article 9.5** 2018 · Decision 12/CMA.1; CMA 7 decision on Art. 9.5
Harnessing Public Procurement in High-Impact Sectors PAS · UNEP/UNIDO	**Closing the Data Gap: Innovating Finance for Systematic Observation** PAS · Systematic Observations Financing Facility (SOFF)	**Veredas Dialogue on Article 2.1(c)** 2025 · Decision 11/CMA.7
NAP Implementation Alliance (NIA) PAS · UNDP/COP30 Presidency	**Transaction Hub** PAS · Sustainable Business COP	**Xingu Finance Talks** 2025 · Decision 11/CMA.7, para. 13
	Promising avenues to streamline climate finance and support for startups and SMEs in developing countries PAS · South-South Collective for the Climate	**Investment-focused events of the Mitigation Work Programme** 2022 · Decision 4/CMA.4
	Financing of Clean Industrial Projects PAS · Global Capacity Building Coalition / Industrial Transition Accelerator (ITA)	**Cooperative approaches under Article 6.2** 2021 · Decision 2/CMA.3
	Global South Cleantech Entrepreneurship Alliance PAS · Global South Cleantech Entrepreneurship Alliance (GSCEA)	**Article 6.4 mechanism (Paris Agreement Crediting Mechanism)** 2021 · Decision 3/CMA.3
	Bioeconomy Challenge – A Global Roadmap for Transformative Bioeconomy Action PAS · Nature Finance	**Super Taxonomy** PAS · Roadmap for Advancing Interoperability and Comparability of Sustainable Finance Taxonomies (Taxonomy Roadmap)
	Plan to Grow Carbon Markets PAS · Voluntary Carbon Markets Integrity Initiative (VCMI)	**Driving a smarter and more coordinated approach to adaptation and resilience through philanthropy** PAS · Adaptation and Resilience Collaborative for Funders (ARC)



PILLAR 1	PILLAR 2	PILLAR 3
COUNTRY-LED INVESTMENT FOR SUSTAINABLE DEVELOPMENT, CLIMATE AND RESILIENCE	**COALITIONS TO ACCELERATE KEY TRANSITIONS**	**DELIVERING ON THE US$ 1.3 TRILLION CAPITAL STACK AND AGENDA**
	Plan to harmonize carbon markets through shared guidance, tools, interoperable registries, and coordinated capacity-building PAS · Partnership for Market Implementation (PMI)	**Credit Enhancement for Private Capital Mobilization** PAS · Task Force on Sustainability-Linked Sovereign Financing for Nature and Climate
	Plan to Harmonize Global Carbon Accounting Standards PAS · ISO-GHGP partnership	**FX EDGE: Foreign Capital Mobilization and FX Hedge Program** PAS · Inter-American Development Bank (IDB)
	Climate and Clean Air Coalition Technology and Economic Assessment Panel (TEAP) PAS · Climate and Clean Air Coalition (CCAC)	**Transaction Hub** PAS · Sustainable Business COP
	Access to Finance for Agrifood Systems Transformation PAS · FAST Partnership	**Pipeline aggregation and bioeconomy finance & investments** PAS · Earth Investment Engine (EIE)
	Scaling Finance for Energy-Efficient, Resilient Buildings: Empowering Public Development Banks PAS · Partnership for Energy Efficiency in Buildings (PEEB)	**Transition Plans for Financial Institutions** PAS · UNEP FI
	Open Coalition on Compliance Carbon Markets Initiative · Government of Brazil	**Fund for responding to Loss and Damage** 2022 · Decisions 2/CP.27–2/CMA.4; 1/CP.28–5/CMA.5
	Plan to harmonize carbon markets through shared guidance, tools, interoperable registries, and coordinated capacity-building PAS · Partnership for Market Implementation (PMI)	**Tropical Forest Forever Facility** PAS · Government of Brazil

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22. Mitigation Contribution Units (MCUs): If an A6.4ER is not authorized for transfer, it remains within the mechanism registry as an MCU. These units contribute to the host Party's Nationally Determined Contribution (NDC) and cannot be used by other Parties. However, MCUs can support climate finance and domestic environmental programs. Under specific conditions, MCUs may later be authorized and converted into AERs. See: https://unfccc.int/process-and-meetings/the-paris-agreement/article-6/article-64-pacm/registry

23. Current-level figures are nested rather than additive. Public finance of ≈US$ 160 billion (2024) combines grants, concessional and low-cost capital (≈155) with South-South cooperation (≈3); of this, ≈US$ 63 billion is grant or concessional. The ≈US$ 261 billion total adds external private finance (≈94). The US$ 34 billion under SDRs is a stock of rechannelled lending capacity, not an annual flow, and is excluded from these totals.

24. Key references include: "A contribuição brasileira para a implementação do Baku to Belém Roadmap to 1.3T da ambição à implementação: como destravar financiamento climático em escala para países em desenvolvimento", developed by a consortium of Brazilian private sector and financial institutions; Convergence Blended Finance. State of Blended Finance 2026.



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