SUBMISSION BY CHILE ON BEHALF OF THE AILAC GROUP OF COUNTRIES COMPOSED BY CHILE, COLOMBIA, COSTA RICA, GUATEMALA, HONDURAS, PANAMA, AND PERU

Baku to Belém Roadmap to 1.3T

Following the invitation from the Presidency of COP29 and the incoming COP30 Presidency, the Independent Association of Latin America and the Caribbean (AILAC) appreciates the opportunity to present its views on the "Baku to Belém Roadmap to 1.3T", based on the following questions:

What are your overall expectations for the "Baku to Belém Roadmap to 1.3T"?

The *Baku to Belém Roadmap to 1.3T,* as launched in paragraph 27 of the New Collective Quantified Goal (NCQG) decision[1] aims at scaling up climate finance to developing country Parties to support low greenhouse gas emissions and climate-resilient development pathways and to implement Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs), including through grants, concessional and non-debt-creating instruments, and measures to create fiscal space, while considering relevant multilateral initiatives as appropriate.

Bearing this in mind, all discussions, activities, consultations, and negotiations taken under the Roadmap must remain within the scope of this paragraph. This is essential to ensure that discussions under the Roadmap avoid any overlaps with ongoing discussions on Article 2.1(c) and its complementarity with Article 9 under the Sharm el-Sheikh Dialogue. Therefore, AILAC wishes to present its views on the *Baku to Belém Roadmap to 1.3T* by analysing each section of paragraph 27 as follows:

1. Scaling up climate finance: The USD 300 billion per year by 2035 target set by the NCQG decision in paragraph 8, which is the core of the NCQG as the goal, in extension of that in para. 53 of decision 1/CP.21, is exceedingly insufficient to meet the evolving needs and priorities of developing countries, especially regarding adaptation and loss and damage[2]. In addition, the goal of scaling up climate finance to at least USD 1.3 trillion per year by 2035, this must not be treated as an aspirational goal where multiple actors participate without a clear and detailed monitoring and transparency mechanism to track progress. In order to bridge the financial gap and to implement the NCQG, the Roadmap must include at a minimum:

- Actors: The Roadmap should clearly define the responsibilities of the actors that will contribute to the USD1.3 trillion target, recognizing that all actors have differentiated responsibilities according to whether or not they belong to the UNFCCC regime, in accordance with Article 9 of the Paris Agreement. Other actors such as MDBs, private sector or philanthropy that are not part of the regime should assume voluntary responsibilities that may be subject to monitoring under the NCQG monitoring process.
- Channels and instruments: Given the diversity of actors, the Roadmap must provide guidance on how to promote, strengthen, and scale up finance to developing countries through grants, concessional financing, and non-debt-creating instruments, in alignment with paragraph 27 of the NCQG decision, and provide

[1] Decision -/CMA.6, para 27 available at https://unfccc.int/sites/default/files/resource/cma2024_L22E.pdf

[2] Decision -/CMA.6, paragraph 3, warns that costed needs reported in NDCs of developing countries are estimated at USD 5.1–6.8 trillion until 2030 (USD 455–584 billion per year), and adaptation finance needs alone range from USD 215–387 billion annually until 2030.

insights into the improvements needed in the climate finance system. The Roadmap should also provide guidance on how article 16 of NCQG decision will be operationalized to ensure that a significant increase of public resources will be provided through the operating entities of the Financial Mechanism and to pursue efforts to at least triple annual outflows from those Funds from 2022 levels by 2030.

- Purpose of financing: Climate finance must primarily target adaptation, mitigation, and loss and damage in developing countries, while addressing just transitions.
- Tracking and transparency mechanisms: The Roadmap must establish a robust climate finance tracking and transparency framework to ensure accountability, and that finance is equitably distributed across all regions. The tracking and transparency framework should also include the generation of periodic reports to assess progress toward the goal, the periodicity of progress evaluation, strategies to create compliance alerts and recommendations for improvement.
- State a climate finance definition: The Roadmap should state a clear criterion for what qualifies as climate finance, ensuring that finance is new, additional, and affordable. This will address the longstanding issue of resource accountability from developed to developing countries.
- Define concrete milestones for scaling up climate finance: The Roadmap should set clear short-, medium-, and long-term targets for disbursing the 300 billion and the $1.3 trillion annually by 2035, ensuring a predictable and scaled-up flow of funds.
- Improving access for developing countries: Climate finance must be easily accessible by reducing bureaucratic barriers, streamlining application processes, and ensuring that financial mechanisms are designed to serve the evolving needs and priorities of all developing countries. The Roadmap should also provide guidance to enhance technical assistance and institutional support to help developing countries prepare bankable climate projects and improve access to financial resources from the multilateral climate funds.
- Address the dis-enablers of finance: The Roadmap should provide guidelines to address the structural barriers that hinder access to climate finance. The way in which financing is provided must change considerably in a way that eliminates barriers such as high costs of capital, limited fiscal space, debt and transaction costs limiting administrative fees and overhead that burden developing countries and are an obstacle to climate action.

2. To developing country Parties: The USD 1.3 trillion in financing must be entirely delivered to developing country Parties. Given that these resources will come from both public and private actors, the Roadmap and the final report from the Presidencies must reflect on:

- Ensuring public finance is directed exclusively to developing countries in accordance with Article 4 of the United Nations Framework Convention on Climate Change (UNFCCC) and Article 9 of the Paris Agreement.
- Clarifying how developed countries will fulfil their obligations and financial commitments under Article 9 and the NCQG decision, particularly in light of the increasingly changing geopolitical context, where climate and development finance are being reduced or eliminated, creating new fiscal priorities that may undermine climate finance for developing countries.
- Unlocking private sector finance for direct deployment in developing countries aims to maximize efficiency, reduce financial burden, and enhance the final impact of investments in critical sectors.
- Additionally, it is essential to ensure that Indigenous Peoples and Local Communities have direct access to climate finance, without relying exclusively on financial intermediaries that can increase costs and reduce the availability of resources. To achieve this, the Roadmap should include specific mechanisms such as

community-based funds, results-based financing, and simplified access to multilateral funds, ensuring alignment with traditional knowledge and the priorities of these communities.

3. Supporting low-GHG and climate-resilient development pathways: The USD 1.3 trillion in financing must enable developing countries to transition towards low-carbon economies and enhance climate resilience, in line with their evolving needs and priorities. This financing must not impose additional debt burdens, unilateral conditions, or contribute to financial instability. It is crucial to urgently scale up climate finance, ensuring a balance between adaptation and mitigation finance, and scaled up finance for loss and damage, while addressing just transitions, and promoting capacity-building and technology transfer.

4. Implement the NDCs, LTS and NAPs: *The Baku to Belem Roadmap to 1.3T* must ensure that climate finance effectively supports the implementation of NDCs and NAPs in developing countries, while ensuring that resources are accessible, predictable and additional. The roadmap should provide clear guidelines on how financing will be provided and mobilized to enable developing countries to achieve their mitigation and adaptation targets, in a geographically balanced manner. Additionally, it is essential to integrate public and private sector investments in a way that fosters long-term sustainability, promotes climate-resilient development, and supports vulnerable communities and ecosystems and facilitate local communities and Indigenous people's access to available resources.

5. Through grants, concessional and non-debt creating instruments: The Roadmap must provide guidelines at all levels, so all financial resources mobilized—whether from public, private, or multilateral actors—are highly concessional, prioritizing grants, concessional financing, and non-debt-creating instruments. The guidelines should include:

- Developed countries must take the lead in this effort, fulfilling their commitments under Article 9.1 of the Paris Agreement
- Multilateral Development Banks (MDBs) must also increase their concessional lending and reform their financial practices to offer lower-cost capital and reduce debt burdens on developing countries and eliminate barriers that hinder direct access to these funds by local actors and vulnerable communities. This includes simplifying application processes, enhancing transparency, and establishing dedicated financing mechanisms that prioritize community-led initiatives and indigenous governance structures.
- Private finance should foster risk-sharing mechanisms, blended finance models to attract investment, ensuring that public-private partnerships effectively leverage private capital while distributing financial risks in a balanced manner, avoiding excessive burdens on developing countries. Instruments such as green guarantees, and sustainability-linked bonds should be promoted to attract private investment while maintaining concessional terms.

In addition, the Roadmap should establish guidelines to inform and shape the structural reform of the international financial architecture, ensuring that climate finance is more accessible, affordable, additional and aligned with the evolving needs and priorities of developing countries. Without these structural changes, the 1.3T goal will fail to effectively support developing countries in achieving their climate commitments, as lack of sufficient climate finance flows, fiscal constraints and unsustainable debt will continue to limit their ability to implement NDCs, NAPs, and long-term strategies. *The Baku to Belém Roadmap* must serve as the foundation for a long-term transformation of climate finance, ensuring that concessional finance is prioritized across all sources of funding.

6. Measures to create fiscal space: The Roadmap must include concrete measures to ease the debt burden and prevent climate finance from exacerbating fiscal constraints. Proposals such as climate-resilient debt covenants, debt-for-climate swaps, and extended grace periods on climate loans (especially from Multilateral Development Banks) are key. The roadmap must promote systemic solutions that enable them to access climate finance without compromising economic stability. Key measures should include, among others:

    - Debt related mechanism according to different debt profiles: The roadmap should advocate for ex ante and ex post measures that allow the use of instruments related to debt, debt-for-climate swaps, climate-resilient debt clauses, and longer grace periods on climate-related loans, particularly from MDBs and bilateral lenders, as well as coordination mechanisms for private lenders.
    - Reforming credit rating methodologies: Many developing countries are penalized with high-risk premiums, increasing borrowing costs. The roadmap should propose revised credit assessment frameworks that account for climate vulnerabilities and investments in resilience. This is key to ensuring equitable access to climate finance under fair conditions. Special emphasis should be placed on this issue, highlighting the need to review credit assessment frameworks to incorporate climate vulnerability and resilience criteria, thus preventing developing countries from being penalized with high-risk premiums that increase their financing costs.
    - Lowering the cost of capital: Developed countries and MDBs must expand guarantees, first-loss capital mechanisms, and currency hedging instruments to de-risk investments in developing countries, local currency instruments, ensuring affordable access to finance.
    - Increasing international cooperation from developed to developing countries to finance climate action in developing countries.
    - Climate risk and contingent liabilities in fiscal planning: Contingent liability assessments of disaster risk associated with climate-related events to support decision-making in financial negotiations and the development of financial instruments that ensure the availability of resources for emergency response and recovery, also valuing as well as the opportunities presented by investments in resilience and sustainability.

Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

Besides the elements previously stated, AILAC believes that the Roadmap must address critical issues to ensure that the USD1.3 trillion target effectively supports developing countries in implementing their climate commitments. The Roadmap should also be informed by discussions on:

- Given that 2025 marks the submission of updated Nationally Determined Contributions (NDCs), the Roadmap must establish clear mechanisms to finance the implementation of NDCs, NAPs and Long-Term Strategies (LTSs). A particular focus should be placed on scaling-up finance for measures outlined in these instruments, including the role of climate finance in in scaling-up private finance.
- Highly concessional financing instruments—what is needed to scale up such instruments, the barriers and trade-offs in their deployment, and the gaps in mobilization and access.
- How developed countries plan to take the lead in providing the public finance they have committed to under the Paris Agreement and the NCQG, particularly given the current political and economic context, and beyond the USD300 billion goal as set out in para 8 of the NCGQ decision.
- How will Multilateral Development Banks (MDBs) expand concessional finance, improve loan conditions for developing countries, and enhance synergies to ensure that the USD1.3 trillion target includes accessible and low-cost financing?

- How will the USD 1.3 trillion contribute to meeting the Global Goal for Adaptation, especially in closing the adaptation finance gap?
- Establishing clear mechanisms to track and monitor the provision and mobilization of finance, including a climate finance definition that ensures a balanced geographical distribution across all developing country regions and prioritizes grant-based and highly concessional instruments.
- Informing and shaping the ongoing reform of the international financial architecture, including MDB reforms, defining a roadmap, key challenges, and opportunities.
- International public finance leveraging private sector finance to scale up investment in developing countries, ensuring regional balance and reducing financial risks for scalable climate projects. The bankability and financial closure of projects must be facilitated, ensuring that private sector finance does not impose additional burdens, conditionalities, or access restrictions on developing countries. How could we collaborate with the private sector as a complementary source of climate finance.
- How will the outcomes of the Roadmap be integrated into future negotiations beyond COP30, ensuring their long-term impact on climate finance discussions?

AILAC also emphasizes that any proposals or financing mechanisms under the Roadmap must not impose additional burdens on developing countries. Any financing mechanism must ensure that resources are new, adequate, additional, and affordable and must not shift the financial burden onto developing countries. Particular attention must be paid to avoiding certain levies or mechanisms that could undermine financial stability and development prospects in developing countries.

The Baku to Belém Roadmap represents a key opportunity to address structural barriers to finance in an increasingly challenging political and financial landscape. It must be designed to ensure that climate finance is delivered effectively, equitably, and at scale to developing countries.

What country experiences, best practices and lessons learned can be shared related to barriers and enabling environments; innovative sources of finance; grants, concessional and non-debt creating instruments, and measures to create fiscal space?

Heritage Colombia -Project Finance for Permanence: The Government of Colombia, in a broad coalition with the Green Climate Fund, public sector, philanthropy, and private sector partners started a new Project Finance for Permanence (PFP) initiative called Heritage Colombia as an innovative financing mechanism which secures USD 245 million to permanently protect 32 million hectares of iconic Colombian landscapes and seascapes. The PFP mobilize funds from a variety of sources, including bilateral and multilateral international cooperation agencies, the private sector, national and local governments, civil society organizations, and philanthropic foundations. The financial plan includes raising USD100 million from external sources, to be managed in a transition fund, USD43 million comes from the Green Climate Fund, while USD40 million will come from the Colombian government through the development of new long-term sustainable financing mechanisms and the allocation of 5% of the national carbon tax. According to projected estimates for a 10-year tax collection stream, this allocation would correspond to approximately USD40 million. In addition, USD39 million in funding has been secured or pledged by the European Union, the GEF-7 Forest Conservation and Sustainability in the Heart of the Amazon Project, KfW, Wildlife Conservation Society, Andes Amazon Fund, WWF, and the Gordon and Betty Moore Foundation. This is a very clear example of how the confluence of multiple private, bilateral, multilateral actors can leverage public resources to generate a financial mechanism in perpetuity that promotes climate objectives.

COSTA RICA - Payment for Environmental Services in Mangrove Forests, known as Marine PES: This project is focused on broadening the Payment for Environmental Services (PES), created in 1997, developing the Payment for Environmental Services in Mangrove Forests, known as Marine PES. With part of the resources from the EARTHSHOT 2021 Prize, from the British Government, National Conservation System (SINAC), supported by the National Forestry Financial Fund (FONAFIFO) and the National Environmental Banking Fund (FUNBAM), is working on this new program in the Gulf of Nicoya, through which 500.000 sterling pounds are being invested in this first phase.

The status of fish and mollusc stocks is being monitored through management and fishing plans, with the participation of coastal communities and people dedicated to their extraction. Along with these activities, enabling conditions are being created, including the necessary regulations, through a new decree and inter-institutional agreements in the environmental and fisheries sector, which have allowed them to become operational. Progress reports are being developed and there will be a final report on the Marine PES, focused on mangrove forests and mollusc communities, in the Tempisque Conservation Area (ACT). This initiative is covered by the Law on Payment of Marine Ecosystem Services, number 23,554, of 2023, and it will be expanded given the successful results of this first phase, since the Ministry of Environment and Energy seeks to take these good practices to all mangrove forests in the country. For this expansion, work is planned in a second phase that requires USD6 million, and will cover a significant area of mangrove forests on the Pacific coast of Costa Rica, which has an extension of 1,016 km. This will allow the protection of these forests and the proper management of the molluscs and fisheries resources linked to the mangroves.

The financial scheme sought is a complementary approach with non-reimbursable funds, a public-private partnership and an additional financial instrument that fits the vision of sustainable management. This ambitious project is part of the National Blue Carbon Strategy (ECA) and the National Wetlands Policy 2017-2030. It is also part of the National Adaptation Plan (NAP) that contemplates adaptation in coastal marine areas and their communities.

Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

AILAC underscores the importance of capitalizing on existing strategies and initiatives that aim to reduce capital costs, improve climate debt conditions, and create fiscal space. This includes efforts such as the scaling up of international cooperation, the Expert Review on Debt, Nature, and Climate, the Bridgetown Initiative, the Troika's Mission 1.5, Our Common Agenda Policy Brief 6 "Reforms to the International Financial Architecture" by UN, the G20 Rio de Janeiro Leaders' Declaration, and others. These efforts should also align with the UAE Declaration on a Global Climate Finance Framework, adopted at COP28, which sets out ten fundamental principles for scaling up climate finance and includes key elements related to debt, Multilateral Development Banks (MDBs), the International Monetary Fund, and private finance mobilization.