

Arab Group Input based on Guiding Questions

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

- Our expectation is that this roadmap is a joint initiative between the current and incoming presidency of the CMA, rather than a negotiated outcome as outlined in paragraph 27 of the NCQG decision. The presidencies own this effort and work, however, they should ensure that Parties’ views are adequately reflected and addressed in the work.
- We also caution the presidencies from adopting approaches that are not consistent with the principles and provisions of the United Nations Framework Convention on Climate Change and its Paris Agreement, in particular any approach that shifts obligations from developed countries to developing countries, including in violation of our latest decision on the NCQG.
- The roadmap should not be a timeline with milestones and expected actions from different stakeholders, rather it should be a tool highlighting signals consistent with the principles and provisions of the UNFCCC and its Paris Agreement that could be sent to a variety of actors in the spirit of facilitation and cooperation.
- The roadmap will be an independent document published under the authority of the Presidencies, while the summary report should cover the process of developing the roadmap including consultations. We expect that the summary is inclusive and covers areas of convergence rather than focusing on areas of divergence or differing views. If a Party or group of Parties actively opposes an idea it must then be dealt with as an area of divergence. We hope both the roadmap and summary report send the right signals and messages that will make an impact in scaling up climate finance to developing countries. We also expect that they send the message that international cooperation is critical in this next decade of climate action and that such cooperation must be framed in the principles and provisions of the UNFCCC and its Paris Agreement, building on its foundations rather than shifting its obligations. Once more, this work is owned by the presidencies, however it remains an opportunity to send strong messages to the international community and we support the work in this regard.

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

- The focus of the roadmap must be centered on how climate finance can be scaled up to developing countries, by considering existing challenges such as high cost of capital, limited fiscal space, foreign exchange risks and other barriers to investment and how they can be potentially addressed. The roadmap can send signals from the CMA Presidencies that reflect the views of Parties as expressed in the consultations. The purpose of the roadmap is not, however, to introduce new negotiated outcomes or decisions under the CMA since this is not an official negotiated process under the CMA.
- The decision in NCQG clearly places a central focus on pathways, NDCs and NAPs and therefore a key focus must be on how climate finance investments and support can be aligned to the needs and priorities of developing countries. Strong signals and messages, where appropriate, could be sent to private investors that countries will have different pathways, timelines, approaches and circumstances as it relates to climate action. Today,

we see an overconcentration of private climate finance flows away from developing countries as private investors follow the most stringent policies and approaches that may fit in developed countries but not in developing countries. This has led to underinvestment in developing countries, placing at risk their ability to implement their national plans including their Nationally Determined Contributions. Therefore, private investors could be signaled to adequately account for geographic balance and respect for different national pathways.

- As total climate finance flows for both developed and developing countries reached USD 1.3 trillion in 2022 according to the 6th Biennial Assessment, a key finding is that the flows were concentrated in developed countries. This is because the private sector adopts the standards, approaches, and pathways of these regions while not accounting for the principles of equity, CBDR-RC and the unique needs and priorities of developing countries. The Roadmap must send clear signals to the private sector that activities, pathways, timelines, needs, priorities and circumstances will be different from country to country and that there is no single pathway for climate action. Additional signals include the need for these actors to work together to ensure geographic balance in their climate finance efforts. When considering the matter of climate finance definition, it is key that all approaches taken by Parties within their NDCs (whether first or second depending on time of submission), including carbon abatement and removal technologies and emissions management are taken into account. We would not be supportive as well of any exclusionary criteria since that would limit the scope in a manner that excludes some national pathways and approaches.
- The paragraph in the NCQG decision also places an equal emphasis on adaptation and mitigation by referencing both NDCs and NAPs, and both low greenhouse gas emissions and climate resilient development. Therefore, a key message must be that climate finance, on the road to 1.3T, must be balanced between mitigation and adaptation.
- On instruments, there is a focus on grants, concessional, and non-debt-creating instruments and measures to create fiscal space. While the NCQG decision covered Articles 9.2 and 9.3 of the Paris Agreement, there is a gap when it comes to Article 9.1 of the Paris Agreement. This is an opportunity to explore how Article 9.1 can contribute to the road to 1.3T by developed countries scaling up the provision of grant, concessional and non-debt-creating finance to developing countries. The roadmap must send strong signals, in particular in the current context, that developed countries must honor their obligations in this multilateral system in particular as it relates to their climate finance obligations. It should consider the constraints in developed countries, including current budgetary approval processes and political constraints, and suggest ways to overcome these challenges to ensure Article 9.1 is fully operationalized and implemented.
- On instruments as well, the Roadmap should also focus on how guarantees and blended finance can be deployed in a more effective and catalytic manner by developed countries. Leverage ratios have been notoriously low for climate finance and tackling this issue has the potential to increase the flows of climate finance to developing countries.
- The roadmap, in the context of grants, concessional and non-debt creating instruments, should also focus on the potential role of philanthropic support for climate finance, which traditionally has been at relatively low levels. How can philanthropies be encouraged to scale up support to developing countries for climate action?

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?

- While we definitely see the value of presenting case studies and success stories, as there are plenty across developing countries, we do not agree with the premise of the question that the focus should be on actions that developing countries can take. There are many barriers to access to private climate finance that developing countries experience that are largely outside of their control. These include misinformed perceptions among private investors that developing countries are not attractive destinations for investment or a general bias towards developed countries – this is what the data reflects to a large extent. Therefore, as a document that will be set forward in an international context, the main messages should be to private climate finance actors in the global North on the need to support developing countries in a manner consistent with their needs and priorities.
- We often see an urge to institute one-size-fits-all and top-down global reforms and regulatory and economic measures. While the aim is often times to enhance ambition, in reality this approach is in contrast to the best available science and considerations of equity. The IPCC's AR6 SYR SPM is clear in that effective policy packages are tailored to national circumstances. This means that the policy mix will differ from country to country. Rather than shying away from this, this fact should be embraced in a manner that affords countries the appropriate policy space to advance the implementation of national climate plans. Additionally, rather than placing undue pressure on developing countries to institute specific reforms, capacity building should be afforded to allow developing to tailor the appropriate policies to their context to advance both economic development and climate action.

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

- The work should take into account relevant multilateral initiatives; however, it should only focus on those initiatives that have been already established and agreed. The work should not venture into advocacy for new initiatives, especially where there is no consensus and there are divergent views. We caution the presidencies from exploring approaches that would be detrimental to the interests of developing countries and their economic growth as that would be contrary to the purpose of this exercise. This includes any discussion on international taxes or levies in addition to the targeting of any sector as these are not agreed, there is no consensus on these, and they present economic implications on developing countries that many countries do not accept.
- Furthermore, as it relates to multilateral initiatives, the presidencies should focus only on inclusive forums that have representation from all or most Parties of the UNFCCC and its Paris Agreement and that are reflective of the differentiated obligations of these agreements. For this reason, we do not find it appropriate to include, reference or build on any of the work taking place in exclusive forums such as the G7, G20, GFANZ, Coalition of Finance Ministers or other similar groups noting that there are many ongoing discussions

within the United Nations that include a broader range of participation and cover many topics relevant to this discussion and work.

Baku to Belem Roadmap for 1.3T Input Paper

Overview of climate finance

In 2022, global climate finance flows reached an estimated USD 1.46 trillion. The USD 1.46 trillion in climate finance flows was mostly contributed by developing countries. Just over 59% (\$861 billion) of global climate finance came from developing countries, whereas developed countries accounted for nearly 41% (\$599 billion). This data represents the total amount spent on climate finance in 2022, which includes expenditure, mobilization and investments¹. More needs to be done by actors in the global North, in particular to channel investments, flows and grant-based and concessional funding to developing countries in line with their needs and priorities. **Out of the USD 1.46 trillion of climate finance flows, USD 496 billion occurred in Western Europe and North America compared to USD 159 billion in South Asia, Latin America and the Caribbean, Sub-Saharan Africa, and the Middle East combined.** Despite clear and repeated messages from the global South emphasizing the importance of adaptation measures, **90% of climate finance flows were directed to mitigation.**²

The data clearly indicates a lack of balance, between developed and developing countries, between regions and between mitigation and adaptation. The roadmap therefore must send strong signals to climate finance actors to better account for geographic balance in their climate finance flows and to better account for the different needs, priorities and pathways of developing countries.

With regards to the mobilization, developed countries are required to support developing countries in their efforts to adapt to and mitigate climate change. Through to 2025, developed countries were required to mobilize USD 100 billion to developing countries. While some have claimed that this goal has been met in 2022, the true value of their support remains lower when accounting for climate specificity and grant-equivalence. Oxfam estimates that the true value of climate finance in 2022 was overestimated by up to \$88 billion.³ The delivery of the USD 100 billion according to some methodologies was done through market-rate loans, it is not clear from our vantage point how that can be claimed as mobilization. If we are to exclude debt-creating instruments, the total “real” climate finance provided comes to between \$28 billion and \$35 billion.⁴ Debt-creating instruments should not be counted towards climate finance towards developing countries as the amount provided will be paid back ultimately most times in the case of the USD 100 billion goal with market rate interest. **Clear messages must be sent that a transparent and fair accounting methodology must be utilized by developed countries in accounting for their climate finance support and that the shortfalls of the USD 100 billion goal across 2020-2025 must be mobilized in addition to the at least USD 300 billion agreed in Baku in COP29.**

¹ [Global Landscape of Climate Finance 2024 - CPI](#)

² [Global Landscape of Climate Finance 2023 - CPI](#)

³ [Rich countries overstating “true value” of climate finance by up to \\$88 billion, says Oxfam | Oxfam International](#)

⁴ Ibid.

Sources of Climate Finance

Insights into the sources

The public sector pooled together an estimated \$636 billion, whereas the private sector generated \$635 billion, a difference of only one billion.

Between 2018 and 2022, 60% of climate finance directed to developing countries (ex. LDCs) came through public sources. **Clear signals must be sent to private climate finance providers to enhance their flows to developing countries.**

Out of the USD 1.3 trillion average over 2021/2022, multilateral climate funds only provided on average USD 3 billion – which is only 3 percent of what multilateral development finance institutions provided on average in that period. **In line with the NCQG decision, strong signals must be sent to developed countries to channel the majority of their support under the NCQG through the operating entities of the financial mechanism and the Adaptation Fund.**

Households and individuals already contribute on average USD 185 billion to climate finance flows through their purchasing decisions. **We will not be in a position to support any approach that will enhance the burden on consumers, individuals or households in the global South as they strive to pursue a better quality of life in their respective countries.** On the other hand, crowd-funding initiatives could be explored in developed countries to allow households and individuals to contribute on a voluntary basis if they are willing, in particular in the current context.

Deep-Dive on Philanthropies

Philanthropies are non-profit entities with strong sectoral mandates. They tend to display higher risk appetites and lower interests for yields, strongly deviating from their other private sector partners. Philanthropies can be utilized financially in derisking otherwise high-risk investment sectors for their private sector partners.

Philanthropies can play a critical role in boosting climate finance across regions receiving underwhelming support due to high risk and volatile investment environments. Philanthropies can be utilized in creating mechanisms for increasing global climate finance through taking “first loss” positions for their private sector partners.⁵ Absorbing the first blows for the sake of other blended financiers would mitigate the risks posed on other investors; risk-mitigation. This mechanism enhances the risk-return profile, making investment more attractive to traditional private sector investors, utilizing philanthropies even further.

The philanthropic contributions are undoubtedly impactful but understanding their strengths and how they can better serve other support providers can push climate finance to greater levels than anticipated or previously observed.

Philanthropic foundations are not well-tracked in the realm of climate finance and clear signals that their support is needed for climate finance and to de-risk private investments are needed

⁵ [Global Landscape of Climate Finance 2024 - CPI](#), Pg.30

to scale up climate finance flows to developing countries. Their overall contributions are not well estimated, and better tracking methodologies are called for in quantifying their efforts. Nevertheless, their potential contributions to climate finance can be large due to their unique ability to deploy funds from a vast range of funding vehicles and dynamic and expansive risk appetites.

Financial Instruments

The Global Landscape of Climate Finance 2023 report states that debt is the most common climate finance instrument, accounting for 61% (USD 766 billion) of total climate finance. This includes market-rate debt, which accounts for 53% (USD 561 billion), balance sheet financing in the form of debt (USD 129 billion), and concessional loans (USD 76 billion), with 96% of these concessional loans provided by Development Finance Institutions (DFIs). **The reliance on market-rate debt, especially in developing economies, raises concerns about increasing debt burdens in developing countries, emphasizing the need for concessional finance.**

Equity is the second most utilized instrument, comprising 33% (USD 422 billion) of total climate finance, including project-level equity (USD 54 billion) and balance sheet financing in the form of equity (USD 368 billion). Equity financing plays a significant role in supporting early-stage investments and high-risk projects, yet remains concentrated in developed markets, highlighting the need for stronger incentives and de-risking mechanisms to enable investments in developing economies.

Grants, primarily provided by governments and philanthropic organizations, constitute 5% (USD 69 billion) of total climate finance. While grants are important for adaptation projects, they remain underfunded relative to needs. Adaptation finance continues to lag, with concessional loans and grants making up only 38% of total adaptation finance, while market-rate debt accounts for 60%. Given the rising costs of climate-related events, there is a growing call for increased grant-based financing and blended finance solutions to attract private investments into adaptation projects.

How can we scale up concessional financing?

Article 9.1 of the Paris Agreement places an obligation on developed countries to provide climate finance to developing countries.⁶ To ensure their obligations are met, developed countries should consider a multitude of measures to maximize their outflows and minimize drawbacks. These commitments are in continuation to their existing obligations set out in Article 4 of the Convention. Article 4.7 of the Convention stipulates that such support shall fully take into consideration its effects on developing countries' economies, social conditions, and poverty eradication.⁷ These modalities set out in the convention signal to developed countries that their contributions should not impede the process of development; to this extent, developing countries require such financing to be highly concessional to not increase their susceptibility to debt distress, economic burdens, and poverty

⁶ Article 9, Paragraph 1 of the Convention, "Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention."

⁷ Article 4, Paragraph 7 of the Convention, "The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties."

exacerbation. Commitments must therefore align with the needs and priorities of developing countries to ensure the eradication of poverty, economic growth, and sustainable development.

The status of climate finance mobilized to developing countries is underwhelming and the USD 100 billion annual mobilization target by 2020 has not been achieved. Furthermore, the overwhelming majority of support mobilized to developing countries have been non-concessional and reflect market-level costs. These actions by developed countries have exacerbated economic, social and poverty eradication challenges in developing countries, placing a heavy burden on their future in carrying out debt servicing. By the end of 2022, developing country debt reached an alarming \$11.4 trillion by the end of 2022. This marks a 15.7% increase and debt in developing countries is mounting.⁸ UNCTAD states that some developing countries are spending 23% and 13% of their export revenues to pay off external debt, and this alone is not sufficient. **Based on this data, there is a clear need for enhanced concessional and grant-based funding to developing countries in accordance with Article 9.1 of the Paris Agreement. We can no longer solely focus on the mobilization side of Article 9, without clearly charting a way forward for provision obligations.**

Annex II countries spent USD 13 trillion in 2022 in government expenditures. Only 3.4% of government expenditures and 0.8% of GDP will generate USD 441 billion per year in grant-based concessional funding. **Less than one percent of developed countries' GDPs, if new and additional, will add USD 441 billion to the existing USD 861 billion in climate finance flows to developing countries to reach USD 1.3 trillion assuming no increases from any other source in the next 13 years even when not accounting for inflation and not accounting for the increase in their mobilization goal.**

There is also the question of whether that is politically feasible, and that is a legitimate question as long as there is agreement that the matter in question is not whether resources exist in developed countries it is whether there is political will to prioritize climate change.

While the NCQG decision covered Articles 9.2 and 9.3 of the Paris Agreement, there is a gap when it comes to Article 9.1 of the Paris Agreement. **This is an opportunity to explore how Article 9.1 can contribute to the road to 1.3T by developed countries scaling up the provision of grant, concessional and non-debt-creating finance to developing countries beyond the USD 300 billion, which focuses on mobilization.** The roadmap must send strong signals, in particular in the current context, that developed countries must honor their obligations in this multilateral system in particular as it relates to their climate finance obligations. It should consider the constraints in developed countries, including current budgetary approval processes and political constraints, and suggest ways to overcome these challenges to ensure Article 9.1 is fully operationalized and implemented.

Budgetary Reform:

- **Budget optimization:** Budget optimization and budgetary reforms in developed countries can help increase efficiency, reliability and scale of finance provided to developing countries. This would require standardized reporting mechanisms that ensure climate finance contributions are accurately disbursed, reported and tracked for obligatory support, including accounting methodologies that report in **grant-equivalent terms**.

⁸ [UNCTAD urges reforms on global debt architecture amid rising distress | UNCTAD](#)

- **Multiyear budgets:** Budgetary reforms entail moving from annual to multiyear budgets and long-term programming of climate finance.
- **Streamlining approval processes:** Streamlining approval process for climate change support and budget.
- **Special climate change procedures:** Prioritizing climate change support as a separate budget category with special procedures.
- **Instant disbursement to temporary trust funds:** Developed countries to develop a mechanism whereby all their climate finance commitments take the shape of contributions rather than pledges. Innovative approaches such as instant disbursement to a temporary trust fund pending contribution agreements between the government and the climate finance channel can be explored. This is to avoid shortfalls in commitments and to weather any geopolitical developments or instability. Experience has shown that pledges over the course of multiple years and changing political realities have been ineffective at driving conversion and contributions. We therefore suggest that all pledges are immediately converted into a temporary trust fund pending the completion of relevant agreements and documents that would allow disbursement to the intended channel, whether multilateral or bilateral.

Domestic measures that developed countries can implement to scale up funding:⁹

- **Using fees collected from auctions under the EU ETS can scale up climate finance to developing countries.** Revenues from EU ETS auctions could be used as a highly concessional financial resource when disbursed to developing countries. **Revenues from auctions under the EU ETS generated EUR 38.8 billion in 2022 and can cover around 10% of the USD 441 billion referenced above alone.¹⁰**
- **Financial Transaction Tax in Developed Countries:** A large portion of global capital exists in stock exchanges, mostly in developed countries. A 0.5% trade tax, 0.1% for bonds and 0.005% for derivatives only for one country would result in **USD 220 billion (49% of the USD 441 billion) in the first year and USD 2.4 trillion over 10 years.**
- **Fashion Tax:** Luxury fashion brands in developed countries do not contribute to food, water and energy security and are considered high-end purchases. A 5% tax on annual sales of the top 90 fashion firms in developed countries would result in **USD 34 billion per year (around 8% of the USD 441 billion) and USD 340 billion over ten years.**
- **NDC support bonds:** USD 120 billion in Sovereign GSSS bonds were issued between January – September 2023 alone, USD 91 billion of which were issued in developed countries. GSSS sovereign bond issuance increased by 177% from 2020 to 2021. **A similar increase in issuance from the baseline of USD 91 billion which will be dedicated to support NDCs could amount to up to USD 70 billion per year (16% of the USD 441 billion).** Developed countries can issue NDC Support Bonds with use of proceeds designated to support

⁹ While this paper suggests measures that can be taken by developed countries, we note that in the bottom-up nature of the Paris Agreement the matter of taking up these measures is a nationally determined issue. However, the difference between proposing measures on developed countries versus developing countries, is that developed countries have a legal obligation to provide climate finance in light of their historical responsibility for climate change.

¹⁰ Exchange rate as of 18/03/2025.

developing countries' NDCs, this way the debt-burden is carried by developed countries while the liquidity is provided to developing countries.

Measures that developed countries can implement to scale down barriers:

- **Ending carbon border adjustment mechanisms:** The Carbon Border Adjustment Mechanisms places a tax on foreign imports into the European based on carbon emissions and represents a restriction in international trade disguised as a climate measure. **Despite only reducing global emissions by 0.1% CBAM is set to cost developing countries around USD 6 billion in lost income (1.4% of the USD 441 billion), while developed countries are set to gain USD 3 billion resulting in a USD 9 billion income gap as a result of the measure.**
- **Phasing out substantial climate subsidy packages in developed countries:** The Inflation Reduction Act of the United States has many domestic benefits however, it is creating a global trade environment that is not fair, especially for developing countries. **The IRA is set to increase total economic output for all sectors for the US by ~USD 150-490 billion dollars while decreasing economic output for all sectors in a large set of developing countries by ~USD 90 to 350 billion (20-79% of the USD 441 billion).**

Signals needed for private sector actors

To foster growth in developing countries the private sector must break down the barriers they set through their investment criteria and should consider taking a fluid approach in engaging in different projects in different investment environments. Developing countries require greater investment from the private sector and signals must be sent to encourage greater investment in low-serviced regions.

Geographical outreach

Geographical outreach in climate finance is a necessary factor that must be considered by investors. Climate finance is distributed unequally and inequitably across different regions and support to developing countries for climate change has been underwhelming. While achieving substantial returns is a necessary factor for consideration by the private sector, unlocking regions through lower yields in the short term can lead to the creation of a stronger investment environment in the long-term. This could create a sandbox environment for investors led by the national priorities of countries, opening potential doors for future growth and investment opportunities.

Nevertheless, it is no longer enough for private investors to track the impact of their climate investments by GHG reduced or number of people affected. The private sector must integrate metrics that consider the geographic balance of their overall climate investment portfolio across regions in developing countries and should integrate metrics that indicate whether the support is aligned or not with national pathways, priorities, timelines, and approaches of the countries within which they are investing.

Project Pipelines support for Developing Countries

Developed countries play an important role in helping developing countries establish project pipelines by providing financial and technical assistance. This support includes capacity building and technical assistance, which help with project preparation, feasibility studies, and risk

assessment, making projects more bankable and attractive to investors. Additionally, blended finance mechanisms are used, which combine concessional finance (grants and soft loans) with private sector investments to de-risk climate projects and encourage private capital. International financial institutions and development banks also provide guarantees and risk mitigation measures, such as risk guarantees, currency hedging mechanisms, and credit enhancements, to improve investor confidence. Strengthening local financial institutions is another important aspect, as it empowers national and regional banks to design and implement climate finance instruments tailored to local contexts.

Nationally Determined Pathways

The Paris Agreement took into consideration lessons learned from the experience of Parties under the Kyoto Protocol. Acknowledging the top-down nature of the Kyoto Protocol, the Paris Agreement aimed to create a bottom-up framework where countries chose their unique pathways to tackle the nuanced issue of climate change. Instead of applying mandatory emissions reduction targets, the Paris Agreement accepted the complexity of international climate affairs and asks for Parties to establish their own nationally determined targets, pathways and approaches in a manner that reflects the principles of equity and CBDR-RC. With this framework, a multitude of pathways will arise, and this is only natural given how the Paris Agreement was conceptualized and designed.

Due to the unique economic, social and environmental conditions exhibited across the world, there cannot be a one-sized-fits-all approach when dealing with climate change. Developed countries have advanced and more resilient economies that can withstand financial, economic, social and environmental changes, but developing countries unfortunately do not have this capacity. Developed countries and private investors must consider the different pathways considered by developing countries and shall go out of their way to ensure these pathways supported and that private sector actors operating in developing countries integrate these pathways in their climate finance decisions.

Promoting Technology Transfer & Leveraging Carbon Management Solutions: More financial support and investments are needed to facilitate the transfer of low-emission technologies, such as carbon capture, utilization, and storage (CCUS) and direct air capture (DAC), to enhance efficiency and reduce emissions. Emphasizing carbon management solutions can help achieve global climate goals without affecting developing countries' economic growth. While investments in CCS grew in 2021 and 2022 from USD 3 billion to USD 4.4 billion, they remain dangerously lower than required levels. The investment needed for the envisaged capacity needs for carbon dioxide capture and storage projects is estimated at USD 100-250 billion per year up to 2030 and USD 435 billion to USD 1 trillion per year by 2050 as reported by the second Needs Determination Report published by the Standing Committee on Finance.