



## **Australian Government**

### **Australia's submission to the Baku to Belém Roadmap to 1.3T.**

Australia welcomes the opportunity to provide views on the Baku to Belém Roadmap to 1.3T (herein referred to as the Roadmap).

Australia recalls decision 1/CMA.6 to launch the Roadmap. Australia recognises this important opportunity to facilitate scaled up financing to developing countries from all public and private sources to at least USD 1.3 trillion per year by 2035 as per paragraph 7, 1/CMA.6.

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

Australia welcomes the Presidencies' messaging that the Roadmap is not a negotiated product but rather a Presidency-driven product. The Roadmap should not reopen or relitigate negotiated outcomes agreed to by Parties at CMA.6 on the new collective quantified goal on climate finance.

To have real economy relevance and rise to the challenge of implementing the scaling up of finance to USD1.3 trillion, the Roadmap must be inclusive of relevant actors, including international financial institutions (IFIs), multilateral development banks (MDBs), development finance institutions, the private sector, philanthropic entities, sub-national governments, and non-government entities. Australia supports ensuring the Roadmap is informed by and consistent with processes including in the G20, MDBs, and the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC). We would also encourage the COP Presidencies to convene relevant independent experts from different sectors, financial institutions, and diverse backgrounds to support them in drafting the Roadmap. The model used by the Brazilian presidency of the G20 for the Task Force for the Global Mobilization against Climate Change (TF-CLIMA) was effective in this regard.

In this context, we see that the Roadmap should be evidence-based to deliver the highest degree of integrity in its effective implementation, particularly for small island developing States (SIDS) and the least developed countries (LDCs). Evidence-based information could be drawn from pre-existing processes such as the work undertaken by the Independent High Level Expert Group (IHLEG) on Climate Finance and the OECD.

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

Australia is committed to delivering high quality, effective, and transparent climate finance that responds to partner needs, achieves results, and is informed by robust monitoring, evaluation, and learning. Australia's climate finance is continuing to grow, and we are committed to meeting our obligations under the Paris Agreement to provide climate finance for developing countries.

Australia sees that the following topics and thematic issues should be considered by the Presidencies in the Roadmap.

We know from the Sixth Assessment Report of the Intergovernmental Panel on Climate Change that there is sufficient global capital to close the global investment gap but there are barriers to redirecting capital to climate action, and that governments, through public funding and clear signals to investors, are key in reducing these barriers. The Roadmap should seek to respond to these barriers and set out the modalities that all actors can take to unlock the significant amount of assets under management to be scaled towards climate action in developing countries.

Australia would like the Roadmap to reflect the special circumstances of SIDS and LDCs. They are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints.

The Roadmap should focus on and articulate the barriers to investment faced in developing countries and outline practical and implementable actions and recommendations that all actors can take, both governmental and non-governmental. It should do so in a way that is non-prescriptive, as the conditions necessary to significantly scale up investment will inherently vary dependent on region and country. Clear articulation of not only these barriers but solutions will allow for the Roadmap to have the greatest real-economy impact.

In this regard, the Roadmap should explore the policies and measures that can be implemented to strengthen and enhance domestic enabling environments. We know from the outcome of the first global stocktake that there is a need to strengthen enabling conditions to reach the scale of investments required to achieve a global transition towards low greenhouse gas emissions and climate-resilient development. A strong enabling environment provides the clarity, stability, and confidence needed to unlock investment and facilitate effective climate action and this remains deeply important for enabling the scaling of finance in developing countries. Effective implementation of actions to enhance enabling environments should consider the likes of actions to improve financial system capabilities

and actions that facilitate greater levels of transparency on climate and sustainability, so as to help investors assess risks more accurately.

Domestic resource mobilisation (DRM) remains the largest source of funds for countries to achieve sustainable development and address climate change. The IMF<sup>1</sup> estimates low-income developing countries can raise their tax-to-GDP ratio by nine percentage points through tax and institutional reforms. The Roadmap should also consider challenges and practical solutions to freeing-up fiscal space in developing countries to respond to the impacts of climate change, as well as the role of tax and institutional reforms to strengthen domestic public resources, which are critical for sustainable development. DRM can play a catalytic role in scaling investment in climate outcomes in developing countries. In this regard, the Roadmap should explore how the effective use of DRM can de-risk investment and crowd-in finance. This element remains important to not only scaling up inbound foreign direct investment but is also important to strengthening domestic capital markets in developing countries.

There is room to expand innovative and blended financing to meet climate objectives in developing countries, including via national development agencies and foreign ministries. The roadmap should explore how MDBs and governments should increase the use of blended finance tools, such as guarantees, first-loss mechanisms, and de-risking instruments to attract more private investment to climate solutions in developing countries. Whilst mobilising private capital to achieve climate outcomes in developing countries is challenging, especially in high-risk regions, it remains essential to bridging financing gaps and the modalities to enhance this should be explored in the Roadmap.

The Roadmap should ensure that in the scaling up of finance to developing countries, actions and recommendations should empower and benefit communities most vulnerable to climate impacts. The Roadmap should take a gender-responsive approach, that fully respects human rights and empowers youth and children, to enhance progress on achieving greater ambition. This includes ensuring finance flows to women and girls in all their diversity, children and youth, Indigenous Peoples, local communities, workers, and civil society as they are critical enablers of effective, inclusive and participatory just and low emissions transition pathways and transformational adaptation 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?**

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<sup>1</sup> <https://www.imf.org/external/np/g20/pdf/2024/062424.pdf>

There are extensive experiences, best practices and lessons learned to scale up finance that the Roadmap should reference and be informed by. From the need for enabling environments such as strong leadership, governance, and accountability, to attracting more private investment in high-risk regions by MDBs, to governments increasing the use of blended finance tools, the Roadmap must consider a range of established and emerging initiatives and measures to scale up finance.

The private sector must be incentivised through actions that build partnerships, transparency, knowledge sharing, and trust. The Roadmap should draw on relevant country experiences to explore ways to increase the use of innovative financing and provision of concessional funds by governments and MDBs to support deployment of catalytic capital to unlock climate-positive private investment. Standardised blended finance products that have proven to be effective should be identified and promoted for replication at scale.

Disaster risk financing and anticipatory actions should be highlighted, and they are important mechanisms to safeguard development gains. Access to international support mechanisms, particularly for SIDS and LDCs, should not rely solely on income measures, and vulnerability should be an important consideration.

There are a range of global, regional, and local initiatives effectively scaling up finance. The Roadmap should include initiatives from all scales and regions to ensure regional and local contexts are reflected in the final product. Examples include Climate Finance Access Network (CFAN), Governance for Resilient Development in Pacific (Gov4Res), Innovative Finance Facility for Climate in Asia and Pacific (IF-CAP), Pacific Financial Technical Assistance Centre (PFTAC), and the Private Infrastructure Development Group (PIDG).

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

Australia recognises and echoes the range of relevant multilateral initiatives raised in the Roadmap submissions. Specifically, Australia expects that regional multilateral initiatives, including those relevant to our region, will be taken into account in the Roadmap. Examples include the 4<sup>th</sup> International Conference on Financing for Development (FFD4), the Pacific Resilience Facility, the Kiwa Initiative, the Secretariat of the Pacific Regional Environment Programme (SPREP) and the Climate Finance Access Network. Regional initiatives are essential for scaling up finance in ways that are targeted and regionally fit-for-purpose, thereby supporting the achievement of effective outcomes towards the long-term goals of the Paris Agreement.

The Roadmap should support the joint IMF-World Bank domestic resource initiative<sup>2</sup> which aims to enhance and integrate tax capacity, spending effectiveness, and public debt markets.

Country-led platforms should serve as effective frameworks to align national reforms with climate and sustainable development priorities as they enhance coordination, better connect finance providers, leverage private sector capital, and improve transparency and accountability. The Roadmap should highlight and support the important role of platforms to bring together international financial institutions, donors, and private sector actors to provide coordinated support, such as customised financial packages, technical assistance, and policy advice.

Australia thanks the Presidencies for their guidance and looks forward to continuing to contribute to an inclusive and transparent process for the development of the Baku to Belém Roadmap to 1.3T.

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<sup>2</sup> <https://www.imf.org/en/Research/IMFandG20>