Climate Action Network

Submission: Views on the Baku to Belem Roadmap to 1.3T.

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Climate Action Network (CAN) is a global network of more than 1,900 civil society organisations in over 130 countries driving collective and sustainable action to fight the climate crisis and to achieve social and racial justice.

The Roadmap has the potential to establish a **collective vision** and action plan for scaling up climate finance to developing countries, and should use its mandate to put a particular emphasis on public finance, both under the UNFCCC framework and through other relevant international processes. In contrast, if the Roadmap over emphasizes the role of private finance to establish this collective vision, it risks failing its mandate. The recommendations in this submission aim to provide concrete steps to ensure that the Bak to Belem Roadmap delivers meaningful outcomes.

In the context of the UNFCCC, the Roadmap should **help clarify the different gaps, challenges and opportunities that exist in the current climate finance landscape** and identify **processes and avenues to fix and advance those**. This would allow the implementation of specific measures to generate additional, predictable, high-quality, and accessible resources across mitigation, adaptation, just transition, and for addressing loss and damage while ensuring transparency and accountability in the delivery of these resources.

At the same time, the Roadmap should critically assess the constraints imposed by the current **international financial architecture and economic system** on accelerating climate action in developing countries. It should identify and propose reforms to address systemic issues, such as debt burdens, capital costs, and structural inequities, that currently impede the flow of finance and structurally disadvantage Global South countries. Moreover, it should consider the fiscal and policy space available to developing countries, and recommend approaches that strengthen their ability to independently design and implement ambitious climate action.

In that context, the Roadmap…

1. **Should help identify the current gaps and unclarities in the current climate finance architecture and articulate ways to address those gaps, using existing spaces and initiatives under the UNFCCC regime**

This includes many issues that were not addressed in the NCQG decision, but must be clarified for its successful implementation. Many of these are linked to the need for further disaggregation of the NCQG goals, in order to enhance transparency and accountability and ensure predictability.

Rather than just being a report, the **Roadmap must elaborate a clear action plan to deliver $300b and upscaling to $1.3T, and identify processes, actors and timelines needed to meet those targets**. This would mean articulating clear **roles and responsibilities for each acto**r and providing supporting **indicators** and a **timeline** for meeting milestones and targets.

a) Disaggregate and Clarify $300 Billion Commitment

Delivering the 300bn goal: The Roadmap could set up a process to further clarify expectations about the use of specific instruments and the quality of climate finance, by suggesting a process to **define the expected share of public provision of finance** (in line with Article 9.1 of the Paris Agreement) and that of mobilised private finance, and provide a **quantified split between grants, highly concessional finance and loans** from public sources**.** In doing so, it **could also propose floors or other quantified targets for each area of climate action,** including adaptation and loss and damage finance, recognizing the longstanding call for greater balance between mitigation and adaptation finance, while also contributing to establishing a solid foundation for finance to address and respond to loss and damage. By doing so, the Roadmap should recognize the recent International Court of Justice Advisory Opinion, which concluded that countries have a legal obligation not just to provide climate finance, but to provide it at a level that makes it possible to meet the goal of limiting global heating to 1.5C.

Clarify roles and mandates: Clarification is also required on the roles and **mandates** of public and private actors. It would also imply defining the **responsibilities**, contributions and accountability arrangements for actors responsible to deliver climate finance under the NCQG, both **within** and **outside** the UNFCCC (i.e. MDBs (see below)).

Asses and objectify sources potential: The Roadmap could also explore ways to improve mobilisation ratios in a way that puts communities'need before profits and without compromising on the achievement of developing countries' climate and development goals, while respecting and promoting human rights and avoiding additional burdens on the fiscal and policy spaces of developing countries. This must all be done by engaging with the existing evidence related to the delivery of climate finance by both the public and private sector, and realistic assessments of their impacts on climate action and respective potential, including public to private leverage ratios which tend to be significantly smaller than typically assumed.

b) Guide the delivery of adaptation finance at scale

Provide guidance to scale up adaptation finance: Given the increasing relevance placed by developing countries on adaptation and addressing loss and damage, the Roadmap should also echo potential decision taken at COP30 'to dramatically scale up adaptation finance' in line with

the current and ever-growing needs of developing countries[1],. The Roadmap must ensure that adaptation finance is envisioned as a substantial portion of the 300bn goal and 1.3 trillion target. This finance commitment on adaptation should be linked with the Global Goal on Adaptation, particularly with respect to the costs of achieving GGA targets and the Means of Implementation indicators.

c) Advocate for Definitional and Methodological Clarity

Climate finance definition : Additionally, the Roadmap should send a clear signal regarding the imperative of developing and agreeing the necessary definitions under the UNFCCC to ensure transparent and accountable implementation of the NCQG. The Roadmap provides political momentum for a timely decision, for example by committing Parties to lay out a process for adopting the necessary definitions by 2028 the latest, in order to meet the timing of the first NCQG progress review and the new cycle of the second GST. This would build on and resolve the extensive work that has been developed over the years, including **under the Standing Committee on Finance**.

A **definition of climate finance, or at the very least a clear exclusion list** that defines what should *not* be counted as climate finance should ensure the exclusion of:

1. Loans at commercial value.
2. Finance to projects that do not align with the 1.5C limit, including for fossil fuel projects
3. Carbon credits),which enables business as usual perpetuating the fossil fuels economy and preliminary benefits buyers instead of communities in the Global South.

Instead, the definition should focus on additionality and the qualitative elements that climate finance should abide by. Such a definition could also serve to clarify what is meant by "**highly concessional**" finance and to address the issue of the **additionality** of climate finance so that discussions in different political fora rely on common premises– particularly in distinguishing between development-aligned and climate-specific investments.

Grant-equivalence reporting : The Roadmap could also propose a process to adopt a consistent or harmonized methodology for **grant equivalence** or the need for **greater transparency of concessional terms** reported by providers. See for example the proposition laid out by AOSIS to define concessionality, including the fact that the determination of concessionality level of transactions must take into account the existing levels of debt servicing capacity of developing countries.

[1] The quantified needs in the National Adaptation Plans totalling 842-844 billion USD in the Second report on the determination of the needs of developing country Parties

d) Articulate and Account for Quality of Climate Finance and Its Delivery

Build indicators to measure progress on quality : Similarly, the Roadmap could also propose ways to collectively develop and agree on indicators to measure **progress towards improved quality of climate finance,** in relation to instruments, access and inclusivity[2]. These indicators should be agreed upon, feeding as key elements of the SCF report on progress beginning biennially in 2028 (para. 30).

Articulate reports and outputs: The Roadmap should propose an approach to ensure that the **different reports planned in the NCQG decision build on each other**, covering topics and aspects in a way that is complementary rather than duplicative, and a set of indicators across reports is necessary to provide that coherence. For example, the Roadmap can set the expectation for reporting through common tabular formats (para. 31), linked to the Global Stocktake,. The tracking and reporting mechanism should complement and build from existing processes (GST2 & 2030 NCQG review) and be informed by Facilitative Multilateral Consideration of Progress.

e) Elaborate on How to Achieve Tripling of Climate Fund Outflows

Delivery plan to implement para 16: **The Roadmap must put forward a delivery plan for how at least a tripling of annual outflows by 2030** (para. 16) will be achieved for the Green Climate Fund, Global Environment Facility, Fund for responding to Loss and Damage, the Adaptation Fund, Least Developed Countries Fund, and Special Climate Change Fund in a way that reflects each fund's capitalization and mobilization dynamics and schedules.**It should also provide a clear avenue for increasing the quantity and quality of outflows while prioritizing access.** bolstering readiness support through the Multilateral Climate Funds ultimately enhancing the direct access modalities for national and local entities to manage and deploy climate finance.This delivery plan should set out a credible pathway for how flows will be progressively scaled up toward 2030, as access and effectiveness cannot be achieved with a last minute influx of funds[3].

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[2] Such as operationalizing para. 26 on the inclusion and extension of benefits to vulnerable communities and groups

[3] Among the operating entities,

- The next Green Climate Fund replenishment in 2027 and the current GEF-9 replenishment cycle concluding in 2026 will dictate these funds' abilities to appropriately scale up outflows, noting, of course, that contributions are not limited to replenishment cycles and events.
- In the special case of the FRLD, which was only operationalized in 2023 and thus lacked outflows in 2022, the need for an initial capitalization worth the name and longer term resource mobilization strategy of the fund (the latter to be discussed prior to COP30) must be factored in.
- Increasing and meeting annual mobilization targets of the Adaptation Fund are likewise important to scale operations, and should have a clear connection to Parties' delivery on the Global Goal on Adaptation, including Means of Implementation indicators.

Tracking outflows: Outflows must be tracked in ways that disaggregate readiness funding from project funding, in addition to disaggregating project funding flows to entities considered direct access (under the GCF and AF, for example) from international access - and direct access to sub-national actors such as through the GEF's Small Grants Programme. This tracking will serve to support the achievement of the tripling of outflows as well as other areas of the NCQG by highlighting areas that can continue to be scaled up dramatically with existing infrastructure, particularly readiness and direct granting to groups identified in para. 26, thus addressing existing gaps of qualitative tracking, in particular on increasing the inclusivity of climate finance delivery. This must be part of the SCF report on collective progress on all aspects of the NCQG (para 30).

Include provision of finance to the FRLD: Alongside mitigation and adaptation, the Roadmap should also have a delivery plan to fill the Fund to Respond to Loss and Damage, largely based on scaled up public grants base and accessible finance from developed countries in response to the increasing needs.

f) Identify Disenablers of Climate Action and Ways to Address Them

Discussions under the NCQG, and the ongoing SeS Dialogue on Article 2.1c of the Paris Agreement have highlighted the importance of tackling **disenablers** that undermine both climate action and the alignment of public and private finance with climate goals affecting developing countries. Despite their mention in different spaces, **there is still a need to better understand and agree what these disenablers are and outline potential solutions.**

Connect different negotiating tracks and coordinate beyond the UNFCCC remits**: The Roadmap should provide practical approaches across all thematic areas for addressing these disenablers**, particularly those that limit fiscal and policy space for climate action in developing countries[4].In that context, **Article 2.1c could be an opportune space** to deepen the conversation around and set out steps/time-bound objectives for addressing disenablers and barriers to climate-resilient development-aligned finance faced by developing countries. This would necessitate **shifting from dialogue to actual implementation** of Art 2.1c in complementarity with Art 9 to reform the current financial architecture in a way that enables rather than undermines the full alignment of finance flows with the Paris Agreement in delivering the NCQG, including through the Roadmap. **The Just Transition Work Program** could as well be a constructive forum, where various stakeholders could collect knowledge, experience and solutions on how to address structural barriers to the Just Transition.

The Roadmap should call on the UNFCCC to be playing a stronger role in convening and coordinating other international institutions and processes on unlocking climate finance and Paris-alignment, through convening actors, providing guidance and connecting the different negotiating tracks where those conversations appear to be relevant.

[4] Examples are Unilateral Trade Measures, illicit financial flows and tax dodging by multinational firms, excessive debt burdens that entrench fossil fuel extraction, international financial institutions and decision-making fora dominated by the largest emitters, and austerity measures that deepen economic crises and shift the burden onto citizens and communities in developing countries.

2. Should connect UNFCCC climate discussions with ongoing initiatives happening outside the UNFCCC remits

Given the urgent need for and lack of meaningful progress to date on the intersections of climate with sovereign debt, tax and cost of credit, and the debt-climate nexus in particular, the Roadmap should acknowledge and coordinate with initiatives targeting disenablers outside of the UNFCCC.

a) Address sovereign debt and its links to climate change and impacts

Support the momentum for debt cancellation across creditors: The Roadmap should call on all creditors to provide coordinated and unconditional debt cancellation of all unsustainable and illegitimate debts for Global South countries to be able to comply with the Paris Agreement, as well as the 2030 agenda, and fulfil fundamental human rights obligations. This should include promoting a new approach for automatic debt service cancellation mechanism that protects Global South countries from extreme climate, environmental, economic, health, food and security shocks.

Build on FF4 outcomes and support reforms of the current debt architecture: The Roadmap should also outline political support for some of the calls and initiatives stemming from the Compromiso de Sevilla reached at FfD4. This includes the initiative, led by UNCTAD, to establish a platform for borrower countries with support from existing institutions, with a UN entity serving as its secretariat. It could also show support for, and outline ways to improve debt transparency by all creditors. Beyond the Compromise de Sevilla, the Roadmap should support a comprehensive debt architecture reform through an UN Debt Convention and an effective, multilateral debt restructuring mechanism aligned with climate and development goals, to allow timely, fair and transparent relief to countries facing debt distress

Contribute to the definition of new debt sustainability frameworks: It should also promote a new approach to the debt sustainability framework and analyses (DSAs) performed by the IMF and World Bank, ensuring that the assessment is aligned with human rights, climate and sustainable development needs, to shift "*the framing of DSAs from debt stabilization to growth and sustainable development and use them as a tool for computing the debt repayment capacity that is compatible with sustainable development(1)".*

b) Call to Reform Credit Rating Agencies and Cost of Capital

Explore ways to address the perceived risk resulting in high cost of capital faced by developing and climate-vulnerable countries by tackling structural barriers, including the role of credit rating agencies. CRAs are monopolised by only three agencies (S&P, Moody's, and Fitch) controlling together the majority of the global ratings market and influencing investors' decisions. In their current form, CRAs are mechanisms that can perpetuate debt and hinder economic development

in the Global South, especially as their power to downgrade deteriorates macroeconomic fundamentals.

c) Elaborate on Innovative Sources of Finance, Especially Taxation

Elevate the importance of progressive taxation: The Roadmap, in looking at ways to scale up finance flows to developing countries to 1.3 Trillion, **should explicitly endorse innovative and progressive taxes,** in line with the principles of progressivity, Common But Differentiated Responsibilities and Respective Capabilities (CBDR – RC), and the Polluter Pays Principle. These taxes should make polluting corporations and the super-rich pay their fair share - at international, national and regional levels - to support delivery of the Paris Agreement goals, the Sustainable Development Goals, and global biodiversity goals through enhancing domestic resource mobilisation and supporting the delivery of public finance from developed countries to developing countries. The Roadmap should recognize that through innovative sources, developed countries can raise the public funds that are needed to meet climate finance needs and this also means it is not necessarily true that private finance should fill the finance gap.

Connect with key initiatives and processes: Recognising the strong connection between the UNFCCC processes and international climate finance priorities to wider multilateral and global initiatives relating to efforts to hold polluting industries and the super-rich to account through taxes, levies and fines, the Roadmap should explicitly endorse the United Nations Framework Convention on International Tax Cooperation (UNTC) process as a space within which polluters (corporations and the super-rich) should be more effectively taxed in order to significantly boost multilateral climate and sustainable development funds - and call on all parties to engage actively and constructively in the process in support of this goal. The Roadmap should also endorse and call on all parties to take more action domestically to tax polluters more - with a significant portion of the revenues in Global North countries going towards their international climate finance obligations. In addition, the Roadmap could recommend the establishment of a structured dialogue between the UNFCCC and other stakeholders to discuss specific connections between the different processes linked to international taxation.

d) Address the Role of MDBs

The G20-initiated MDB reform and World Bank “Evolution Roadmap” process was a major missed opportunity for the MDBs to fundamentally reflect on the effectiveness of their development paradigm and the evident failure of the ‘Maximizing Finance for Development’ mantra, and to shift away from a focus on the interest of private finance towards supporting countries in mission-driven, public-led green industrial transformation strategies - despite civil society calls to put the public interest including fulfilling the Paris Agreement and SDGs at the core of the MDB’s efforts. Without a critical assessment of the effectiveness of the MDB’s Paris alignment methodology and broader development approach (including their continued direct and indirect funding of fossil fuels and false solutions, as well as other parts of the MDB architecture such as the World Bank-hosted

ICSID which has become a tool for climate regulation being subjugated to the interests of private investors), their unchallenged increased centering in the climate finance architecture is hugely problematic and risks deepening developing countries' indebtedness, vulnerability to volatile capital flows, and subordination of climate and community needs to private profit, and it overlooks the important roles other institutions could and should play, such as national development banks that offer certain benefits including keeping returns on investments in the country where investments are made and creating domestic jobs.