University of Cambridge Institute for Sustainability Leadership (CISL) Submission on the Baku to Belém Roadmap to 1.3T

Sep 2025

CISL is an impact-led institute within the University of Cambridge that activates leadership globally to transform economies for people, nature and climate. Through its global network and hubs in Cambridge, Cape Town and Brussels, CISL works with leaders and innovators across business, finance and government to accelerate action for a sustainable future. Trusted since 1988 for its rigour and pioneering commitment to learning and collaboration, the Institute creates safe spaces to challenge and support those with the power to act.

The Centre for Sustainable Finance: Our mission is for private financial institutions to accelerate the transition to a global economy that is sustainable and resilient. As part of CISL, we work with a range of stakeholders to achieve this, including academics, policy-makers, NGOs and private financial institutions. We bring together a unique combination of academic rigour and deep industry collaboration to produce research publications which help financial institutions to play a leading role in building a more sustainable economy. Our primary route to engagement with private financial institutions is through our three membership groups – the Banking Environment initiative for banks, ClimateWise for insurers and the Investment Leaders Group for investors.

a) What are priority short-term (by the end of 2028) and medium-to-long-term (beyond 2028) actions necessary to enable the scaling up of financing for climate action to developing countries? Based on experience to date and evidence, what can those actions contribute to in terms of progress in enabling the scaling up of financing?

In the near term, opportunities lie in addressing perceived risks and transaction bottlenecks that constrain capital flows to EMDEs. Over the longer term, progress depends on adjusting the rules and incentives that shape how global finance interacts with climate and development goals.

By 2028 (short term), priority actions include:

- **Targeting risk perceptions as well as risk:** Investors often apply higher standards to EMDEs than to advanced economies with comparable volatility. Greater use of transaction-level evidence (e.g. recovery data, GEMs insights, or CRA methodology reforms) can help recalibrate pricing and mandates.
  [Key Stakeholders: Public and private financial institutions]
- **Clarifying the role of first-loss equity:** Defining the thresholds required to unlock private capital and identifying potential providers (donors, philanthropy, impact investors) could help accelerate mobilisation.
  [Key stakeholders: Philanthropy, Impact investors, Public finance]
- **Simplifying and replicating transaction model:** Developing more standardised and replicable approaches can reduce costs and increase uptake from private financial institutions.

[Key stakeholders: Public and private financial institutions]

- **Enhancing local access:** Country platforms, project aggregation, and partnerships with local financial institutions could make blended finance more affordable and accessible to local actors.
  [Key stakeholders: Local institutions, local governments, development finance institutions]
- **Designing differentiated approaches:** Tailoring structures to different investor types (asset owners, DFIs, banks, local funds) and geographies can improve alignment of risk appetite and roles.
  [Key Stakeholders: Public and private financial institutions]
- **Strengthening collaboration:** Expanding knowledge-sharing platforms and aligning public and private objectives helps build confidence and accelerate deal-making.
  [Key stakeholders: Civil society, Academia, Collaborative platforms, etc]

Beyond 2028 (systemic reforms):

- **Embedding climate in economic and industrial policies:** Evolving economic and industrial policies to better support climate resilience and low-carbon transitions can help strengthen resilience at the national level.
  [Key stakeholders: Governments, public finance]
- **Rethinking how risk is measured:** Enhancing transparency of EMDE risk–return data and refining credit rating methodologies to reflect actual default and recovery performance can help reduce risk perception premiums.
  [Key stakeholders: Credit rating agencies, public and private financial institutions]
- **Supporting long-term insurability:** Reforming the regulatory landscape to incentivise financial institutions to consider longer term insurability and assess climate risks at a granular level. This will help scale adaptation finance and support long term systemic stability.
  [Key stakeholders: Governments, public finance, insurance]
- **Shifting global incentives:** Aligning policies and incentives with climate and resilience priorities could encourage investors to redirect capital, reduce perceived risks in EMDEs, and make climate-aligned investments more mainstream.
  [Key stakeholders: Cross ecosystem collaboration]

b) What strategies can be implemented to enhance and scale up public and private financing mechanisms for climate adaptation, especially in vulnerable regions?

Strategies to support public and private financial institutions to scale adaptation finance in vulnerable regions include:

- **Physical climate risk assessments:** Incorporating physical climate risks at the project design stage can help reduce uncertainty, manage risks and strengthen portfolio resilience.
- **Engage actively with portfolio companies and local actors:** Dialogue with investees and local institutions can help build adaptive capacity, align projects with national priorities, and

increase portfolio resilience. Country platforms and project aggregation can simplify access and lower costs for local actors.

- **Leverage innovative and differentiated financial instruments:** Blended finance structures, resilience bonds, catastrophe or insurance-linked securities, and first-loss equity can help address first-mover disincentives. Tailoring instruments to different investor types and geographies makes capital deployment more efficient and scalable.
- **Use MDBs and concessional finance strategically:** Multilateral Development Banks can standardise deal structures and provide guarantees or first-loss coverage. Concessional finance can lower the cost of capital and act as a signal to attract private investment.
- **Strengthen regulatory and policy frameworks:** Clear and consistent climate regulations, aligned with NDCs and NAPs, can reduce uncertainty and encourage private investment. Integrating climate resilience into policy and regulation can further shift incentives toward sustainable outcomes.
- **Collaborate for systemic change:** Coordinated action across public and private actors can align incentives, build track records, and provide opportunities to scale. Sharing data and lessons learned through platforms can help correct misperceptions and mobilise private capital.

c) What other experiences, proposals or approaches could help inform and accelerate efforts to mobilize USD 1.3 trillion in financing, including through grants, non-debt creating instruments, new sources of finance, and strategies to create fiscal space?

Achieving the $1.3 trillion target requires a mix of scaling up proven approaches and testing new instruments, while ensuring capital is deployed efficiently and accessibly. Examples of suggested approaches include:

- **Developing transaction templates:** Developing playbooks and replicable transaction structures can accelerate deal flow and reduce costs.
- **Guarantees and FX-hedging facilities:** Expanding existing mechanisms could reduce EMDE borrowing costs and address currency risks.
- **Innovative instruments:** Hybrid capital structures and innovative financing models can help address concerns around risks for private investors.
- **Ecosystem mapping:** Developing a clearer picture of key stakeholders across different markets could help fill gaps and improve coordination.
- **Philanthropic engagement:** Better aligning philanthropic capital with early-stage project preparation and first-loss layers can strengthen its catalytic role.
- **Evidence-building:** Early investments to generate track records can help investors adjust outdated assumptions around EMDE risk.

d) **What key actors and existing multilateral initiatives should be considered or involved, as appropriate, to support the delivery of the USD 1.3 trillion target?**

Delivery of the $1.3 trillion target involves cooperation across a diverse set of actors, with different roles to play:

- **MDBs and DFIs:** Can expand origination, provide guarantees, and share risk through originate-to-distribute models.
- **Credit Rating Agencies:** Can refine methodologies, increase transparency, and engage directly with investors to shift risk perceptions.
- **Institutional investors:** Asset owners, pension funds, and insurers could increasingly recognise EMDE exposure as part of managing systemic climate and financial risk.
- **Local financial institutions:** Play an important role in origination, local-currency lending, and connecting global capital to real-economy projects.
- **Global initiatives and country platforms:** Can help provide coherence, momentum, and coordination across public and private stakeholders.