Submission by Egypt

in relation to the preparation of the Report on Baku to Belem Roadmap to 1.3T

Egypt is submitting this response pursuant to the communication dated 6th of August 2025 from the Presidencies of the sixth and seventh sessions of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, regarding the "Baku to Belem Roadmap to 1.3T".

Submission:

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?

A. Short term priorities (by 2028):

1. **Define and Operationalize the $1.3T Target:**
   - If we are to mobilize and actually *deliver* the $1.3 trillion to its intended recipients, the $1.3 trillion should not be approached as a mere quantum target. It should rather be broken down and clearly disaggregated by source (public/private), purpose (mitigation/adaptation/L&D), and instrument (grants, loans, guarantees). Annual or biennial milestones need to be in place to allow for stocktaking of progress. Once this is done, we will effectively have meaningful separate targets for each element thus providing clarity to the developing countries seeking climate finance, while also facilitating identification of where the shortcomings are with a view to course correction.
   - The roadmap for 1.3 trillion should provide clarity regarding how it will support delivery by developing countries of their NDCs and NAPs.
   - Furthermore, the target must be aligned with Article 9 of the Paris Agreement and preserve the foundational principle of **Common But Differentiated Responsibilities (CBDR-RC)**.
2. **Ensure clarity and transparency regarding Public Finance Commitments from Developed Countries:**
   - Developed countries must commit to at least **$150 billion annually** in public concessional finance by 2028, with **at least 50% dedicated to adaptation**, predominantly in the form of **grants**. The $150 billion by 2028 is, in our view, the floor amount reflecting the commitment from developed countries to build on the previous $100 billion annually.
3. **Facilitate access to Concessional Lending through effective MDB Reform. Examples of some reforms could be:**

- ***Capital balance sheet optimization which would allow more lending capacity without waiting for new capitalization.*** This could include considering hybrid capital instruments such as mobilizing resources from sovereign wealth funds and philanthropies to supplement core MDB capital; utilizing guarantee and insurance mechanisms to de-risk private climate investments; explore possibilities for portfolio diversification and risk pooling through creating multi-MDB risk sharing platforms which would allow supporting larger climate projects without crossing risk limits.
- ***Lowering the cost of borrowing from MDBs for climate action***: MDB finance must become cheaper for climate action. Ideas for achieving this could include "Climate concessional windows" along the lines of IDA but accessible to all climate vulnerable middle-income countries, Interest rate buy-downs supported and funded by climate funds, philanthropic contributions to reduce loan rates for climate projects; debt for climate swaps for both mitigation and adaptation; longer maturities and grace periods for climate infrastructure (grid upgrades are a major hurdle for expanding renewables)
- ***MDB governance reforms***: If MDBs are to play a meaningful role in delivery of the $1.3 target, some reforms to their governance could be considered. These may include, inter alia, integrating development/ climate planning through jointly designing MDB country strategies which integrate climate and development finance; shifting from single, disparate project approvals to programmatic lending aimed at supporting climate transitions in a more holistic manner; allowing for enhanced representation of borrowing countries in decision making to ensure that climate priorities -not donor preferences- drive the lending.

4. **Strengthen Private Capital Mobilization:**
   - Scale up risk mitigation instruments (e.g., first-loss guarantees, currency risk buffers).
   - Support pipeline development efforts for developing countries many of whom still struggle to prepare funding proposals due to capacity issues as well as the complexity of some of the processes.

B. Medium-to-Long-Term Priorities (2028–2030):

1. **Deploy Innovative Finance Mechanisms:**
   - Rechannel at least **$100 billion** in Special Drawing Rights (SDRs) toward climate purposes.
   - Further consider non-debt creating instruments and small-scale finance instruments which could provide funding directly to affected communities. For example, microfinance and payments for environmental services. This would secure the inclusion of local communities and their active involvement
   - Sharing of experiences regarding risk management. Climate risks increase rapidly and the cost of loss and damage is also rising leading to climate projects becoming almost un-insurable since the risk to return ration is unbalanced.
2. **Support Scalable Country-Led Platforms:**
   - Expand initiatives like Egypt's **NWFE**, and other country platforms aligned with national development and climate goals.
   - Ensure financing is **predictable**, **long-term**, and **justly structured**.
3. **Build Capacity and Climate Institutions:**
   - Invest in project preparation facilities and climate readiness support.

- Strengthen local development banks, national climate funds, and MRV systems.

C. Evidence of impact and lessons learned:

- **Public finance is catalytic**: Evidence from the GCF and bilateral climate funds confirms that grants and concessional loans are critical to crowd in private finance—especially in non-commercial sectors such as adaptation.
- **MDB reforms are high-leverage**: Even modest reforms could unlock hundreds of billions in additional lending capacity. However, we must ensure that MDB reform is not at the expense of regular development support.
- **Country platforms enhance effectiveness**: Egypt's NWFE and JETPs in South Africa and Indonesia demonstrate the value of nationally owned, coherent and holistic financing platforms.
- **Private sector needs public de-risking**: Current private mobilization remains low without robust guarantees and concessionality.

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

1. **Enhance MDBs' catalytic role** whereby they originate and take anchor positions in pooled adaptation funds, using their AAA to underwrite risk. This would help crowd-in private capital at scale and would lower cost of capital for developin, but would require allowing MDBs to use balance-sheet optimization and blended instruments to support large adaptation pools.
2. **Explore the use of results-based grants for adaptation**: Through tying grants to verified resilience outcomes (e.g., hectares of wetland restored, reduced flood damage). This would potentially crowd in private finance seeking specific outcomes which support their related investments.
3. **Utilize NAPs as potential adaptation investment frameworks**: In this case NAPs would include pipeline ready adaptation projects with cost-benefit adjustments and bankable structures. This would reduce project preparation risk and transaction costs for private investors.
4. **Integrate adaptation into sovereign debt operations:** Debt clauses would free up resources for adaptation (debt-for-nature/climate swaps, sustainability-linked restructuring). This creates fiscal space and channels freed resources into resilience investments through leveraging creditor dialogues and including adaptation targets in restructurings.
5. **De-risk revenue streams using MDB / donor guarantees:** This would reduce risk premiums required by private lenders for adaptation projects (which traditionally have limited/uncertain returns).

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?

The roadmap to $1.3 trillion must be delivered through a coalition of actors, each contributing within their mandates:

- **Multilateral Development Banks**: are pivotal to scaling concessional and blended finance. **MDB governance reform** is therefore indispensable for meeting the $1.3 trillion target.
- **UNFCCC Financial Mechanism**: GCF, GEF, Adaptation Fund – ensure grant-based support, particularly for adaptation.
- **Philanthropic and Sovereign Wealth Funds**: Emerging players in early-stage and high-risk capital.
- **Private Sector Coalitions**.
- **Regional and National Platforms**: Like Egypt's NWFE, JETPs, GCAP are vital for ensuring alignment with national priorities and enhancing absorptive capacity.