



FMDV 2nd Submission on the “Baku to Belém Roadmap to 1.3T”

Responses to the Consultation Questions

We support the Roadmap’s direction and offer a practical way to turn headline finance into assets on the ground: make “local delivery” a built-in feature of country platforms, MDB and vertical-fund operations, under finance-ministry rules, so money meets financeable and bankable projects at the pace and scale required.

In practice: use portfolio instruments and **off-balance-sheet** structures (SPVs, pooled/ securitised portfolios) under clear Ministry of Finance guardrails (eligibility caps, portfolio guarantees, local currency lines and intercept/escrow) so the sovereign remains protected and private capital flows at the speed required.

Put simply, **cities are the underused lever: back them with the right rules and instruments, and they pull in the finance needed for the 1.3T.**

a) Priority actions—near term (by end-2028) and beyond

By end-2028:

- **Country Platforms for Localizing Finance and/or CPs with a territorial lane:** Require each platform to include an *Urbanization & Local Infrastructure* pillar or develop dedicated CPs for Localizing Finance, under Ministries of Finance (MoF) oversight: a governance interface with local and regional governments (LRGs)/utilities, a subnational pipeline lane with standard eligibility and reporting, and simple rules for using guarantees and local-currency lines. This converts plans into investable programs without touching constitutional balances.
- **Set up FinHubs:** Create small national “finance-engineering” teams with shared tools, term sheets, and data templates, to structure multi-city portfolios, aggregate small projects, and cut diligence time and cost.
- **Open or upgrade subnational windows:** In vertical funds and MDB country programs, provide simplified programmatic access for qualified domestic public intermediaries (national and subnational development banks) so adaptation and resilience money reaches the frontline players.
- **Use portfolio instruments:** Move beyond single-asset deals: pooled SPVs, portfolio guarantees, securitization of LRG/utility receivables, and local-currency (LCY) credit lines with affordable hedging. That is how small, diffuse projects clear investment committees.
- **Measure what matters:** Add two KPIs to country-platform and MDB reporting: (i) share of climate finance delivered through territorial channels; (ii) number and value of standardized local pipelines prepared and brought to market.

Beyond 2028:

- **Make MDB–public development banks (NDBs/SDBs) co-origination** the norm (shared platforms, guarantee pools, LCY facilities, common documentation).
- **Embed proportionate regulatory expectations** (taxonomies, disclosures, sub-sovereign lending guidelines) so utilities and local SPVs can comply at reasonable cost.
- **Deepen domestic markets** for LRGs/utility portfolios (green/blue bonds, pooled notes, on-lending) anchored in FinHubs and NDBs/SDBs.

b) How to scale *adaptation* finance, especially in vulnerable regions

- **Performance-based grants at the local level:** Simple, rules-based allocations to local and regional governments, tied to measurable resilience results and verified independently; sit these grants inside country platforms and keep MoF guardrails visible.
- **Subnational access in Fund for Responding to Loss and Damage and vertical funds:** Program windows with pre-approved templates for typical adaptation programs (water, nature-based solutions, coastal protection, heat/flood management), channelled via domestic public intermediaries.
- **Portfolio approach to resilience:** Pooled municipal adaptation SPVs backed by portfolio guarantees and LCY lines; combine with risk-transfer solutions (parametric insurance, resilience-linked debt) to crowd in private capital where standalone returns are thin.
- **FinHubs for adaptation:** Integrate standard toolkits, early-stage risk capital, and good pipeline data improve insurability and pricing are essential for moving from studies to construction.
- **Keep compliance proportionate:** Lighter, capacity-based disclosure and taxonomy options so small providers can access markets without prohibitive costs.

c) Additional proposals on grants, non-debt instruments, new sources and fiscal space

- **Solidarity and sectoral levies** (e.g., maritime or global financial transactions) and **debt-for-climate swaps** with an earmarked share for local adaptation pipelines inside country platforms.
- **Non-sovereign local-currency lending** and **guarantee-backed pooled issuances** for LRG/utility portfolios, arranged by domestic public intermediaries.
- **Off-balance-sheet vehicles** for small/medium urban projects, blended capital with first-loss protection to mobilize domestic investors at scale.
- **Create fiscal space by design.** Performance-based intergovernmental transfers linked to climate outcomes; climate budget tagging; align with INFFs so public finance signals are consistent from the center to service providers.

d) Actors and initiatives that can deliver at scale

- **The MDB system working with public development banks as one network**, including national and subnational institutions as last-mile co-originators and on-lenders.
- **Vertical funds** (GCF, GEF, CIFs, AF) with fit-for-purpose program windows, readiness tied to FinHubs, and streamlined procedures for standardized local programs.
- **UNFCCC-linked efforts** that enable multilevel delivery (e.g., multilevel partnerships, locally led adaptation modalities, Loss & Damage arrangements that include territorial channels).
- **INFF/NDC Partnership processes** to keep policy reforms, investment plans and country platforms aligned; **standard setters and rating agencies** to acknowledge portfolio de-risking and proportionate disclosures.

Conclusion

The Roadmap's credibility will be measured by its capacity to translate pledged finance into commissioned assets and dependable public services. Nationally-steered, locally delivered finance, through capable domestic intermediaries, using portfolio and off-balance-sheet instruments under MoF rules, offers a fiscally prudent, politically neutral and timely path to delivery in 2025–2030.