FiCS and IDFC Contribution to Baku to Belem Roadmap

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?

Finance in Common (FiCS) and the International Development Finance Club (IDFC), representing over 500 Public Development Banks (PDBs) managing USD 23 trillion worth of assets while delivering USD 2.5 trillion in investment each year - around 12% of global investment — submit this contribution to the Baku to Belem Roadmap. Building on the political momentum under Brazil's COP30 Presidency and Azerbaijan's COP29 Presidency, FiCS and IDFC highlight the critical role of PDBs in scaling climate and development finance.

PDBs are uniquely positioned to bridge global resources and local priorities, but too often operate in silos alongside Multilateral Development Banks (MDBs) and Vertical Climate and Environmental Funds (VCEFs). Given scarce concessional finance, maximizing impact requires a coherent system where institutions pool strengths, lower costs, and originate high-quality projects tailored to national contexts. Country Platforms (CPs) provide a practical vehicle for this interoperability, aligning diverse sources of finance with national strategies and fostering shared accountability.

Short-term priorities (by end-2028)

Priority 1 - Capital de-risking and market access: Lowering the cost of capital is a precondition for scaling investment. Standardized, scalable blended-finance structures and enhanced market access can de-risk projects, lower transaction costs, improve project bankability, and crowd in private investors at scale. IDFC FiCS and MIGA are advancing this through *the **Global Guarantee Platform** - an AAA/AA+ facility that will double the number of PDBs accessing capital markets and catalyze private investment, with pilot transactions expected from 2026.*

Priority 2 – Managing currency risks: Currency volatility deters both borrowers and investors, especially in vulnerable countries. Expanding local-currency lending and embedding FX risk solutions can unlock longer-tenor loans, strengthen resilience, mobilize private capital currently held back by exchange-rate concerns. *This is being addressed by the **Currency Risk Management and Resilience Initiative**, co-led by TCX and FiCS and endorsed by the EU, UK, and Netherlands, which is expected to deliver up to USD 2 billion in local-currency lending (including USD 500 million for PDBs) across 30 countries by COP30.*

Priority 3 - Fast-tracking technical assistance (TA) and project preparation: Without robust pipelines, finance cannot flow. Accelerating project preparation and technical assistance is essential to shorten time-to-finance and increase the leverage of concessional resources. *FiCS and IDFC are tackling this through a dedicated **TA workstream and Catalogue**, which map existing provision, reduce fragmentation, and create new opportunities for matchmaking between PDBs/NDBs and TA providers- ensuring that more projects, especially in adaptation, reach bankability faster. Besides, IDFC Facility is supporting public development banks in doing more and better climate and biodiversity finance and getting aligned with the goals of the Paris Climate Agreement, particularly by enhancing knowledge exchange and capacity development on climate and biodiversity-related topics.*

Priority 4 - Scaling Country platforms (CPs) as operational hubs: Fragmentation across concessional, multilateral, and private finance often prevents vulnerable countries from building coherent investment programs. CPs address this by providing a nationally led framework that aggregates pipelines, aligns them with national strategies, and coordinates diverse sources of finance around a shared agenda. This makes CPs not just coordination mechanisms but delivery platforms that can channel fiscal space and global instruments into priority pipelines. *FiCS and IDFC are advancing this approach through the **Global Financing Playbook** – developed jointly with UNDP and AIIB, with support from FIDA, CAF, UNCDF, FONPLATA, and CDP. The Playbook provides governments with a practical framework to operationalize country-led priorities. It offers standardized methodologies and tools to overcome investment barriers, align concessional and private finance, and integrate global instruments (such as guarantees and FX facilities) into national investment strategies. By serving as a "how-to" guide for building and implementing Country Platforms, the Playbook helps countries translate political commitments into bankable investment pipelines.*

Medium-to-long-term priorities (beyond 2028)

Priority 1 - Strengthening the recognition of National and Subnational Development Banks (NDBs). NDBs have already been recognized as critical actors by the Compromiso de Sevilla, reflecting their legitimacy and critical importance to mobilise global annual investments. In G20 countries alone, NDBs' assets weigh 24% of GDP (while MDBs weigh 2%). Building on this recognition, the next step is to consolidate NDBs as "*SDG enablers*" by embedding sustainability at the core of their mandates and operations.

Full integration of NDBs into global financial discussions will not only reinforce their role as SDG enablers, but also ensure their scale and local legitimacy are harnessed to channel resources through country-led solutions and platforms. In practice, this means codifying NDB roles in CP governance and global fora, providing them with direct access to VCEF and MDB risk-sharing instruments (such as guarantees and FX facilities), and advancing development-sensitive prudential and rating treatment so that fiscal space and private capital can translate into financed pipelines.

Priority 2 - Working as a system: Fragmentation across MDBs, NDBs, and Vertical Funds raises transaction costs and slows co-financing. Over the medium and long term, institutionalizing a unified PDB system and interoperable standards across MDBs, NDBs and other actors including Vertical Funds, can reduce transaction friction, accelerate pipeline development, facilitate faster co-financing, enable larger pooled transactions, and increase private sector confidence. Harmonized due diligence, procurement, M&E, and co-financing procedures are central to this effort. *Global coalitions of PDBs such as IDFC and FiCS are already fostering this shift by connecting more than 500 PDBs worldwide, Unlocking this potential would significantly scale climate and development finance in developing countries, but today it remains underutilized.*

Priority 3 - Institutionalizing PDBs as a Distinct Asset Class
Recognizing PDBs as a dedicated asset class in global capital markets would anchor their credibility as investable institutions. This initiative, led by FiCS and IDFC, seeks to mobilize greater volumes of private capital for development and climate financing. It responds to a macroeconomic context marked by shrinking public resources, the urgent need to attract private investment into sustainable sectors, and the distinct risk/return and impact profiles of PDBs.

This agenda rests on two mutually reinforcing shifts:

- **Scaling Private Capital Mobilization**: Unlocking private investment at scale requires a systemic approach that combines de-risking tools, blended finance structures, and standardized impact metrics. PDBs are uniquely positioned as intermediaries between global capital markets and local opportunities by:

- Expanding the use of guarantees and blended instruments;
- Standardizing impact measurement to strengthen investor confidence;
- Embedding private sector engagement within nationally led country platforms.

FiCS, IDFC, and MIGA (World Bank Group) are advancing this agenda through the **Global Guarantee Platform (GGP)**, which will equip National and Regional Development Banks with scalable guarantee instruments, backed by technical assistance and concessional resources, to channel private capital into climate- and SDG-aligned investments.

· **Regulatory and Credit Rating Reforms:** Current prudential rules (Basel III) and prevailing credit rating methodologies tend to overstate risks faced by PDBs, thereby inflating their cost of capital. The IDFC-led workstream on *Rules, Regulations and Standards*, PDBs are advancing joint proposals for more development-sensitive regulatory treatment and rating practices, enabling PDBs to access capital on more appropriate terms.

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

Strategy 1. Build country-led, demand-driven national platforms
Adaptation finance must be anchored in national strategies – such as NDCs and National Adaptation Plans – and translated into investments pipelines through country platforms or other country-led investment plans. These platforms aggregate projects, reduce transaction costs, and make adaptation more investable through blended finance.

PDBs, acting as *"SDG enablers"*, play a pivotal role by bridging national priorities with global capital flows, and by ensuring that resilience and adaptation are systematically mainstreamed across all financings, in line with *locally led adaptation principles*.

To make CPs effective for adaptation, concessional resources should be deployed strategically - *through first-loss, preparation grants, or concessional rates* - especially in LDCs and SIDS. Complementary tools such as *local-currency financing, FX hedging, and guarantees* are essential to mobilize institutional investors.

In addition, national platforms should embed adaptation dimensions systematically:

1. **Resilience mainstreaming**: embedding climate adaptation and resilience systematically in all financings.
2. **Comprehensive disaster risk management**: including risk and vulnerability assessments, preparedness, risk reduction measures, and financial instruments such as insurance and guarantees to cover residual risk.
3. **Loss and damage response**: supporting the implementation of dedicated activities and measures that address climate-induced losses.

Strategy 2. Standardize, innovate, and mobilize private capital
Scaling up adaptation finance requires greater standardization - including bankability templates, common adaptation metrics, and simplified procedures for accessing vertical funds. This helps reduce due diligence costs and facilitates co-financing, which makes projects on average *14 times larger* compared to stand-alone financing.

At the same time, financial innovation must be accelerated. Instruments such as resilience bonds, climate insurance, results-based financing, and hybrid capital guarantee schemes can link private capital to measurable vulnerability reduction.

In parallel, the development of domestic and regional **carbon markets** can unlock new revenue streams for adaptation by monetizing resilience co-benefits and enabling PDBs to channel resources toward climate-positive sectors.

PDBs and their partners should actively:

- **Support Article 6 implementation and Voluntary Carbon Markets (VCMs)** by ensuring high-integrity carbon credits aligned with NDCs, fostering robust project pipelines with clear social and environmental co-benefits.
- **Provide technical assistance, capacity building, and financial support** to strengthen local institutions and ensure these markets directly benefit vulnerable communities.

Finally, concessional and philanthropic capital can play an anchor role in pooled vehicles, covering early-stage costs and de-risking private participation. This aligns with the ambition of FiCS and IDFC to foster PDBs as a coherent system, capable of catalyzing both domestic and international resources - public and private - toward the most vulnerable regions.

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 USD 1.3 trillion target requires not only concessional resources and innovative instruments, but also systemic approaches that expand fiscal space and strengthen delivery. Public Development Banks (PDBs), through FiCS and IDFC, are central to this agenda as the institutions capable of turning global commitments into country-led pipelines of investable projects. Three sets of approaches illustrate this:

1. Debt, fiscal space, and PDB-led delivery - Innovative refinancing and debt-relief mechanisms can expand fiscal space while embedding climate investment commitments. Anchoring these efforts in CPs and channeling resources through PDBs ensures that fiscal space translates into bankable projects aligned with national priorities. By doing so, PDBs turn macro-level fiscal gains into concrete investment flows that mobilize private finance and accelerate climate-resilient development.

2. Systemic risk management and private capital mobilization - Instruments such as the **Global Guarantee Platform (GGP)** and the **Currency Risk Management and Resilience Initiative** show how PDBs can reduce investor risk perceptions and mobilize private capital at scale. By equipping national and regional development banks with guarantees, FX hedging solutions, and blended finance structures, these initiatives enable PDBs to act as intermediaries between global capital markets and local investment needs.

3. **Innovation and knowledge platforms for scaling** - Tools like the **FiCS Financial Innovation Lab** and the **Global Financing Playbook** demonstrate how PDBs can lead in developing, testing, and systematizing solutions. The Innovation Lab, convened by CPI with FiCS/IDFC, incubates new financial instruments such as blended guarantees, insurance, and voluntary carbon market platforms. The Global Financing Playbook, co-developed with UNDP and AIIB, provides governments and their PDBs with a practical framework to operationalize national priorities, integrate global instruments, and replicate successful models across countries.

Together, these approaches show that mobilizing USD 1.3 trillion will depend not only on more finance, but also on **PDBs working as a system** - using fiscal space effectively, deploying risk management tools, and driving innovation to ensure finance reaches nationally defined priorities.

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?

- Delivering on the USD 1.3 trillion climate finance target will require mobilizing the full ecosystem of PDBs way under coherent global frameworks. Anchored in their domestic contexts, they bridge governments and markets, align finance with country-owned strategies, and originate pipelines of bankable projects. The *Compromiso de Sevilla*[1] consolidated PDBs as a core pillar of the international financial architecture, with the Finance in Common System (FiCS) serving as the global platform convening the 530+ PDBs worldwide. Within this system, the IDFC, with its 27 members representing more than USD 4 trillion in assets and USD 200 billion of annual climate commitments, is the largest provider of public development and climate finance and a key driver of systemic alignment.

- **Vertical Climate and Environmental Funds (VCEFs) and systemic coherence -** VCEFs such as the Green Climate Fund (GCF), Climate Investment Funds (CIF), Global Environment Facility (GEF), and Adaptation Fund-bring essential concessional resources, grants, and catalytic capital. Though small in size, these funds have high leverage potential. Recent reviews (Independent HLEG 2024; CPI-FiCS-AfDB 2025) highlight the importance of closer VCEF–MDB–NDB collaboration to scale up guarantees, catalytic equity, and local-currency financing.

  More broadly, today's fragmented landscape must evolve into a coherent architecture where VCEFs provide concessional resources, MDBs bring scale and expertise, and NDBs connect global resources to local priorities, with philanthropies and private investors playing complementary roles. By strengthening interoperability - through harmonized standards, joint instruments such as guarantees, and Country Platforms - this ecosystem can deliver at scale.

- **Beyond scaling volumes, the challenge is to ensure systemic effects on climate, on par with the magnitude of the challenge and the urgency to act. Initiatives such as *Making Finance Work for Climate***, launched at COP29 and jointly supported by IDFC, FiCS, UNEP FI, PRI, GCF and others, represent a breakthrough in seeking to complement volume-based metrics by qualitative approaches also focusing on effects and impact - ensuring that every dollar mobilized supports transformative and Paris-aligned outcomes. In this spirit, the initiative actively supports the characterization of transformational finance for climate, including among others country-led support to enabling environments to accelerate transitions and the overall alignment of finance with the objectives of the Paris Agreement, thereby contributing directly to the Baku to Belem Roadmap and the Sharm el-Sheikh Dialogue.

---

[1] The ***Compromiso de Sevilla*** consolidates the role of PDBs within the international financial architecture:
- Paragraph 30 acknowledges the **role of national development banks in aligning finance** with country-owned strategies and development priorities.
- Paragraph 37(i) explicitly references **FiCS as the global platform fostering collaboration** among multilateral, regional, and national development banks.