

Submission by LMDCs on the “BAKU TO BELÉM ROADMAP TO 1.3T”

Introduction

1.1 This submission responds to the message from the CMA 6 and CMA 7 Presidencies dated 6 August 2025, seeking views on the “Baku to Belém Roadmap to 1.3 Trillion”.

1.2 At the outset, LMDCs reiterate the views expressed on this matter through written submissions as well as during the Consultations held by the Presidencies of CMA 6 and CMA 7. LMDC expresses concern with the substantial gaps remaining between the current annual quantum provided under the New Collective Quantified Goal (NCQG) on Climate Finance and the financing needs currently identified by Developing Countries for their 2030 NDC commitments. Without sufficient climate finance, even the proposed NDCs would not fructify, let alone any level of ambition in future NDCs. The NCQG outcome of COP 29 was adopted in a manner that signals the unwillingness and failure of Developed Countries to fulfil their responsibilities under the Convention and its Paris Agreement.

1.3 The “Baku to Belém Roadmap to 1.3T” is an opportunity to put the financial discussion on the right track in accordance with Article 9.1 of Paris Agreement.

1.4. Expectations for the “Baku to Belém Roadmap to 1.3T”:

Para 27 of the NCQG decision states that (1) the “Baku to Belém Roadmap to 1.3T” is aimed at scaling climate finance to Developing Countries and (2) the Roadmap is a joint initiative between the sixth and seventh Presidency of the CMA, to prepare a summary in consultation with the Parties, rather than a negotiated outcome of the CMA.

The Roadmap should ensure that developed countries fulfil their obligation to provide financial resources to developing countries, aiming to mobilize \$1.3 trillion annually starting in 2025. LMDC emphasizes the implementation of Article 9.1, to enable finance for mitigation and adaptation, at concessional, and grant-based financing that align with the needs of developing countries and is in line with the principles and mandate of the UNFCCC and its Paris Agreement.

We reiterate our comments made in the earlier submission that:

The Roadmap will be developed as a joint initiative of the Presidencies, emphasizing inclusivity, transparency, and mutual trust, without being a negotiated outcome. The roadmap is the reflection of the joint work of the Presidencies and the views and elements referenced therein should not be considered to necessarily be reflective of

the views of Parties. That being said, in order for this roadmap to be inclusive, it must consider the perspectives of Developing country Parties and adhere to UNFCCC and Paris Agreement principles, including equity and common but differentiated responsibilities (CBDR-RC).

To scale up climate finance, the Roadmap should recognize country-led climate action. Respecting different pathways, the roadmap must avoid prescriptive recommendations aimed at climate action in developing countries nor should it target specific sectors. Rather than promoting imposing high transition costs on developing countries, which is unacceptable as it undermines equity and sustainable development goals, the roadmap must promote scaled up finance to all developing countries.

The discussions shall be based on the UNFCCC and its Paris Agreement framework, and must exclude uniform measures such as global taxes, levies and sector-specific approaches that lack consensus and contradict equity principles. Developed Countries' financial commitments should reflect their historical contributions to global GHG emissions.

1.5 Responses to the Questions:

(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?

The Roadmap is aimed at scaling climate finance to Developing Countries. However, so far, the experience of Developing Countries has been disappointing as finance mobilisation into Developing Countries from Developed Countries has remained limited and inadequate. Going forward, in the expectation of meeting the ambition of mobilising USD 1.3 trillion per year for Developing Countries, the following must be the top priorities.

The short term priorities for the Roadmap should be as follows:

- i. Bridging the gaps in the approaches taken so far, by keeping at the core the Developed Countries' public sector finance provision for Developing Countries.** The NCQG decision, set in the context of Article 9 of the Paris Agreement, only, directly and explicitly, considers Articles 9.2 and 9.3 and leaves out Article 9.1, which is the key to enabling the scaling up of climate finance. Article 9.1 mandates the Developed Countries to provide climate finance. The Roadmap must

aim at frontloading the public sector finance provision for Developing Countries which is a necessary condition for reducing the risk of mobilising resources and scaling up mobilisation from other sources. In this regard, the Roadmap must place Article 9.1, which categorically states that Developed country Parties shall provide financial resources to assist Developing country Parties with respect to both mitigation and adaptation, as its central pillar and explore how Article 9.1 can be operationalised to enable the mobilisation of 1.3 trillion dollars annually from 2025 taking into account the needs and priorities of Developing Countries.

ii. Enhancing financial access through the Financial Mechanism

Financial Mechanism of UNFCCC must play a vital role in supporting Developing Countries with climate finance and risk mitigation instruments. An essential aspect of scaling up climate finance for Developing Countries is to enhance the effectiveness of the operating entities of the financial mechanism so that timely and adequate support is available for climate action in Developing Countries. This requires addressing the barriers to equitable access to finance for all Developing Countries. Conditionalities to access multilateral funds can be difficult to overcome – such as co-financing requirements, complex project policies, and lengthy disbursement process.

iii. In this regard, the Roadmap must provide clarity on the implementation of paragraph 16 from the NCQG decision, which focuses on tripling financial outflows from the operating entities of the Financial Mechanism. Additionally, the Roadmap should outline the anticipated financial contributions from Developed Countries through the operating entities of financial mechanisms, including the Adaptation Fund. This information would be essential to guide the implementation of the next round of Nationally Determined Contributions (NDCs) in Developing country parties. A clear signal is needed on how much developed country Parties must contribute to these funds to achieve the tripling target, including reflecting burden sharing arrangements among developed countries.

iv. Addressing barriers to concessional and affordable resource mobilisation

The Roadmap must recommend measures to reduce the perceived risks in climate-related projects in Developing Countries. The risks mainly emanate from adoption risks associated with new technology, unproven commercial viability, longer time horizons of climate projects, as well as the poor sovereign credit ratings of Developing Countries. All these factors, amongst others, contribute to the unreasonably high cost of finance for Developing Countries thereby impacting viable project pipelines. For effective climate action, Developed Countries (where the majority of global capital is located) must collaborate to mobilise necessary financial resources for climate actions of Developing Countries. Given the scale of investments needed, public capital needs to be used strategically to address the concerns about the high cost of finance and crowd in private investments for climate action at the

requisite pace and scale, particularly in Developing Countries. With respect to credit rating agencies, greater competition to the existing agencies could do a lot of good and make them more transparent.

v. Stress on the nationally determined nature of climate action: It is crucial for the Roadmap to communicate to the private sector, particularly in Developed Countries, that activities, pathways, timelines, needs, priorities, and circumstances vary from one country to another. There is no uniform approach to climate action. Country-determined nature of climate action in line with the approaches and pathways would be the key to effective action instead of a straitjacket approach. The mobilisation of USD 1.3 trillion should be aimed at supporting Developing Countries, instead of creating additional burdens and costs for and within developing countries.

The Medium to Long term priorities for the Roadmap must include the following:

- vi. The Roadmap must suggest ways to ensure additionalities of climate finance mobilisation in line with Article 4 of the Convention:** Article 4 of UNFCCC states that the *Developed country Parties shall provide new and additional financial resources to meet the agreed full costs incurred by Developing country Parties*. The implementation shall take into account the need for adequacy and predictability in the flow of funds. Article 4 of UNFCCC also requires that “*agreed full incremental costs*” of projects, etc. are to be provided to Developing Countries by the operating entities of the Financial Mechanism. Additionality of climate finance provided to Developing Countries is crucial to ensure that climate finance genuinely contributes to the needs of Developing Countries without undermining their existing development efforts. It ensures that sufficient finance is channelled towards climate change needs. Developing countries, despite contributing minimally to historical greenhouse gas emissions, are incurring significant additional costs in adopting low-emission and climate-resilient development pathways. This situation raises concerns of climate justice.
- vii. Roadmap must address the risks to financial and fiscal stability of Developing Countries:** Overleveraging for climate initiatives through excessive borrowing poses risks to a Developing country's fiscal stability. Borrowing beyond sustainable limits can strain debt service capacities, making developing countries vulnerable to balance of payments crises, especially when debt is in foreign currencies. This increases repayment burdens and limits fiscal flexibility, diverting resources from critical areas like healthcare and education. While borrowing aims to enhance long-term climate resilience, it may threaten short-term development goals and adversely impacts long term financial stability. The challenge lies in mobilizing resources for ambitious climate actions

while prioritizing development and ensuring that borrowing aligns country contexts, pathways and approaches. There is a need for the Roadmap to support Developing Countries in building their institutional and technical capacities to plan, access, and manage finance for climate action.

viii. Creating fiscal space and absorptive capacities in Developing Countries:

In short term, it is essential to address the high costs of climate finance faced by Developing Countries. In medium to long term, the need is for the Roadmap to focus on ways to create fiscal space in Developing Countries that face competing demands for limited fiscal resources. In addition to addressing the costs, this also requires ensuring that Developing Countries have sufficient absorptive capacities, enhancing the access to technologies at reasonable cost which include tackling the issue of IPR barriers, and reducing the foreign exchange risks. LMDC recognizes the importance of transparent, fair and reflective credit ratings landscape that facilitate an improvement of such ratings over time in developing countries as a complementary approach to addressing cost of capital increases. The absorptive capacity of a country to deploy financial resources effectively towards national climate goals without overstretching its institutional, infrastructural, or financial systems is critical for meeting climate commitments of Developing Countries. There is a need for capacity-building for project preparation so that climate finance translates to action on the ground.

ix. The Roadmap must explore blended finance instruments that are effective in mobilising climate finance and tailored to local needs of Developing Countries:

A key part of blended finance is sharing the risks involved in climate action to catalysing private sector finance. Risk sharing is generally based on the public sector participation and the need for front loading the Developed Countries' public sector investments has already been identified in short term priorities. The global climate finance architecture is now offering various innovative financial instruments and mechanisms for enhancing climate finance mobilisation. However, it is important that such instruments are tailored to needs of Developing Countries for optimal results without enforcing any burdens. Instruments such as green bonds, blended finance, and carbon credits need a deeper analysis to evaluate their true benefit to developing countries. For instance, green bonds have seen exponential growth but are limited by their dependence on credit ratings and investor confidence. In this regard, the Roadmap must focus on tailoring the blended finance instruments to the needs and circumstances of Developing Countries.

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

Climate finance mobilisation has historically been heavily skewed towards mitigation actions rather than adaptation and resilience building, especially in Developing Countries where the impacts of climate change are more severe. Adaptation and resilience-building projects often provide public goods, making such projects less attractive compared to mitigation projects. The benefits of adaptation and resilience-building projects are long-term or diffused, with limited opportunities for direct monetisation.

The rationale for public finance for adaptation and resilience building action is thus stronger, but finance mobilisation for them has remained insufficient compared to the needs of Developing Countries.

Funding for adaptation should mainly come in the form of grants and highly concessional finance to prevent adding to the debt burden of Developing Countries. The roadmap should promote the increased strategic use of 'guarantees' as an instrument. These instruments can provide partial risk coverage and credit enhancements, for making adaptation projects more attractive to private investors and financial institutions. At the same time, this financing must be reliable, sufficient, and easily accessible to support the implementation of locally relevant solutions that align with national adaptation strategies and priorities.

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

As shared in the response to Question (a) above, the experience of Developing Countries in receiving support from developed countries has remained disappointing, in terms of quantum, quality, balance, and access. Without adequate Developed Countries' public finance provision, it is expected that concerns would continue to persist for Developing Countries in meeting their climate ambitions. In addition to the approaches mentioned and suggested under question (a) of the submission, it is further submitted that the Roadmap must emphasise that climate finance must be made available to Developing Countries in the form of Grants, non-debt-creating and appropriate innovative instruments to enable greater mobilisation from the private sector. The quality of climate finance is instrumental for the scale of mobilisation of finance that is envisaged and is required to meet the needs of developing countries.

Also, it is important that climate finance provision and mobilisation must speak to the nationally determined approaches, pathways and circumstances of Developing

Countries, which are reflected in their Nationally Determined Contributions and National Adaptation Plans.

(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?

The target of USD 1.3 trillion per year by 2035 requires substantive enhancement in the climate finance mobilisation from its current level, which has remained inadequate to meet the needs of Developing Countries. Key actors include:

- i) The developed countries need to provide ambitious climate finance and also mobilising resources at cost and scale that can be absorbed by developing countries
- ii) Institutions, including multilateral institutions, for climate finance already exist. These Include the Financial Mechanisms of the Global Environment Facility (GEF), the Green Climate Fund (GCF), the Special Climate Change Fund (SCCF), the Least Developed Countries Fund (LDCF), the Adaptation Fund, and the Fund for responding to Loss and Damage (FRLD). Iii In addition, the Multilateral Development Banks (MDBs) also have an important role in financing climate action in addition to the financing of SDGs in line with the direction of their governing bodies and depending on their mandate. Further, the bilateral cooperation mechanisms are important channels through which climate finance can be enhanced for developing countries.

The roadmap needs to deliberate and indicate measures that need to be taken to improve the functioning of the FMs including long and short term measures to enable higher finance flow and early responses from these institutions. LMDC recognizes the role of MDBs, in line with their mandates and the direction of their governing bodies, in delivering finance to developing countries and notes that enhanced efficiency and lending capacity could enhance access to these resources for a wide range of needs, including for climate where relevant.

Conclusion

1.6 LMDCs underscores that the UNFCCC is the primary multilateral legal instrument for addressing climate change and related issues, including climate finance. Given its universal representation, it is the most appropriate forum for these discussions. In contrast, platforms such as the G7 and G20 lack this representativeness and therefore should not be considered as the main channels for discussions surrounding the mobilisation of requisite financial resources. It is suggested that the Roadmap could identify key issues for enabling resource flows to Developing Countries' climate action. However, the scope of discussion should not

be limited to these aspects alone. At the same time, it is important to recognise that these issues are being addressed in other appropriate forums. This should be reflected in the discourse to avoid forum-shifting. The Roadmap should also reflect the fact that not all countries relevant to global climate finance discussions are Parties to the Paris Agreement.

1.7 Finally, it is our expectation that the “Baku to Belém Roadmap to 1.3 Trillion” will be inclusive, focusing on areas of convergence rather than on divergence or differing opinions. The summary should convey the right signals and messages for urgent climate actions enabled by scaling up climate finance to Developing Countries effectively. Enhanced ambition and enhanced support should be on equal footing. It should take into account meaningful translation of the Developing Countries’ NDCs and NAPs to concrete actions. If there is not enough funding from developed countries, there should be no commitment expected of developing countries to any climate goal. Additionally, we expect it to emphasise the importance of international cooperation in the next decade for climate action. This cooperation should be framed within the principles and provisions of the UNFCCC and its Paris Agreement, in particular, Common but Differentiated Responsibilities and Respective Capabilities and in accordance with Article 4 of the Convention and Article 9 of the Paris Agreement, in particular Article 9.1, building on existing foundations rather than reshaping obligations. Otherwise, the implementation of NDCs and NAPs of Developing Countries will hit a roadblock.