Submission on the Baku to Belém Roadmap to 1.3T by 2035

The Talanoa Institute welcomes the opportunity to submit views to the consultation on the Baku to Belém Roadmap and calls for firm signals for financing adaptation and transitioning finance away from fossil fuels and carbon-intensive activities.

Summary

Comprehensive finance realignment
The Baku to Belém Roadmap must go beyond mobilising new resources by 2035 and ensure a systemic shift: financing the just energy transition while transitioning finance itself (realigning institutions, flows, and risk frameworks with Paris goals). Clear distinctions are needed between adaptation finance, broader finance for resilience, and the urgent redirection of maladaptive flows.

Priority actions and architecture
In the short term (to 2028), Parties should operationalise the post-Glasgow adaptation target, renew multi-year pledges, embed adaptation and transition priorities into fiscal frameworks, legislate national roadmaps, and reform fossil fuel subsidies. Longer term, governments and financial institutions should adopt fiscal rules for resilience, sovereign adaptation bonds, subsidy phase-out timetables, Paris-aligned sovereign wealth funds, and climate-risk-based financial regulation. A "triple architecture" for adaptation (public finance as the foundation, targeted private flows, and concessional support for public goods) underpins this approach.

Expanding fiscal space and mobilising new sources
Mobilising USD 1.3 trillion annually requires freeing resources through subsidy reform, scaling grant-based instruments, and introducing innovative international levies (e.g. on shipping, aviation, or fossil extraction). MDBs must scale concessional finance and de-risk investments, while domestic finance and local actors receive direct access to resources. Regional resilience platforms, civil society, Indigenous Peoples, and SMEs must be integrated as central actors to ensure finance flows are equitable, predictable, and transformative.

Initial considerations

We start by recalling the distinction between *adaptation finance* and the broader category of *finance for adaptation*:

- **Adaptation finance** refers to resources explicitly tracked under the UNFCCC and Paris Agreement, largely provided by developed countries through bilateral commitments, multilateral climate funds, and MDBs. It is the "accounted" climate finance, tied to the NCQG target of USD 300 billion annually for adaptation by 2035.

- **Finance for adaptation** is broader. It includes all financial flows - domestic fiscal expenditures, private and philanthropic investments, insurance schemes, and development finance - that reduce climate risk and build resilience, regardless of whether they are labeled as "climate" finance. This encompasses both *international support* and *domestic resource mobilization*.

A third relevant category is **maladaptation finance**: resources currently flowing into infrastructure, agriculture, or energy projects that fail to account for physical climate risks, thereby exacerbating exposure and locking in vulnerability. Redirecting these flows toward resilient pathways is an urgent priority, including at the domestic level, and what may rapidly escalate resources available for resilience.

Additionally, the Roadmap should consider the inclusion of **loss and damage,** which covers both economic and non-economic reparation from impacts arising from climate change, including those caused by extreme events and slow onset processes.

We also suggest that, in drafting the Roadmap, the COP 29 and COP 30 Presidencies recognize that delivering on the energy transition requires urgent and coordinated action across both **financing the transition** (mobilising resources for clean energy, efficiency, grids, and just transition measures) and **transitioning finance** (realigning financial flows, institutions, and risk frameworks to be consistent with the Paris Agreement). These two dimensions are intertwined and must be addressed together in the Baku to Belém Roadmap.

Responses

(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 should recommend the following short-term actions by 2028, at the UNFCCC and national levels::

At the UNFCCC level:

- Anchor adaptation within the NCQG implementation, ensuring balance with mitigation and supporting adaptation-specific targets at collective and national levels.
- Developed country Parties should renew and scale their multi-year pledges no later than COP30, embedding explicit targets for adaptation within them. The example of members of the Champions Group on Adaptation Finance demonstrates that such pledges are both feasible and impactful.
- Link the Baku to Belém Roadmap with the Global Goal on Adaptation (GGA) considering the upcoming operationalizing indicators that track both the scale and quality of finance (equity, accessibility, debt sustainability).
- Request the Standing Committee on Finance (SCF) to develop guidance on subsidy reform reporting, including methodologies to track redirected resources.
- Clarify the distinction and potential overlaps between adaptation and loss and damage finance, both in practice and in accounting, as this could significantly enhance the mobilization of dedicated resources for loss and damage.

At the national level:

- Governments should embed adaptation priorities into fiscal frameworks and budget processes (e.g., climate budget tagging), ensuring that domestic resources are redirected away from non-resilient infrastructure and toward climate-smart investments.
- Governments should codify energy transition roadmaps into legislation or national development plans, including interim targets, timelines, and financing requirements.
- National treasuries should integrate climate risk and transition planning into fiscal frameworks, ensuring subsidies, tax incentives, and budget allocations align with net-zero and resilience goals.
- Governments should begin or continue phased reforms of fossil fuel subsidies, publishing annual progress reports and reallocating savings to renewables, resilience, and social protection.

- Public financial institutions (national development banks, utilities, state-owned enterprises) should issue transition bonds and co-invest with MDBs, using de-risking instruments and blended finance.

Beyond 2028, medium-to-long-term actions should include:

At the UNFCCC level:

- Provide a multilateral review mechanism under the CMA for fossil fuel subsidy phase-out strategies, similar to the existing mechanisms for NDCs.

At the national and regional levels:

- Ministries of finance and planning should develop adaptation fiscal rules (e.g., minimum percentage of budgets or infrastructure spending dedicated to resilience).
- Countries should implement sovereign adaptation bonds and climate-resilient debt clauses to expand fiscal space while avoiding unsustainable debt burdens.
- Governments should strengthen multi-level governance frameworks, integrating local authorities and communities into national adaptation finance planning and monitoring.
- National development banks and microfinance institutions should create dedicated windows or channels for adaptation lending and grants, especially targeting SMEs, farmers, Indigenous Peoples, and women-led enterprises.
- Governments should develop mechanisms for locally led adaptation, including trust funds or devolved financing mechanisms that channel resources directly to municipalities, Indigenous organizations, and community groups.
- National treasuries should adopt adaptation expenditure reviews to identify and phase out maladaptive spending (e.g., public works not screened for climate risks).
- Mandate pre-arranged, trigger-based loss and damage (L&D) disbursement (e.g., cyclone, drought, flood triggers) with payout targets.
- Institutionalize climate-resilient debt clauses across all official bilateral and MDB lending; promote state-contingent debt instruments tied to hazard triggers.
- Central banks and regulators should embed climate and transition risk into prudential rules (capital requirements, disclosure frameworks), ensuring financial systems are aligned with transition goals.
- Governments should establish binding timetables for fossil fuel subsidy phase-out.
- Sovereign wealth funds can play a decisive role by aligning their portfolios with Paris goals, gradually reducing exposure to carbon-intensive assets, and directing capital toward the innovation needed in hard-to-abate sectors.
- Public financial support to the energy sector should be contingent on credible fossil fuel phase-out plans, ensuring that public capital accelerates rather than delay the transition to a low-carbon economy.

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

To enhance and scale financing for adaptation, especially in vulnerable regions, the Roadmap should distinguish **where** the money goes, **what** kind of capital it needs, and **how** to make it flow at scale. We propose a three-part typology that sits within a broader governance and signalling framework for financing adaptation.

Finance for adaptation requires an architecture at this moment:

1. A collective signal that explicitly elevates adaptation.
2. National public pledges that ensure predictable and sustained flows and prevent the 2025 financing cliff.
3. Institutional enablers (MDBs and DFIs) acting as *capital multipliers*, deploying finance at scale, supporting platforms, and blending where private investment is viable.

Collective signals and national pledges for public finance:

The existing climate finance architecture has historically functioned on the basis of a cycle: an agreed collective goal, the articulation of national pledges, and subsequent delivery of resources through bilateral, multilateral, and domestic channels. This cycle is now at risk of disruption. At present, there is no agreed collective goal on adaptation finance. Furthermore, major multi-year pledges from developed countries (covering Australia, Canada, Denmark, France, Germany, Ireland, Japan, Luxembourg, the Netherlands, New Zealand, Spain, Sweden, the United Kingdom, and the United States) are due to expire between 2025 and 2026. Together, these pledges have constituted the backbone of adaptation finance flows.

If these commitments are not renewed, developing countries may face a significant predictability gap from 2026 onwards, with no assured adaptation finance and only general aspirations to mobilise resources toward the USD 300 billion target by 2035 under the NCQG. This moment also coincides with the expiration of the Glasgow Climate Pact's Adaptation Finance Target (to double adaptation finance by 2025, which has not yet been met) and with the requirement for Parties to agree on indicators for the Global Goal on Adaptation (GGA) at COP30.

The Baku–Belém Roadmap should therefore point at two complementary levels:

- Collective ambition: adaptation must be explicitly anchored within the NCQG, with the USD 300 billion identified as a floor, not a ceiling. This would reaffirm parity between mitigation and adaptation and provide the collective signal required to restore trust.

- National pledges: developed country Parties should renew and scale their multi-year pledges no later than COP30, embedding explicit targets for adaptation within them. The example of members of the Champions Group on Adaptation Finance demonstrates that such pledges are both feasible and impactful.

This dual approach based on collective ambition combined with renewed national pledges is essential to avoid a financing vacuum after 2025 and up to 2035.

A typology of adaptation investments

Scaling adaptation finance requires acknowledging that not all investments look the same, and that the right mix of public and private capital depends on the nature of the need. A useful way to think about this is to distinguish between three types of adaptation investment.

1. **Mainstreamed public investment with adaptation lenses.** The first are the large-scale, mainstreamed public investments that sit at the heart of national development agendas. These are the trillions already flowing into infrastructure, health, housing, and social protection in developing countries, especially in middle-income ones, which often determine resilience outcomes more than any dedicated climate fund. The challenge here is not necessarily new money, but new rules: embedding climate-risk screening and resilience metrics into the way governments plan, approve, and deliver projects. Brazil's *Programa de Aceleração do Crescimento (PAC),* consisting of R$ 1.7 trillion (314 billion USD) for infrastructure development, shows that if its massive transport, sanitation, and housing pipelines are conditioned on resilience standards, they will become the backbone of climate-proof development. Similar opportunities exist in other countries' national infrastructure programs, in urban upgrading initiatives, and in health system expansions. With the right adaptation lenses, mainstream budgets can become the fastest escalator of resilience finance.

2. **Targeted private and commercial investments.** The second type of investment is where private finance has a viable role: sectors where revenues and cost savings can justify commercial engagement. Climate-smart agriculture and food value chains, efficient irrigation and logistics, resilient water utilities, or adaptation technologies and nature-based solutions with monetizable co-benefits all fall in this category. But such flows will remain supplementary. Evidence shows they may cover at most 15 per cent of global adaptation needs by 2035. Their significance lies in relieving fiscal pressure where possible, creating reliable services, and scaling innovations. To unlock this space, country and regional platforms must move beyond treating adaptation as a secondary add-on. They must start from National Adaptation Plans, sequence pipelines, prepare projects, and set outcome-based metrics. Only then can blended finance tools such as guarantees, first-loss tranches, resilience bonds, to mobilize

private capital without exposing public budgets to undue risk.

3. **Adaptation-specific public goods.** The third category is made up of adaptation-specific public goods: the seawalls, port elevations, storm-surge barriers, flood defenses, cyclone shelters, and early-warning systems that have no real revenue streams but are indispensable for survival. These require predictable public resources, such as grants, highly concessional loans, insurance-linked instruments, and international cooperation. Here, Multilateral and National Development Banks must step up as co-financiers of last resort, offering long tenors, grace periods, and debt clauses that protect fiscal space. For low-income and small island countries, the bulk of their needs fall into this category; for middle-income economies, the share may be smaller but still critical in coastal and urban hotspots.

Taken together, these three strands outline a practical architecture for scaling adaptation finance: mainstream budgets reshaped by resilience standards, targeted private investment where commercially viable, and public-good adaptation that demands concessional support.

The role of domestic finance to mainstream adaptation

At the national level:

- Integrate adaptation priorities into fiscal frameworks and public investment systems, including climate budget tagging and adaptation expenditure reviews, to reallocate resources from maladaptive to resilient investments.
- Publish national adaptation finance strategies, linked to NAPs and NDCs, to identify gaps and clarify opportunities for targeted private engagement.
- Empower national development banks and microfinance institutions to channel concessional resources, guarantees, and grants to SMEs, smallholders, women, and Indigenous Peoples.
- Establish safeguards for private engagement in adaptation projects to ensure fiscal sustainability.
- Invest in innovation ecosystems, including accelerators and financing labs, to scale locally relevant adaptation solutions.

The role of Multilateral Development Banks (MDBs):

Public finance remains the indispensable foundation for adaptation. In 2022, over 90 per cent of adaptation and resilience flows originated from public sources. MDBs are central actors in this landscape, and their role must be both expanded and recalibrated by:

- Establishing dedicated adaptation windows within MDBs, funded by concessional resources, to co-finance with domestic development banks and crowd in private finance for commercially viable sectors (e.g. irrigation efficiency, climate-smart logistics, resilient housing).

- Actively supporting country and regional platforms for resilience (building on the Caribbean Resilience Platform model) to aggregate pipelines and lower transaction costs.
- Actively assisting governments in aligning NAPs and NDCs with bankable pipelines and co-financing arrangements.
- Introduce grant-equivalent reporting of MDB adaptation flows to discourage reliance on non-concessional loans.
- MDBs should provide de-risking instruments (e.g. guarantees, first-loss capital, catastrophe bonds, and local-currency facilities) selectively, in sectors where private investment can be viably mobilised.

A realistic role for private finance

Private finance can complement, but not replace, public finance. Evidence from the Zurich Climate Resilience Alliance (ZCRA) indicates that even under optimistic scenarios, private flows will cover no more than **15 per cent of adaptation needs by 2035**, compared with only 3 per cent today. Furthermore, much of this private finance constitutes **financing** (upfront capital via bonds or loans), while the **funding** burden (repayments) rests with developing countries' public budgets or households.

Blended finance has thus far delivered limited mobilisation, with an average of only **51 cents of private finance mobilised per public dollar invested.** Private contributions are therefore most realistically concentrated in sectors with revenue potential, such as agriculture and food systems; water efficiency and infrastructure services; and nature-based solutions and adaptation technologies, particularly in middle-income contexts. These flows remain modest in scale, but they are not negligible; targeted efforts to capture them are warranted, provided safeguards are in place to prevent adverse fiscal or distributional consequences.

Persistent barriers explain this limited role. These include uncertainties around climate risks and costs, perceptions of low returns and long time horizons, and the difficulty of defining and valuing adaptation benefits compared to the relative simplicity of CO_2 metrics in mitigation finance. Additional constraints arise from unclear investment priorities, the absence of visible and bankable pipelines, limited monetizable revenue streams, and significant data gaps on project-level performance, metrics, and resilience co-benefits.

Country platforms could serve as a primary mechanism for aligning national priorities with finance but remain underutilised for resilience. In most cases, they have yet to fully integrate NAPs or sectoral strategies into pipelines with clear sequencing, robust project preparation, and outcome-based metrics. Without embedding adaptation from the outset, platforms risk reinforcing existing vulnerabilities rather than reducing them. To reverse this trend, platforms must be capable of pooling capacity and aggregating demand. Regional experiences, such as the Caribbean Regional Platform for Resilience, and national tools, such as Jamaica's

Investment Prioritisation Tool, illustrate practical approaches to building credible, bankable pipelines for adaptation.

While public finance and renewed national pledges must remain the backbone of adaptation finance, a set of **policy signals** can enhance the enabling environment for private flows:

- Integration of nature into financial decision-making, ensuring that nature-based solutions and resilience co-benefits are recognised, valued, and incorporated into project appraisal and portfolio management.
- Mandate climate risk screening in all public investment and procurement, creating a market for resilience services where private providers can play a role.
- Adopt international taxonomies for adaptation finance, consolidating emerging frameworks to provide clarity on what constitutes adaptation investment and reduce uncertainty for investors.
- Mandate systematic disclosure of physical climate risks within financial regulation, encouraging institutional investors to integrate resilience into portfolio management and lending decisions.
- Support city-led and subnational project pipelines by earmarking adaptation finance for municipalities, which often hold the largest share of resilience investment needs.
- Use insurance and risk-pooling instruments (sovereign risk pools, microinsurance) to mobilise private balance sheets, while linking premiums to resilience-building measures.
- Promote adaptation-labelled instruments such as resilience bonds and catastrophe bonds, issued with MDB support, to mobilise private flows where appropriate.

(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?

One of the most immediate ways to create fiscal space for climate action is through systematic reform of fossil fuel subsidies. Today, governments still spend hundreds of billions annually to keep fossil fuel consumption artificially cheap. This not only worsens emissions but also diverts scarce fiscal resources from resilience and transition needs. Transparent, time-bound reforms combined with robust social protection to shield low-income households can free up public resources for renewable energy, grid expansion, efficiency measures, and locally led adaptation.For example, India’s phased removal of kerosene subsidies, paired with the Direct Benefit Transfer of LPG (DBTL) scheme, demonstrated that subsidy reform can be socially just while creating space for investment in cleaner alternatives

Beyond subsidy reform, international levies with high-integrity design could provide predictable, cross-border resources for adaptation. Options under discussion include a levy on international aviation and maritime transport, or a charge on fossil fuel extraction. The International Maritime Organization (IMO) is already considering proposals for a global carbon levy on shipping, with estimates suggesting it could raise between USD 40–60 billion annually depending on the price level. Part of these proceeds could be channelled directly into adaptation finance. Similarly, a fossil fuel extraction levy, applied at the point of production, has been proposed by experts and civil society coalitions as a way to ensure industries most responsible for climate change contribute fairly to the costs of resilience

In addition, there is growing interest in solidarity contributions, the broad-based levies that can generate significant resources while avoiding debt burdens for vulnerable countries. Wealth-based contributions or micro-levies on international financial transactions could be channelled into grant windows under UNFCCC funds or regional adaptation platforms, with earmarked allocations for LDCs and SIDS. France's experience with a solidarity levy on airline tickets, which supports global health initiatives through UNITAID, illustrates that such mechanisms can raise billions when designed transparently and with broad buy-in.. A similar mechanism could be repurposed for climate adaptation, with proceeds channelled into the operating entities of the financial mechanism of the UNFCCC or regional resilience platforms.

Together, these approaches represent realistic pathways to expand grant-based and non-debt finance both for adaptation and transition. They show that with political will, it is possible to redirect existing flows and create new revenue streams that support the USD 1.3 trillion target in a way that is fair, predictable, and consistent with climate justice.

(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?

- Private sector and philanthropic foundations are emerging sources of catalytic capital, with initiatives such as the *Adaptation and Resilience Investors Collaborative, the Zurich Climate Resilience Alliance, and the Global Innovation Lab for Climate Finance*. Their role should be to fund innovation ecosystems, early-stage project preparation, and community-driven solutions that are not bankable in traditional terms.
- Civil society and local institutions. Indigenous Peoples' organizations, women's groups, and community-based funds are essential actors to ensure locally led adaptation. Their involvement should not be limited to project execution; they must be granted direct access to resources and a voice in governance of funds and platforms.

- Coalition for Climate-Resilient Investment (CCRI), which was originally a private sector-led initiative launched at the 2019 UN Climate Action Summit. CCRI developed methodologies for integrating physical climate risk into infrastructure investment. As of April 2023, its core programmes have been transitioned to "legacy partners," with the G20's Global Infrastructure Hub serving as secretariat. The Institutional Investors Group on Climate Change (IIGCC) now leads the physical risk assessment tool, ensuring continued implementation and dissemination of these critical resilience instruments.
- Regional initiatives such as the Africa Adaptation Acceleration Program (AAAP), the Pacific Resilience Facility (PRF), and emerging Caribbean resilience mechanisms demonstrate how aggregation can reduce transaction costs and strengthen local ownership. The Roadmap should recognise these as vehicles for pooling finance and building capacity, and should encourage replication in underserved regions such as South Asia and the Sahel.
- Sovereign risk pools such as the African Risk Capacity (ARC), the Caribbean Catastrophe Risk Insurance Facility (CCRIF), and the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) are critical to spreading climate risk and linking finance to resilience-building measures. The Roadmap should emphasise their expansion and integration with MDB financing packages.