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

Dear COP Presidencies of CMA6 and CMA7,

As FMDV - Global Fund for Cities Development, the unique global network representing local and regional governments on localizing financing for sustainable, just and resilient development– we welcome the opportunity to contribute to the “Baku to Belém Roadmap to 1.3T.” We commend the inclusive approach to this consultation and align our engagement with the Paris Agreement and the New Urban Agenda’s goals, and the 2030 Agenda for Sustainable Development.

As first partners of national governments in designing and implementing public policies and services, **local and regional governments are indispensable partners** in delivering climate action: cities and regions implement critical solutions in energy, housing, water and sanitation, mobility, waste, economic development, and adaptation. We therefore **expect the Roadmap to fully recognize and empower local and regional governments** as pivotal actors in scaling up climate finance mobilization and efficient use.

Our constituency, represented by the LGMA major group, has consistently advocated for climate finance to be localized, accessible, and effective. This means shaping national and international financial architectures so that **climate funds reach local climate initiatives at scale**, through supportive strategies and policies, and robust institutions and institutional arrangements. We have worked with national governments, public development banks, UN Agencies and partners to identify barriers and co-create solutions – from fiscal decentralization reforms to innovative financing facilities and engineering – that enable cities and regions to get the resources supporting the acceleration of local climate action.

We approach this submission in an action-oriented spirit: **to share concrete recommendations and examples** that can inform a Roadmap capable of mobilizing the **at least USD 1.3 trillion per year by 2035** in climate finance, in a manner that is **equitable, accessible, and responsive** to the needs and opportunities of all levels of government.

Indeed, considering the importance and leverage that sustainable, just, and resilient urban development and transition entail in generating wealth and resources essential for national governments to mobilize the USD 1.3 trillion annual goal by 2035, as well as the role cities play in implementing innovative solutions and sustainable and resilient infrastructure that shape the desirable present and future we envision for all, local and regional governments must be more prominently integrated as key actors in the implementation of the Baku to Belém Roadmap. We envision the Roadmap as **a catalyst for transformational change in climate finance**, one that strengthens multilevel governance and builds trust amongst the key players of the financing value chain. It should send a clear signal that national governments, finance institutions, and the private sector will **join forces with local and regional governments to close the climate financing gap**. This is not only a matter of delivering funds, but also of empowering those at the frontline of climate impacts and solutions, and wealth creation.

By equipping local and regional governments with resources, financial engineering capacities, dedicated national financial architecture and institutions, and decision-making power, countries can significantly enhance their NDC implementation and raise ambition, leveraging the creativity and co-financing that cities and regions bring.

Our key messages focus on:

- establishing enabling national frameworks for **local climate finance**, and
- leveraging **National and Subnational Development Banks** and other intermediaries to channel funding efficiently to local climate projects. These elements are vital to ensure the Roadmap to 1.3T leads to **real action on the ground**.

We stand ready to support the Presidencies in developing an ambitious and actionable Roadmap. Please find below an annex detailing our responses to the specific consultation questions.

We trust that our insights – grounded in the daily experience of local and regional governments, their public facilities and close financial partners (in particular NDBs and SDBs) and backed by global best practices – will constructively inform this process.

Thank you for considering our inputs.

Sincerely,
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Annex: Responses to Consultation Questions

(a) What are your overall expectations for the "Baku to Belém Roadmap to 1.3T"?

We urge that the Roadmap be **ambitious, inclusive, and actionable**, providing a clear pathway to mobilize the **USD 1.3 trillion per year** in climate finance by 2035 while **ensuring funds reach all levels of action, including local and regional**.

In particular, our expectations are that the Roadmap will:

- **Embed a multilevel governance approach:** Clearly acknowledge the **role of local and regional governments** in planning and implementing climate action. The Roadmap should call for structured collaboration between national and subnational authorities in climate finance decisions, helping to rebuild trust and spur greater climate ambition at all levels.

- **Strengthen national climate finance architectures:** Encourage Parties to **develop enabling domestic frameworks as "Country Platforms for Localizing Finance"** -embedding components such as national strategies, policies, regulations, incentives, fiscal reforms and public financial engineering- that **empower subnational governments to access public and private finance** (e.g. by allowing them to borrow responsibly, create green municipal funds and green budgeting, or receive climate budget transfers). This includes integrating subnational climate investment needs into NDC financing strategies and development plans to give visibility to the subnational opportunities for transition and adaptation.

- **Leverage intermediaries for local climate finance:** Emphasize the critical role of **National Development Banks (NDBs)** and **Subnational Development Banks (SDBs)**, as well as other financial intermediaries, in **channeling climate funds to local projects**. By designating and strengthening such institutions, countries can aggregate small projects, manage risks, and blend resources to reach the local level. We expect the Roadmap to promote capacity-building and capitalization of these intermediaries to expand climate lending for cities and communities.

- **Mobilize diverse sources and instruments at scale:** Provide a blueprint for scaling up finance from **all sources – public, private, international, and domestic** – using innovative instruments. This includes expanding grants and highly concessional finance (especially for adaptation and resilience), deploying guarantees and risk-sharing facilities to unlock private capital, and supporting instruments like green bonds and climate-themed funds accessible to subnational projects.

- **Build on existing initiatives and knowledge:** We expect the process to **align with and amplify ongoing efforts** (within and outside the UNFCCC) rather than duplicate. By incorporating lessons from past climate finance pledges, the Paris Agreement's Global Stocktake, and initiatives like the Marrakech Partnership for Global Climate Action - MPGCA (High-Level Champions), the Roadmap can provide coherent guidance that complements other finance-related workstreams while **filling gaps** (such as the local finance gap discussed below).

Data note: Today's climate finance is far from what is needed at the local level. Recent analysis shows that *annual global urban climate investment is only about USD 831 billion – roughly **19%** of the estimated requirement* for cities. Moreover, only **2%** of climate finance from multilateral development banks for urban areas flows **directly to city governments** without sovereign guarantee.
This underscores a critical expectation: the Roadmap must include strategies to dramatically **increase direct climate funding for local and regional climate action**, closing the gap between global finance flows and local needs. This direct funding can be provided through direct access processes or intermediated through institutions -such as National and Subnational Development Banks (NDBs & SDBs)- formally embedded in "national architectures for localizing finance" designed through the Country Platforms on Localizing Finance.

In summary, our overall expectation is a Roadmap that not only **quantifies the "1.3T" goal but operationalizes it**, by outlining how finance will be **unlocked and delivered on the ground**. This should instill confidence in developing countries (and their cities and regions) that new climate finance will be available at the scale, speed, and accessibility required for enhanced climate ambition. We believe **an inclusive, multi-tiered approach –** where every level of government is empowered – is fundamental to achieving the Roadmap's aims.

(b) Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

Within the mandate to scale up climate finance to developing countries, several key topics and themes merit focus.
We recommend the Roadmap process explore the following areas, which are especially pertinent to **localizing climate finance and maximizing impact**:

- **"National Strategies for Localizing Climate Finance" creating enabling environments and market intelligence for subnational climate finance mobilization:** embedding policies and regulatory reforms that remove barriers and incentivize investment at the subnational level in a clear, action-oriented national strategic document and plan echoing the Integrated National Financing Frameworks (INFF) launched since the Addis Ababa Action Agenda. This includes examining decentralization policies, frameworks for subnational borrowing and bond issuance, dedicated risk mitigation mechanisms (guarantees and credit enhancement ofr local projects) and integration of climate objectives into intergovernmental fiscal transfer systems. An enabling environment, built through a dedicated multilevel and multistakeholder climate finance governance and strategy ensures local and regional governments have the authority and capacity to attract and manage climate funds responsibly and builds trust amongst their potential financing partners.

- **National and Subnational Development Banks as Catalysts:** The role of NDBs, SDBs, and other public financial institutions in **blending and intermediating finance for local climate projects** should be a central theme. The Roadmap should look at how to enhance these institutions' mandates, capitalization, and technical capacities to support climate action at the local level. Successful models (e.g. national development banks with dedicated subnational climate programs, or city-focused infrastructure banks) can be highlighted to inform best practices. An accelerated accreditation process for NDBs and SDBs to access multilateral and vertical climate funds would empower them as "last mile banks".

- **Innovative Financial Instruments and Mechanisms:** Investigation of mechanisms that can mobilize private sector and alternative finance in support of climate goals, especially at the local scale. This includes blended finance structures, credit enhancement tools (guarantees, first-loss capital), green and sustainable bonds, debt swaps for climate investments, insurance and catastrophe bonds for resilience, local carbon markets, and other instruments. By scaling up proven techniques (such as local project pooling and structured finance, green subnational bonds, or local climate trust funds), the Roadmap can identify how to unlock additional capital and manage risk. Non Market Approaches under Paris Agreement Art. 6.8 are also to consider as they can create enabling environments allowing innovative financial mechanisms to build ground for new climate finance mobilization.

- **Project Preparation, Pipeline Development & Performance Metrics:** A focus on **building pipelines of viable and financeable projects** is critical. Thematic issues should include how to support project preparation at the subnational level – for example through national **technical assistance facilities, project preparation funds, or FinHubs (**hubs of financial expertise dedicated to subnational deals preparation and negotiation). **Developing performance metrics and reporting** (standardized frameworks) and pooling small projects into larger programs (including mixing adaptation and mitigation projects) can greatly enhance access to finance and **create market momentum and confidence.**

- **Capacity Building and Governance:** Capacity gaps are a major barrier in many developing countries' local and regional governments. The Roadmap should explore how training, knowledge exchange, decentralized cooperation and institutional strengthening can enable local entities to plan, finance, and implement climate actions. This could entail establishing **national or regional climate FinHubs** ("centers of excellence"/new elites of subnational Human Capital) to provide expertise in subnational finance, climate budgeting, and investment structuring. Strengthening governance (transparency, fiduciary standards, monitoring) at local level will build **investor confidence and absorption capacity,** and will help in **deepening the domestic capital markets and their subnational finance niche**.

- **Grants, Concessional Finance, and Fiscal Space:** Given the mandate's emphasis on grants and non-debt instruments, the Roadmap should analyze the role of **public grants, results-based climate finance, and fiscal measures** to support especially adaptation and resilience projects that may not attract private investment. Topics include climate-focused budget allocations, performance-based grants to local and regional governments for climate results, and measures to create fiscal space such as innovative economic tax design, refinancing and debt relief initiatives or climate debt swaps that can free resources for local action.

- **Equity and Inclusion in Climate Finance:** We suggest a theme around **ensuring equitable access** to climate finance, including directing resources to the most vulnerable communities and leveraging local and regional governments to reach those communities. This involves gender-responsive and locally led approaches (aligning with the Principles for Locally-Led Adaptation) and safeguards to ensure funds address the needs of Indigenous peoples, marginalized groups, and poorer municipalities.

By delving into these topics, the Roadmap can be informed by a comprehensive understanding of both **systemic issues** (e.g. financial governance, markets) and **practical solutions** (e.g. specific instruments and partnerships).

Crucially, exploring these themes with a multilevel perspective will illuminate how **national policies and international support translate into local action** – which is where climate finance ultimately delivers results.

(c) What country experiences, best practices and lessons learned can be shared related to:

(i) barriers and enabling environments; (ii) innovative sources of finance; (iii) grants, concessional and non-debt creating instruments; and (iv) measures to create fiscal space?

Countries and Local and Regional Governments and their partners have accumulated a wealth of experience in overcoming barriers and pioneering solutions to **localize climate finance**.

We highlight several lessons and best practices below, structured by theme, along with illustrative examples:

- **Barriers and Enabling Environments:** A common barrier is the **lack of fiscal and legal empowerment of local and regional governments**, which limits their ability to borrow, raise revenue, or enter partnerships. Many countries face "demand-side" obstacles such as low creditworthiness of cities ad regions, small project sizes, or limited technical capacity, as well as "supply-side" constraints like tight national budgets and lending policies that favor sovereign over sub-sovereign lending. Enabling environments are being built by reforms and institutional innovations. For example, Cameroon has taken strides to improve the enabling environment through dedicated legislation: in 2023 the government created a special mechanism to channel domestic tax revenue to local climate-related projects. The **Special Council Support Fund for Mutual Assistance (FEICOM)** – a subnational development bank – was empowered to collect and redistribute a new excise tax on waste management to cities, providing predictable local funding for climate-sensitive services. This demonstrates how a supportive national policy (earmarking revenue for climate action) combined with a capable local financial intermediary creates an enabling environment for subnational climate finance. Other countries have improved enabling conditions by establishing **clear regulatory frameworks for municipal PPPs**, simplifying approval processes for local projects, and ensuring climate priorities are mainstreamed in national budget planning so that local governments have guidance and co-financing for their climate investments. The lesson is that **strong national-local coordination and supportive policies** are prerequisites to unlock resources at scale.
  As a result of FEICOM's activism in supporting LRGs access to climate finance, FMDV and UCLG, with the support of the European Union Commission and ADEME, the French Agency for Climate Action, is supporting the setting up of a **"*Finance Your Cities* Country Platform on Localizing Finance"** that will be pilot-tested in 2025 and 2026.

- **Innovative Sources of Finance:** Innovative financing mechanisms are helping cities and regions tap new sources of capital. One best practice is the **aggregation of projects** to achieve scale and attract investors. For example, India has pioneered **pooled municipal bonds** as an innovative source for climate-friendly infrastructure. In the state of Tamil Nadu, a pooled bond mechanism (the **Tamil Nadu Urban Development Fund**) combined the borrowing needs of multiple small municipalities to issue a large **"water and sanitation" bond**, with support from national guarantees and international agencies. This allowed cities with limited individual access to markets to raise capital collectively for climate-resilient water projects. **Blended finance** is another crucial tool: countries like Colombia leverage their subnational development bank **Findeter** to blend resources – Findeter acts as a second-tier lender, borrowing internationally and on-lending at favorable rates to local commercial banks for city projects. By providing credit enhancements and technical support, Findeter enables private banks to finance municipal investments in sectors like renewable energy and urban development, thereby **crowding in domestic private finance** for local climate action. Similarly, Brazil's subnational development bank **BRDE** has implemented a program (with World Bank backing) to on-lend to hundreds of southern municipalities for resilience projects, backed by a sovereign guarantee and paired with capacity-building for both the bank and city administrations. These examples illustrate innovative source strategies: **project pooling, on-lending models, green bonds, and blended public-private funds**. The lesson is that by structuring finance creatively – and often with technical assistance – countries can unlock **new pools of capital (domestic capital markets, institutional investors, etc.)** for local climate needs.

- **Grants, Concessional Finance and Fiscal Space:** Grants and concessional resources remain **indispensable, especially for adaptation, nature-based solutions, and projects in vulnerable or low-income communities**. A key lesson is the effectiveness of **performance-based grant systems** in channeling climate finance. For instance, several Least Developed Countries are using UNCDF's LoCAL mechanism (Local Climate Adaptive Living Facility) to provide small grants to local governments for adaptation, tied to performance in planning and implementing climate initiatives. Such approaches, often supported by the Adaptation Fund or Green Climate Fund under Enhanced Direct Access pilots, empower local governments to prioritize resilience investments while building fiduciary systems. Another lesson is the importance of **creating fiscal space** for climate action: Nepal and Bangladesh, for example, have integrated climate criteria into their intergovernmental fiscal transfer formulas – effectively sending more national funds to local governments that have higher climate vulnerabilities or robust climate plans. On the international front, initiatives like debt-for-climate swaps are being explored to relieve debt burdens in exchange for local climate expenditures (e.g., Belize's debt swap for marine conservation). **Concessional loans** from MDBs and bilateral lenders, when extended to subnational entities (directly or via national intermediaries), can also be game-changers. We note the successful use of **non-sovereign, local currency loans** – for instance, AFD's loan to the City of Barranquilla, Colombia, denominated in Colombian pesos, provided the city much-needed budget support for its climate action plan without incurring exchange rate risk. This example highlights a lesson on instruments: structuring finance in local currency and through non-debt modalities (budget support/grant elements) can enhance the financial sustainability of local climate actions. Overall, the lesson is that **blending grants and concessional finance with market funds** and **improving fiscal management** (through climate-sensitive budgeting and debt management) are key measures to expand the fiscal space for climate investments at the subnational level. Many countries are now establishing dedicated **national climate funds or financing frameworks** that include windows for local projects – these funds pool international grants, carbon revenues, or domestic budget allocations and reallocate them as grants or soft loans to city-level initiatives, ensuring that even those projects that cannot generate revenue (but have high social impact) can move forward.

In summary, best practices from various countries demonstrate the importance of a **holistic approach**: aligning policy reforms, institution-building, and innovative financing **simultaneously**. Successful cases share common elements of **political will, multistakeholder collaboration, and innovation** – for example, a national government backing a local climate fund, a development bank adapting its products to city needs, or a blend of public and private actors co-financing urban projects. These lessons learned show that **with the right enabling environment and creative financial engineering, significant barriers to subnational climate finance can be overcome**, resulting in scalable models to deliver climate action on the ground.

(d) Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

A number of ongoing **multilateral initiatives and processes** are directly relevant to the goals of the Baku to Belém Roadmap. We urge that the Roadmap build on and coordinate with these efforts, to ensure coherence and to leverage established momentum while supporting existing efforts to better integrate the subnational component of climate finance mobilization and efficient use.
Notably:

- **Finance in Common (FiC) and Public Development Banks Initiatives:** The FiC summit process – uniting **500+ public development banks worldwide** – has increasingly recognized the role of local-level financing and the importance of aligning all finance flows with the Paris Agreement. It has promoted initiatives on **green finance, urban financing and subnational pooled funds**. By taking into account FiC declarations and workstreams (e.g. on local infrastructure finance or innovative financial instruments), the Roadmap can engage a powerful network of national and regional development banks as delivery agents. **FMDV's Global Alliance of Subnational Development Banks** (SDBs) encompassing 2 Regional Alliances of SDBs for Latin America and the Caribbean and for Africa reports to FICS in order to align the recommendations regarding SDBs recognition and key intermediary role for mobilizing and redistributing resources to local and regional governments and their facilities. The Roadmap should also sync with ongoing **MDB reform efforts** under the G20 and UN (e.g. the Bridgetown Initiative and the UN Secretary-General's SDG Stimulus) that seek to expand MDB lending capacity and flexibility – since reformed MDBs could significantly scale climate finance availability for developing countries and their cities.

- **Adaptation Fund and Locally-Led Adaptation Initiatives:** The Adaptation Fund has pioneered **direct access and locally driven projects**, often supporting small-scale adaptation led by local governments and communities. Its experience – along with the principles of the Locally Led Adaptation movement (endorsed by many governments and institutions) – is highly relevant for ensuring the Roadmap's finance mobilization benefits those most vulnerable. Similarly, the new **Loss and Damage funding arrangements** being operationalized should coordinate with climate finance scaling efforts, especially considering the integration of direct access modalities for local governments. We recommend the Roadmap consider how such funds and initiatives (e.g. the Local Climate Adaptive Living Facility (LoCAL) of UNCDF, which channels adaptation grants to local governments) can be expanded or linked to the 1.3T goal as part of a **balanced approach between mitigation and adaptation finance**.

- **Coalition for High Ambition Multilevel Partnerships (CHAMP):** Launched at COP28 by the High-Level Champions and endorsed by 75 Parties, CHAMP is explicitly aimed at enhancing national-subnational collaboration on climate action. The CHAMP Pledge commits national governments to include subnational projects in climate investment plans and to help secure necessary resources. This high-level political commitment and its implementation can inform the Roadmap on effective models for multilevel governance in finance. Close alignment with CHAMP would ensure the Roadmap supports the political will already mobilized for multilevel climate finance cooperation.

- **NDC Partnership and Country Investment Platforms:** The NDC Partnership and various country-based climate finance platforms (often supported by the UN or multilateral development banks) are working to align finance with climate plans. For example, some countries are establishing **National Climate Finance Strategies** or "investment plans" for NDCs, which include pipelines of priority projects. Integrating the Roadmap with these efforts – by promoting the creation of **country platforms for localizing finance** – would ground the Roadmap in on-the-ground implementation. Also, initiatives like the **Just Energy Transition Partnerships (JETPs)** in South Africa, Indonesia, etc., show novel models of multilateral finance combining grants, loans, and private investment around a national climate transition plan. The lessons from JETPs (coordination, stakeholder inclusion, linking finance with policy reforms) are highly pertinent to the Roadmap's objectives of mobilizing finance at scale for transformative outcomes especially for local and regional governments' levels of climate action and resource mobilization potential.

In essence, the Roadmap should not operate in isolation but serve as an **umbrella that coordinates and amplifies these multilateral initiatives**. By taking into account existing efforts – from global development bank coalitions to city-focused alliances and adaptation networks – the Roadmap can fast-track learning and implementation and identify synergies.

These initiatives each address pieces of the climate finance puzzle (whether it is urban investment, multi-level governance, public bank leverage, or local adaptation) and have created communities of practice and knowledge. The Baku to Belém Roadmap can knit these threads into a cohesive fabric, ensuring that when we speak of mobilizing $1.3 trillion annually, we are building on proven approaches and partnerships. This will increase the Roadmap's credibility and impact, rallying broad support from cities, regions, nations, financial institutions, and civil society alike. By learning from and working with these initiatives, the Roadmap can more quickly move from ambition to actionable solutions that deliver climate finance where it's needed most – on the ground in local communities, powering the transition to a climate-resilient, low-carbon future.