

Green Guarantees in the Baku to Belém Roadmap to 1.3T

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Prepared by the Secretariat of the Green Guarantee Group in response to the call for submissions of views on the Baku to Belém Roadmap to 1.3T from the CMA 6 and CMA 7 Presidencies on 21 February 2025.

The GGG Secretariat is co-hosted by the European Climate Foundation (ECF) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), for further information or queries please consult our [website](#).

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

Paragraph 7, Decision 11a/CMA.6. *“calls on all actors to work together to enable the scaling up of financing to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035”;*

The Message to Parties and Observers also reiterate the Roadmap’s mandate which is to scale up *“climate finance to developing country Parties to support low greenhouse gas emissions and climate-resilient development pathways and implement the nationally determined contributions and national adaptation plans including through grants, concessional and non-debt creating instruments, and measures to create fiscal space, taking into account relevant multilateral initiatives as appropriate; ”*

To succeed, the Roadmap should build on existing initiatives which contribute to scaling up private climate finance in developing countries, such as the Green Guarantee Group (GGG). The GGG is an initiative supported by the German and Nigerian government seeking to mobilise private sector finance for climate action by increasing the use of green guarantees. The goal is for the GGG to contribute to the global finance goal by, e.g., developing actionable recommendations on guarantees for decision-makers, and beyond. In this context, the Roadmap should also recognise the role that guarantees can play in meeting financing goals, especially for mobilizing private finance.

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

Paragraph 15 explicitly states the necessity for *“reducing the cost of capital and increasing the mobilization ratio of finance mobilized from public sources by 2030 and creating fiscal space in developing country Parties through the use of innovative instruments, such as first-loss instruments, guarantees, local currency financing and foreign exchange risk instruments”*. **Reflecting this mandate, it is clear that green guarantees should emerge as a prominent topic within the Roadmap, being one of the key levers to enhance private finance.**

To support the green transition in emerging markets and developing economies (EMDEs) public funds remain essential but are limited and have thus to be used more efficiently and effectively. To mobilize 1.3T, private sector finance needs to be increased significantly. To achieve this, the private sector needs clear incentives: guarantees are an important and well-known tool, but which is yet underused for the green transformation. The potential of guarantees is particularly high in vulnerable and developing countries, where geo-political uncertainty and financial instability often hamper investment flows. Yet, the landscape of guarantee instruments and involved actors is fragmented and their role in financing the green transformation is still marginal, keeping the high potential of guarantees still too low.

(c) What country experiences, best practices and lessons learned can be shared related to barriers and enabling environments; innovative sources of finance; grants, concessional and non-debt creating instruments, and measures to create fiscal space?

The high potential of guarantees in mobilising private finance for climate action in developing countries is clear. Despite their many advantages - efficient use of public finance, attracting private capital in perceived high-risk markets, lowering borrowing costs - barriers still prevent guarantees to be used efficiently and at scale. These challenges include limited geographical and climate-related coverage, insufficient data, and capacity gaps within local institutions. The complexity of structuring guarantee mechanisms and the mispricing of risks further exacerbate the issue. The Green Guarantee Group sought to reflect all of those challenges by extensive research, consultations, and expert input, see also [Green Guarantee Group scoping paper](#).

Fields of action currently identified by GGG and which should be considered in the context of the Roadmap include the following:

1. **Develop local markets by mitigating foreign exchange volatility through MDBs/DFIs guarantees and/or donor-backed first-loss guarantee:** The capacity of MDBs and DFIs to provide local currency financing is currently limited, which constrains their impact on financial market development in EMDEs. Additionally, lending often excludes local financial institutions with lower credit ratings, restricting domestic banks' ability to expand local currency financing.
2. **Promote data transparency and knowledge sharing to improve risk pricing:** Limited and fragmented access to data on guarantee performance, pricing, and risk factors creates inefficiencies, increases perceived risks, and discourages private sector participation in climate finance. Aiming towards common methodologies and benchmarks as well as a reporting e.g. adjacent to the GEMS database would avoid overpriced guarantee costs and increase effectiveness.
3. **Develop regional platforms to promote pooled guarantee facilities:** MDBs and DFIs operate independently, leading to duplication, inefficiencies, and limited reach. While global platforms exist, regionally-focused initiatives can better address local risk profiles, regulatory environments, and financial ecosystems.

4. **Streamlining regulation:** GGG is currently seeking expert's advice on the risk weight shift associated with guarantees in the context of regulatory frameworks.

Based on those elements, the Green Guarantee Group is currently developing solutions-oriented recommendations for decision-makers aimed at significantly increasing the use of green guarantees. A first draft will be presented during the WBG/IMF Spring meetings, and a full report, illustrated by a wide range of examples and best practices/lessons learned use cases, will be published ahead of the summer.

Those recommendations will be able to inform/feed into other relevant international processes/forums such as the Baku to Belém Roadmap and the G20 process. First successes on the implementation are also expected to be available for COP30.

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

By focusing on the potential of guarantees, the Green Guarantee Group (GGG) seeks to achieve a greater and a more comprehensive understanding of the existing types of mechanisms and how to better leverage them.

Announced at COP28 and launched in March 2024 by the German government/ Federal Foreign Office (FFO) and the Federal Ministry for Economic Affairs and Climate Action (BMWK), GGG brings together experts from governments, Multilateral Development Banks (MDBs), Development Agencies, Think Tanks, private sector (investors, insurance companies, RE companies and service providers etc.) as well as civil society actors and academia. Designed as a marketplace of ideas, the GGG is seeking at producing solutions-oriented recommendations for decision-makers and a path forward to a significantly increased use of green guarantees. It serves as a forum to better understand and overcome limits of guarantees in order to improve risk management and build on existing initiatives such as the World Bank Group Guarantee Platform.

This is combined with a High-level outreach led by two co-chairs, Lars-Hendrik Röller – Chairman of the Berlin Global Dialogue and former Chief Economic Advisor of Chancellor Merkel (2011-2021) and Faruk Yusuf Yabo - Permanent Secretary, Nigerian Ministry of Communications, Innovation and Digital Economy. Most recently, the GGG is establishing a group of high-level experts to ensure the technical robustness of the GGG deliverables as well as their political relevance.

As an initiative which is actively progressing the implementation of a key measure required to reach the 1.3T, the GGG could be seen as a key partner in the development of the Roadmap and its launch at COP30.