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First workshop in 2024 under the Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9, of the Paris Agreement

Summary report

I. Introduction

A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its fourth session, decided to launch the Sharm el-Sheikh dialogue between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement and requested the secretariat, under the guidance of the Presidency of the twenty-seventh session of the Conference of the Parties, to organize two workshops in 2023 in this regard and to prepare a report to the CMA on the deliberations at these workshops.[1]

2. CMA 5 decided to continue and strengthen the Sharm el-Sheikh dialogue referred to in decision 1/CMA.4, paragraph 68, including with regard to the operationalization and implementation of Article 2, paragraph 1(c), of the Paris Agreement, in 2024–2025.[2] It also decided that the dialogue is to be facilitated by two co-chairs, one from a developed country and one from a developing country, appointed, in consultation with the respective constituencies, by the President of CMA 5.[3]

3. CMA 5 requested the secretariat, under the guidance of the co-chairs of the dialogue, to organize at least two workshops per year with a view to engaging a broad range of relevant stakeholders and to prepare a report on each workshop.[4] It invited Parties, constituted bodies under the Convention and the Paris Agreement, the operating entities of the Financial Mechanism, climate finance institutions, observers and observer organizations, and other stakeholders, particularly from the private sector, to submit their views on the issues to be addressed during the workshops.[5]

4. It requested the co-chairs, in convening the workshops, to take into consideration the submissions and the reports on the workshops referred to in paragraph 3 above.[6]

[1] Decision 1/CMA.4, para. 68.
[2] Decision 9/CMA.5, para. 8.
[3] Decision 9/CMA.5, para. 9.
[4] Decision 9/CMA.5, para. 10.
[5] Decision 9/CMA.5, para. 11.
[6] Decision 9/CMA.5, para. 12.

5. CMA 5 also requested the co-chairs to prepare a report on the deliberations under the Sharm el-Sheikh dialogue in 2024 and 2025 for consideration at CMA 6 and CMA 7 respectively and to prepare, as part of the report in 2025, a synthesis of all work undertaken under the dialogue for consideration at CMA 7 with a view to CMA 7 deciding on a way forward with regard to its deliberations on this matter.[7]

B. Meeting details and objective

6. The first workshop in 2024 under the Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement was held from 12 to 13 June 2024 in conjunction with the sixtieth sessions of the subsidiary bodies.

7. The main focus topics of the workshop were adaptation investments and the consistency of finance flows with a climate-resilient development pathway, and linkages between Article 2, paragraph 1(c), of the Paris Agreement and broader sustainable development co-benefits and impacts. The workshop aimed to showcase examples of implementation and action taken and facilitate the sharing of experience and best practices related to Article 2, paragraph 1(c), of the Paris Agreement among stakeholders.

C. Preparatory activities

8. The co-chairs of the Sharm el-Sheikh dialogue, Gabriela Blatter and Mohammed Nasr, issued a message[8] to Parties and other relevant stakeholders to reiterate the invitation in decision 9/CMA.5 to submit views on issues to be addressed during the workshops, with a focus on the following guiding questions: how could the Sharm el-Sheikh Dialogue be strengthened in your view, and which topics do you see as most relevant and helpful to be discussed in the context of the workshops as part of the dialogue?

9. In addition, the co-chairs indicated their availability for bilateral consultations upon the request of interested Parties or groups of Parties to hear their views on and expectations for the Sharm el-Sheikh dialogue in 2024 and 2025.

10. In a subsequent message,[9] the co-chairs communicated a number of potential topics and issue areas that have been suggested by Parties and non-Party stakeholders for discussion during the dialogue in 2024, based on the views expressed by Parties and non-Party stakeholders over the course of 2023 and 2024, including through the call for submission.[10] Taking into account the views expressed, the co-chairs announced that the workshops in 2024 will address key topic areas through the exchange of case-study examples, best practices and experience related to implementation of Article 2, paragraph 1(c), of the Paris Agreement, in a bottom-up approach from the local, national and regional level to the international level, with a view to enabling participants to identify commonalities and divergences within the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9,. The co-chairs also announced the main focus of the first workshop to be on adaptation investments and the consistency of finance

[7] Decision 9/CMA.5, paras. 13–14.
[8] Available at https://unfccc.int/documents/637299.
[9] Available at https://unfccc.int/documents/638351.

flows with a climate-resilient development pathway as well as linkages between Article 2, paragraph 1(c), and broader sustainable development co-benefits and impacts. The main focus of the second workshop will be on the role of the international financial system and of different actors under and outside the Paris Agreement in achieving Article 2, paragraph 1(c), of Paris Agreement, and its complementarity with Article 9 of the Paris Agreement, and on transparency and credibility with a focus on the avoidance of greenwashing and maladaptation.

11. A message on the first workshop was issued to Parties and non-Party stakeholders in advance of the workshop,[11] and the workshop programme was published on the event web page.[12]

D. Proceedings

12. The workshop was opened by the co-chairs of the dialogue, who took stock of the work undertaken under the dialogue thus far, including the 2023 report under the guidance of the Presidency of the Conference of the Parties at its twenty-seventh session.[13] The co-chairs also presented an overview of the organization of the dialogue in 2024, outlining the overall approach to the organization of the workshops and providing an overview of the programme for the first workshop.

13. A panel of four experts and practitioners on the topic of making finance flows consistent with adaptation and climate resilience objectives presented national and regional case studies and examples from their institution- or actor-specific perspective, taking into account the following guiding questions:

(a) How can finance integrate climate resilience holistically?

(b) How can approaches to implementing Article 2, paragraph 1(c), of the Paris Agreement scale-up adaptation finance, including for developing countries (complementarity with Article 9)?

(c) Are risk-based approaches sufficient or are approaches that proactively scale-up investment also needed? How would the approaches have to be designed to be most effective?

14. The panellists discussed, among others, the following:

(a) Seyni Nafo, Coordinator of the Africa Adaptation Initiative, emphasized that scarcity of finances, insufficient technical capabilities and lack of financial professionals with climate-related knowledge are the top challenges in addressing Africa's adaptation financing needs. He highlighted efforts to build capacity for climate impact assessments, project pipeline development, accreditation processes and climate finance mobilization, as well as the need for public concessional financing.

(b) Irene Heemskerk, Head of the Climate Change Centre, European Central Bank, shared views on the transmission channels from the physical impacts of climate change on the macroeconomy and the financial system, and the corresponding urgency and economic benefits of proactive climate mitigation and resilience actions. She stressed the importance of integrating climate change impacts into macroeconomic projections, improving availability of climate data to support risk analysis, further exploring the impacts and quantification of the benefits of

[11] Available at https://unfccc.int/documents/638396.
[12] Available at https://unfccc.int/event/first-workshop-under-the-sharm-el-sheikh-dialogue-in-2024.
[13] FCCC/PA/CMA/2023/7/Rev.1.

adaptation, and working with the global network of financial regulators including the Network for Greening the Financial System.

(c) Tessa Vaetoru, Ministry of Finance and Economic Management, Cook Islands, shared the Cook Islands' experience of integrating climate resilience into the public financial management system through support under the Green Climate Fund Readiness Programme, which provided co-benefits for the country's macroeconomic, financial and climate-related planning, as well as for capacity- and institution-building. She also noted that further support in accessing international climate finance is required to reach the scale of climate investments needed in the country and region, and to enhance private sector participation.

(d) Paul Flavier, Technical Lead of Insurance Development Forum Infrastructure Task Force and Head of Strategic Asset Allocation, AXA, shared the perspective of insurers and institutional investors on how to channel more capital into climate-resilient initiatives in developing countries. He presented an innovative blueprint for an investment model that blends public and private finance with appropriate leverage and risk-sharing, highlighting it as a replicable structure with measurable outcomes that is instrumental in catalysing private finance investments.

15. To facilitate interactive discussions, after the panel discussion participants were divided into five breakout groups, each of which included one moderator and one panel speaker and other experts,[14] in order to exchange views and share best practices and lessons learned in response to the panel discussion and the guiding questions.

16. In a subsequent reflection session, the co-chairs encouraged the moderators of each breakout group to report back to the plenary on the views expressed, and invited further reflections by participants, on the commonalities and divergences of the various approaches taken to making finance flows consistent with adaptation and climate resilience objectives and how it can be ensured that the implementation of Article 2, paragraph 1(c), of the Paris Agreement is in line with efforts to support adaptation and climate resilience. The co-chairs closed the first day of the workshop by providing the outlook for the second day.

17. The second day of the workshop was opened with welcoming remarks by the co-chairs, who provided a brief overview of the programme for the day.

18. A panel of five experts and financial sector practitioners on the topic of linking approaches for climate-consistent and scaled-up finance flows with broader sustainable development objectives, benefits and impacts presented national and regional case studies and examples from an institution- or actor-specific perspective, taking into account the following guiding questions:

(a) What are the potential opportunities and risks for sustainable development of making finance flows consistent with a low-emission and climate-resilient development pathway?

(b) How should approaches to implementing Article 2, paragraph 1(c), of the Paris Agreement and associated safeguards be designed to maximize opportunities and reduce risks?

19. The panellists discussed, among others, the following:

[14] Nancy Saich, European Investment Bank, and Sheila Carina and Aoife Fleming, Coalition of Finance Ministers for Climate Action, served as additional expert resource persons in the interactive discussions.

(a) Salome Tvalodze, Head of the Sustainable Finance Division of the National Bank of Georgia, showcased Georgia's journey in promoting sustainable finance. The National Bank has developed guidelines and tools for building sustainable finance capacity for market participants, implemented transparency and disclosure requirements to regulate environmental, social and governance (ESG) matters and climate risks in the financial system, and mandated the integration of ESG and climate change aspects into corporate governance for the financial sector. She stressed the importance of engaging with the private sector as well as of international cooperation in order to learn from globally tested sustainable finance approaches and translate them into tailored country-specific policies.

(b) Rob Cameron, Global Head of ESG Engagement, Nestlé S.A., showcased examples of corporate investments that are consistent with net zero emission reduction pathways and also have co-benefits in terms of adaptation, resilience-building and socioeconomic development for the farmers and local communities that constitute Nestlé's supply chain. He stressed the importance of enabling policy frameworks and regulation in facilitating the scaling up of private sector finance.

(c) Lisa Holzhäuer, Head of Section for International Climate and Fiscal Policy, Ministry of Taxation Denmark, shared from a government perspective how Article 2, paragraph 1(c), of the Paris Agreement can be implemented in the area of climate-related public spending and taxation. She spoke about green taxation reforms in various economic sectors aimed at helping Denmark achieve its emission reduction targets while balancing different socioeconomic concerns for producers and households as well as public spending and savings.

(d) Luca Torre, Founder and Co-CEO of Gawa Capital, provided insights from an impact investor's perspective into models for catalysing private capital to address the adaptation needs of vulnerable communities. He highlighted blended finance and the provision of technical assistance tailored to the needs of vulnerable communities as key strategies for overcoming investment barriers such as high risk perception and lack of readiness of bankable projects.

(e) Komlanvi Moglo, Climate Expert at West African Development Bank (BOAD) and Deputy Head of the International Development Finance Club (IDFC) Facility, highlighted the track record of IDFC in providing green finance across its member network of public development banks. He stressed the importance of governments establishing financing plans to clearly signal investment opportunities to the private sector and international funders in areas where public finance and climate efforts need to be supported or supplemented. He also pointed out that public development banks, through their regional and national expertise, can lead the way in translating strategies and financing plans into tangible actions.

20. To facilitate interactive discussions, after the panel discussion participants were again divided into five breakout groups, each of which included one moderator and one panel speaker and other experts,[15] in order to exchange views and share best practices and lessons learned in response to the panel discussion and the guiding questions.

21. In a subsequent reflection session, the co-chairs encouraged the moderators of each breakout group to report back to the plenary on the views expressed, and invited further reflections by participants, on the commonalities and divergences in approaches to integrating sustainable development into the implementation of Article 2, paragraph 1(c), of the Paris Agreement.

[15] Dirk Kramer, Ministry of Finance of Germany, and Ritika Bansal, Ministry of Finance of India, served as additional resource persons during the interactive discussions.

22. In their closing remarks, the co-chairs outlined the next steps for the Sharm el-Sheikh dialogue in 2024, which include, among others, preparing a summary report on the discussions at the first workshop and preparing for the second workshop.

23. The workshop programme, presentation slides and video recordings are available on the dedicated workshop web page.[16]

II. Summary of discussions

A. Adaptation investments and consistency of finance flows with a climate-resilient development pathway

24. Participants discussed multiple elements related to adaptation investments and the consistency of finance flows with a climate-resilient development pathway, as described below.

25. **Scaling up adaptation and resilience investments.** Participants recognized the importance of finance flows for climate resilience as an integral component of achieving the long-term goal in Article 2, paragraph 1(c), of the Paris Agreement, that includes increasing the scale of investments going towards adaptation and resilience-building and addressing the adaptation finance gap in developing countries. Different aspects related to scaling up adaptation and resilience investments related to:

(a) Most participants underscored the economic, societal and developmental benefits of climate-resilient investments, while it was also highlighted that the clear long-term economic argument for adaptation investments has so far not translated into sufficient adaptation investments and actions on the ground. Some of the barriers cited relate to expectations in the private sector for short-term revenue generation and financial returns, as well as incentive problems for investing that arise when individual public or private actors cover the initial costs and project risks of climate resilience investments while the benefits of such investments are enjoyed by larger groups of stakeholders, for example in the case of resilient infrastructure investments.;

(b) Finance flows and investments for adaptation and climate resilience were considered to cover a range of focus sectors and activities that may differ from those related to typical mitigation-related investments, including in the areas of transport, buildings and coastal infrastructure, agriculture and forestry, resilience of energy systems, and nature-based solutions. Participants also noted further sectors and activity areas in which to enhance societal resilience, including public health care, social protection and livelihood support, and education and climate information. Many participants looked at climate-resilient finance flows from a system- and economy-wide perspective, including in relation to the scaling up of adaptation investments and to public policies and frameworks for incentivizing climate-resilient development;

(c) Participants also pointed to the location- and (sub-)sector-specific as well as incremental nature of adaptation and resilience investments, which is important for ensuring tailored country- and community-led responses to climate

[16] Available at https://unfccc.int/event/first-workshop-under-the-sharm-el-sheikh-dialogue-in-2024.

change and for avoiding maladaptation. Some participants noted that such a level of specificity poses challenges for the scaling up of standardized adaptation finance flows from public and private actors. Other participants highlighted how the integration of tailored safeguards, impact metrics and indicators at the national, subnational or international levels for Article 2, paragraph 1(c), of the Paris Agreement can ensure appropriate application to local contexts and national or international norms while avoiding maladaptation;

(d) Many participants provided examples of how climate resilience finance blueprints, international and national classification systems or taxonomies, national adaptation plans and other national climate plans can support adaptation investments and facilitate participation of international and domestic public and private finance institutions in adaptation investments;

(e) Participants discussed a range of barriers and challenges related to scaling up adaptation and resilience investments, with a particular focus on how to increase finance flows in and towards developing countries. Many participants noted the elevated costs of capital in many developing countries, which limit the capacity of public and private sector actors to finance adaptation actions. High sovereign debt levels and low or sub-investment-grade credit ratings were further noted by some participants as constraining fiscal space for climate-resilient development. Many participants also noted that the high risk perception of investments in developing countries impedes the flow of finance from international capital markets, covering various layers of country, political and regulatory risk, project and technology risks, as well as physical climate risks. Some participants emphasized that adaptation and climate resilience investments require innovative financial instruments and models, as well as better quantification of resilience benefits, in order to complement financial risk-based approaches and incentivize investments towards the geographical areas, sectors and communities most vulnerable to climate change impacts;

(f) Participants widely discussed what the adequate roles and responsibilities of public and private finance are in enabling adaptation and resilience-building, and shared country and regional experience in relation to the provision, mobilization and incentivization of public and private adaptation finance from domestic and international sources. Some participants stressed the important role of international, public and grant-based or concessional finance for adaptation actions in developing countries, as well as of public adaptation finance in particularly vulnerable country contexts (such as in small island developing States (SIDS) and the least developed countries (LDCs) and other developing countries) where private sector involvement is limited owing to limited market size, limited economic and financial sector development, high transaction costs and high costs of capital. Noting the scarcity of public finance in relation to the scale of the adaptation finance gap, some participants highlighted the role of enabling policy frameworks, clearly articulated climate targets and financing plans, available project pipelines and strengthened local financial markets, as well as capacity-building initiatives, in incentivizing greater private sector involvement in resilience investments and improving risk–return profiles;

(g) Further, a number of blended finance models and public–private partnerships were showcased that combine different layers of risk and return profiles to enable participation in adaptation investments by a greater diversity of public and private actors, including governments, bilateral and multilateral development banks and agencies, private financial institutions, corporates, philanthropies and retail investors. Participants noted the opportunities deriving from financial scale and replicability of public-private financing models, while also pointing to the importance of equitably sharing the financial risks and benefits of investments

between public and private actors, focusing on maximizing impact at the local level and ensuring inclusivity for underserved and the most vulnerable communities and populations.

26. **Consistency of finance flows with a climate-resilient development pathway.** Participants exchanged views on the mainstreaming of climate-resilience considerations in, and their integration into, financial decision-making processes at the project, institution and financial system level, including the following:

(a) Participants showcased various regional and national examples of how climate risk considerations are being integrated into and mainstreamed in financial decision-making processes, covering domestic financial policies and regulations and financial supervisory guidelines and practices at the macroprudential and microprudential level and within individual public and private financial institutions. Innovative approaches to climate-resilient financing mentioned were, among others, climate-resilient debt clauses, "Paris alignment" approaches to adaptation, debt-for-nature or climate swaps and mandatory climate resilience and vulnerability assessments as part of project due diligence;

(b) Many participants noted that information and data on climate-related physical impacts and risks, as well as on climate-resilient pathways, constitute an essential first step for the mainstreaming of climate resilience in financial decision-making. The notable uptake of comparable or interoperable climate-related financial disclosures across jurisdictions was noted by many participants as a welcome development over the past few years. However, it was also emphasized that data availability is often limited with regard to granular location-, sector- and hazard-specific climate data, in particular in developing countries and for micro, small and medium-sized enterprises, and that scenarios, indicators and metrics for climate-resilient pathways and outcomes are less well defined than those for climate change mitigation;

(c) Various actors were discussed as being involved in making finance flows consistent with climate-resilient development pathways. Some participants noted the important role of local financial markets and financial intermediaries, as well as of regional, national or subnational development banks and institutions, in providing the context-specific knowledge and expertise needed to adequately assess climate-related risks and assist in informed financial decision making. Many participants mentioned that governments, including finance ministries, and financial regulators and central banks set guidance for financial institutions regarding resilient financing standards and norms, identify adaptation investment priorities and sectors and mainstream climate-related stress testing and adaptation-related transition plans into the governance of financial institutions. Many participants also highlighted the important contribution of subnational entities, local communities, youth, women, Indigenous Peoples and marginalized groups to developing and implementing adaptation finance approaches, which supports maximization of the socioeconomic resilience benefits and avoidance of maladaptive investments that could arise from standardized approaches that do not take into account the local context;

(d) Insurance schemes were noted by many participants as one component of enhancing adaptation and resilience-building efforts, through, for example, regional risk-sharing pools, parametric insurance, national-level insurance schemes, private household and business insurance, and micro-level insurance. In the context of more frequent and severe climate impacts, many participants mentioned as key concerns the insurance protection gap, the affordability of insurance premiums for governments, businesses and individuals, and the

sustainability of the insurance sector's business models. Some participants called for new solutions for improving public and private sector risk-sharing and increased international support for enhancing access to insurance and affordability of premiums, or pointed to the urgency of scaling up the volume of adaptation investments with a view to enhancing socioeconomic resilience to climate impacts, thus mitigating insured and uninsured losses;

(e) In relation to the systematic integration of climate-related risk assessments into financial decision-making processes, some participants highlighted the importance of ensuring the avoidance of undue burden on, and restricted access to finance of, the geographical areas, countries, sectors and communities most exposed and vulnerable to physical climate change impacts. In this context, some participants noted that financial decisions relating to climate resilience should not only be guided by the aim of minimizing the financial risks associated with a given transaction (risk-based approach), but also proactively address and finance adaptation and resilience needs.

B. Linkages between Article 2, paragraph 1(c), of the Paris Agreement and broader sustainable development co-benefits and impacts

27. **Synergies with sustainable development objectives.** On the second day, participants discussed the second focus topic of the workshop, namely linkages between Article 2, paragraph 1(c), of the Paris Agreement and broader sustainable development objectives, identifying related co-benefits and potential impacts for development.

28. Participants underscored that climate action and finance flows that are consistent with national and international climate goals cannot be viewed in isolation, but instead provide important synergies for achieving socioeconomic priorities, including sustainable development pathways and the Sustainable Development Goals (SDG). Participants provided many examples of how national, regional and institution-specific sustainable finance approaches include climate, social and environmental dimensions for achieving climate goals as well as socioeconomic ambitions, including ensuring energy and food security, fostering public health care and industrial development. Examples of approaches to implementing Article 2, paragraph 1(c), of the Paris Agreement that include sustainable development considerations are sustainable finance road maps and taxonomies, green or SDG related budget tagging, fiscal policies including carbon pricing, taxation and subsidies, impact investing, transition planning by private sector corporates and financial institutions, and "Paris alignment" approaches by public development banks.

29. Participants widely acknowledged that holistic approaches to implementing Article 2, paragraph 1(c), of the Paris Agreement that facilitate implementation of sustainable development pathways build upon context-specific policy mixes, enabling frameworks and investment approaches that take into account national or sectoral circumstances and priorities and promote just transition approaches. Participants presented a range of positive incentives and subsidies, mandatory regulations and pricing mechanisms instituted by governments, as well as voluntary initiatives by financial institutions and corporates, that address different sectoral or national concerns and include different timelines for low-emission pathways. Participants highlighted opportunities for orienting climate-consistent public and private finance towards both collective climate goals and nationally determined contributions and other climate plans. Some participants noted the need to anchor approaches to implementing Article 2, paragraph 1(c), more explicitly within the

provisions or principles of the Paris Agreement and the Convention, including in relation to sustainable development and poverty eradication, ensuring equity and considering the principle of common but differentiated responsibilities and respective capabilities in the context of national circumstances, and developed countries taking the lead in implementing Article 2, paragraph 1(c).

30. To maximize the sustainable development benefits of implementing Article 2, paragraph 1(c), of the Paris Agreement, many participants therefore advocated for governments and public policymakers taking a guiding role in setting frameworks for climate-consistent finance that account for socioeconomic or context-specific aspects, enhance transparency and credibility of private sector actions and investments, establish safeguards and avoid potential greenwashing. The role of enabling frameworks and public incentives for private finances was discussed widely by participants, with divergent views regarding the extent to which private financing and voluntary initiatives are adequate in terms of scale and impact for achieving low-emission and climate-resilient development pathways in all world regions. Some participants also provided examples of how governments and other public financial sector actors integrate and balance diverse socio-economic considerations when adopting sustainable finance tools or measures, such as through developing different policy options and assessing potential results and impacts across multiple climate, social and economic dimensions to inform sustainable finance decision-making.

31. Many participants provided examples and shared their experience that interministerial, regional and international coordination between governments, as well as coordination among public and private sector financial institutions and stakeholder consultations, inform the implementation of sustainable finance approaches. Domestic and international coordination was mentioned in relation to national sustainable finance road maps, interoperable climate-related disclosures, blended finance structures, just energy transition and coal phaseout initiatives, carbon pricing and taxation schemes, and the use of common exclusion policies and climate, economic or social impact metrics and indicators. Participants noted in this regard that coordination or consultation results in the supported sharing of experience and lessons learned as well as enabling a greater scale and replicability of finance flows, while also highlighting the need to balance international interoperability with context-specific considerations such as national and sectoral priorities and circumstances. Stakeholder consultations were also noted as key to providing important inputs to the assessment of financial and socioeconomic impacts and benefits for targeted economic sectors, subnational regions and local communities, households and specific population groups such as women, youth and smallholder farmers.

32. Some participants underscored that multilaterally coordinated and agreed action, in particular to mitigate cross-border implications, is needed to safeguard sustainable development when taking approaches to implementing Article 2, paragraph 1(c), of the Paris Agreement. These participants provided examples of the potential negative socioeconomic impacts of financial, economic and trade-related measures implemented in some countries on other countries, in particular on developing countries, if safeguards are not put in place to account for country-specific transitioning timelines, sectoral pathways and local institutional and human capacities to comply with regulatory or disclosure requirements.

33. Many participants emphasized the need to build sustainable finance capacities and develop domestic financial markets in both the public and the private sector in order to enhance the flow of finance towards low-emission and climate-

resilient development pathways in all world regions. Some participants highlighted the lack of institutional and human capacities for implementing approaches to Article 2, paragraph 1(c) in developing countries and the additional challenges for developing liquid financial markets in small countries, as well as in the LDCs and SIDS. Opportunities were noted by many participants for providing international support, in the form of finance, technical assistance and capacity-building, for sustainable finance initiatives in developing countries, with examples cited as the Green Climate Fund Readiness Programme; and support for the development of green bond frameworks; climate budget tagging and taxonomies; and climate-related training for ministries of finance. Such support is delivered by a range of actors, including bilateral and multilateral development finance institutions, United Nations agencies, international financial institutions and other development organizations.

34. The provision and mobilization of climate finance to developing countries was considered by participants as an essential pillar for achieving low-emission and climate-resilient development pathways. Some participants showcased examples of how public international support through bilateral and multilateral development finance institutions, climate funds or development agencies has been used to support the development of sustainable finance markets and methodologies and enable a greater flow of private finances in and towards developing countries. Such initiatives also include a focus on technical assistance, institution- and capacity-building, and were considered by many participants as essential for enabling developing countries to implement measures related to Article 2, paragraph 1(c), of the Paris Agreement. However, some participants also noted the persistent climate finance gap in developing countries and that the current international financial system does not lead to the equitable access to or distribution of the finance flows required to achieve low-emission and climate-resilient development pathways, calling for the increased provision of international, grant-based and concessional public finance to developing countries. Some participants also noted that the provision and mobilization of international climate finance should not come at the expense, but be complementary, to official development assistance for other developmental purposes. Finally, in this context, some participants were of the view that developed countries should take the lead in reforming the international financial architecture and improving their domestic enabling environments and financing frameworks, with a view to incentivizing increased public and private cross-border financing for developing countries.

35. Many participants discussed how the benefits and impacts of efforts to achieve Article 2, paragraph 1(c) on sustainable development can differ according when applying entity/institution or system-wide perspectives of analysis or when considering different time horizons. Some participants underlined the short- and medium-term transition risks in countries and regions of redirecting or shifting finance flows away from emission-intensive activities, of removing subsidy schemes that benefit consumers or of instituting pricing mechanisms that could increase the price of goods and negatively impact the competitiveness of domestic industries. Other participants also mentioned that sustainable development benefits often only materialize in the long run, which is not accounted for in the short-term return orientation of traditional investment models, a challenge that was noted in particular regarding adaptation and resilience investments and for broader public goods such as social protection and health care. Some participants also suggested that more systemic and economy-wide cost–benefit considerations and impact analyses, rather than assessments of financial viability and impacts only at the project and entity level, could support the increase of finance flows for socially beneficial investments.

36. Further, participants identified a range of financial instruments and solutions for increasing the scale of climate-consistent finance and enhancing access to and the availability of finance in developing countries. These include the further uptake of foreign exchange risk pools to cover more countries and currencies, credit enhancement, guarantees and risk-sharing instruments provided by the public sector in order to increase private sector participation in climate investments; the development of country platforms and investment plans linked to nationally determined contributions, national adaptation plans, long-term low-emission development strategies and other national climate and development plans; climate-related debt restructuring initiatives; the enhancement of the availability of public data on financial and climate-related risks in developing countries to improve the adequacy of risk assessments and reduce the risk perception of private sector actors; and the exploration of international taxation and levies with proceeds going towards climate action in developing countries.