The State of Delivery

Executive Summary

Progress Report of the Global Climate Finance Agenda

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In Consultation Draft of the Independent High-Level Expert Group on Climate Finance

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Introduction

Today, there are larger flows of public and private, domestic and international, climate finance than ever before – estimated at $1.5–$1.6 trillion globally and $0.2 trillion in emerging markets and developing economies (EMDCs) excluding China. Yet simultaneously, the gap between delivery and need is at its greatest, with a projected annual requirement of $2.4 trillion in climate and nature-related investment in EMDCs (excluding China) by 2030, and $3.1–$3.5 trillion to 2035.[1]

The Independent High-Level Expert Group (IHLEG) on climate finance has created a comprehensive framework highlighting the enabling conditions for investment and outlining a more integrated and systemic approach that harnesses the distinct roles of all pools of capital – public, private, domestic, and international. This report assesses the state of delivery across six pillars, each with 2030 goals as set by the IHLEG. The analysis indicates that none of the pillars are on track to satisfy the scale of climate finance needs and outlines a series of near-term actions ahead of COP30 to bring the agenda back on track.

This report is being published as a consultation report with the aim of facilitating dialogue across critical stakeholders core to the climate finance agenda.

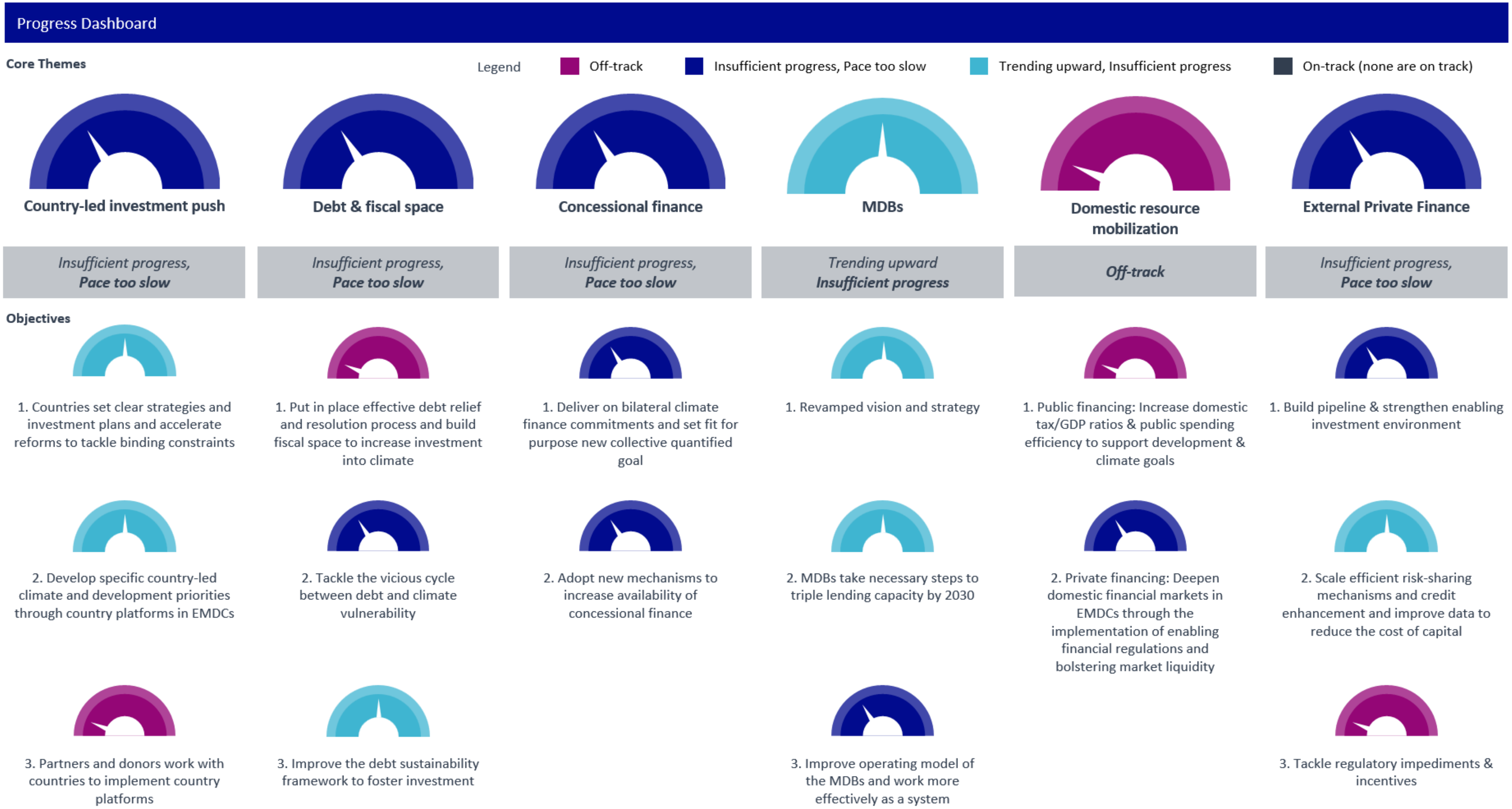
Table 1: About the State of Delivery report assessment

The extent of progress by the relevant actors has been assessed using key performance indicators (KPIs), technical and political analysis and insights from IHLEG members to determine whether progress is:

1. **On track**: Political agreement and enacted changes consistent with the speed and depth of progress required to achieve thematic goal.
2. **Trending upward, insufficient progress**: Some political agreement and indications of changes partially or fully consistent with the speed and depth of progress required to achieve thematic goal.
3. **Insufficient progress, pace too slow**: Some political momentum with proposed plan of action yet to be agreed. Current ambition requires improvement. Insufficient ambition or changes consistent with the speed and depth of progress required to achieve thematic goal.
4. **Off track**: Little to no political momentum, lack of agreed plan of action. Current ambition requires significant improvement. Inadequate ambition or changes consistent with the speed and depth of progress required to achieve thematic goal.

[1] Bhattacharya, A., Songwe, V., Soubeyran, E., & Stern, N., Third Report of the Independent High-Level Expert Group on Climate Finance: Raising Ambition and Accelerating Delivery of Climate Finance – Summary, 2024.

Figure 1: State of Delivery of the Climate Finance Agenda



1. Country-led Investment Push

Overarching Goal:	Country-led investment facilitation to plan, prioritise, and implement investment programmes and projects at scale
Progress Assessment:	Insufficient progress, pace too slow

Aligning national development priorities with climate outcomes enables both domestic and internation support for climate investment - a reality that is being increasingly embraced globally. Whilst the need to develop national climate and development plans is generating momentum, evident in, for example, the Brazil G20 Presidency's choice to put national finance strategies and country platforms (CPs) on their agenda, delivery remains slow especially on the convergence of national plans and Nationally Determined Contributions (NDCs). This is in part due to the relatively new use of CPs in the climate space, despite their decades-long use in broader development contexts. The increasing number of countries developing climate-related investment plans bodes well for the development of additional CPs, but this is still in the primary stage. Additionally, although there was early optimism with Just Energy Transition Partnerships (JETPs) in South Africa, Indonesia and Vietnam, coordinated support from the development community to transform plans into tangible projects (via CPs) is not emerging fast enough, nor do announcements always progress to implementation.

Towards IHLEG's overarching goal of **'country-led investment to plan, prioritise, and implement investment programmes and projects at scale'** the state of delivery shows **insufficient progress, pace too slow**. However, it should be noted that a lack of clear taxonomy for CPs makes external assessment challenging.

The key factors supporting this assessment include:

- **Countries are increasingly setting climate-related policies, alongside corresponding investment plans and policies in some cases. The 2035 NDCs due in early 2025 present an important opportunity to accelerate progress in twinning climate policies with investment plans.** Recent examples of twinned country-led national investment plans include the Climate Prosperity Plans (Bangladesh, Sri Lanka, Ghana, Barbados), the Brazil Ecological Transition plan and a selection of 2030 NDCs with accompanying investment plans (Antigua and Barbuda, Belize, Morocco).[2] Whilst climate-related plans and policies have grown, attention around strengthening government capacity to enable investment has been insufficient. Public Investment Management Assessment (PIMA) scores for EMDCs show that government institutions for investment are still relatively weak, particularly around budgeting and allocations.[3] Although previous G20 Infrastructure Working Group (IWG) agendas had emphasised the importance of this, the current G20 agenda overlooks it.
- **The establishment of climate-focused CPs has been advancing since 2021 (having been used in other development contexts for decades), with less than a dozen climate-focused platforms established since COP26.** Domestic political appetite for CPs is firstly dependent on a country's own priorities, political economy, ability to coordinate between ministries and sufficient support from the development community.[4] Secondly, CPs rely on the international development

[2] Ahmed, Sarah Jane, Chapter 11, Development-Positive: Climate Action in the Most Vulnerable Countries. In Bhattacharya, A., Kharas, H. and McArthur, J., Keys to Climate Action, The Brookings Institution, 2023.
[3] IMF, Public Investment Management Assessment
[4] Independent Report of the G20 TF-CLIMA Group of Experts, A Green and Just Planet: The 1.5° Agenda for Governing Global Industrial and Financial Policies in the G20, 2024.

community being supportive of the development of any one CP. Many EMDCs lack the technical capacity and support to create these complex platforms and though Multilateral Development Banks (MDBs), donors and others have signalled intent to streamline CP development efforts, a fully coordinated plan is still pending.[5]

- **Financing packages provided by development partners have largely been inadequate in quality and quantity**. Key to CPs is the ability to provide a targeted injection of finance to transition fossil-fuel based sectors which are deeply entrenched in local economies. Finance packages committed to date have had insufficient grant and concessional financing to fulfil this potential in terms of speed and scale. When looking at the JETPs that have outlined their *total investment requirement* (South Africa[6] and Indonesia[7]), only around 10% of the total investment need is met by the international public finance package, and just 0.6% by grants, much of which is pre-existing grants for live projects that have been repackaged into the CP.[8] Predictability of their disbursement is also behind track. This partially accounts for the off-track progress on implementation of CPs, compounded by domestic political divisions, institutional fragmentation and inadequate support for social aspects of the transition in the implementing country. Egypt's Nexus of Food, Water and Energy (NWFE) Programme offers a more positive model, where whole-of-government coordination and a clear set of project pipelines has seen a faster pace of delivery compared to other CPs.

2. Debt And Fiscal Space

Overarching Goal:	Tackle debt distress, overcome debt vulnerability due to climate risks, and improve the Debt Sustainability Framework
Progress Assessment:	Insufficient progress, pace too slow

Fiscal space and effective debt management are essential for countries to embark on the infrastructure and climate-related investments required for development; and sustainable development through investment is the best way to avert future debt and avoid development losses.[9] Since the COVID-19 pandemic and associated cascading crises, global public debt has surged, resulting in a growing number of low-income countries being in debt distress. In Africa, for example, public debt is growing faster than GDP.[10] The climate crisis is also feeding the debt crisis: climate shocks send countries into a vicious cycle of debt, limiting the opportunities to invest in climate action. In turn, countries are more open to climate shocks, further driving debt distress and reducing fiscal space.

Towards IHLEG's overarching goal of **'tackle debt distress, overcome debt vulnerability due to climate risks, and improve the Debt Sustainability Framework'** the state of delivery shows **insufficient progress, pace too slow**.

[5] Reyes, L. S., & Ahlgren, V., Country Platforms for Climate Safety and Sustainable Development, E3G, 2024.
[6] Government of the Republic of South Africa, JET Grants Register 2024Q1, State of the Nation, 2024.
[7] JETP Indonesia, https://jetp-id.org/news/jetp-grant-mapping, 2024.
[8] Desktop research and Systemiq analysis.
[9] Bhattacharya, A. et al., Financing a big investment push in emerging markets and developing economies for sustainable, resilient and inclusive recovery and growth, LSE and The Brookings Institution, 2022.
[10] UNCTAD, A World of Debt, 2024.

The key factors supporting this assessment include:

- **Efforts to improve the financial architecture around debt have increased but remain slow and lack the scope to have the transformative impact on investment needed.** The 2024 G20 Brazilian Presidency's focus on poverty and inclusion put debt high on the agenda. However, the differing priorities have limited outcomes for relief for lower income countries (LICs) and have not been designed to facilitate investment for LICs or EMDCs more broadly. Whilst there is consensus on the need to reform the Common Framework, priorities differ. G20 countries are most aligned on improving timelines for the application of the framework, though its impact remains limited to the existing small pool of highly vulnerable countries. Debate remains focused on expanding access to the framework for middle-income countries (MICs) consistent with developing country asks, alongside the parameters of debt included and automaticity of debt suspension.
- **Provision of low-cost, long-term loans to create fiscal space for investment are falling short**. This is particularly pertinent when the fiscal squeeze on developing countries is so severe: net interest payments have surged from 4.2% of government revenues in 2010, to 7.8% in 2023, with a staggering 54 developing countries now allocating 10% or more of their government revenues solely to interest payments.[11]
- **There have been early steps towards integrating climate impacts and nature capital into the financial system more appropriately** – such as the adoption of climate-resilient debt clauses (CRDCs), the use of debt-for-climate swaps, and the ongoing update to the Debt Sustainability Framework. However, these initiatives have not either gained sufficient support among all creditors (CRDCs), are mired in complexity (swaps) or have not been made available to all climate vulnerable countries (CRDCs, DSA update).
- **2025 could be a decisive moment in delivering significant reform outcomes as debt pressures mount while countries experience temporary liquidity pressures** (partially reflecting the resumption of payments following the Debt Service Suspension Initiative, among other factors).[12] The G20 will likely be expected to take a more radical approach than it has taken to date: stopping the escalation on debt will be paramount, including accelerating the update to the Debt Sustainability Analysis (DSA) frameworks as reinforced by the recent Interim Report by the Taskforce on Debt, Nature and Climate.[13]

3. Concessional Finance

Overarching Goal:	A fourfold increase from current levels in concessional finance by 2030 for climate action in EMDCs
Progress Assessment:	Insufficient progress, pace too slow

Within the climate finance architecture, concessional finance plays a pivotal role in unlocking investments into non-commercial infrastructure, particularly for climate adaptation and resilience.[14] Concessional finance remains essential to help drive climate action in EMDCs, particularly for those in debt distress. In recent years whilst some climate finance commitments have been met, political support for Official Development Assistance (ODA) has declined with the volume falling by 2% (from $176 billion to $172 billion) in 2022, which was preceded by an 8% decrease the previous year.[15] This is also coupled with a shift from ODA grants to fewer concessional loans. This trend continued into

[11] Ibid
[12] Van Trotsenburg, A. & Saavedra, P., Urgent need to address liquidity pressures on developing countries. World Bank Blogs, 2024.
[13] Songwe, V. et al, Tackling the Vicious Circle: The Interim Report of the Expert Review on Debt, Nature & Climate, 2024.
[14] Climate Policy Initiative, Understanding Global Concessional Climate Finance 2024.
[15] UNCTAD, Development aid hits record high but falls for developing countries, April 2024.

2023 with over half of donors reducing their commitments in the context of their own domestic economic constraints.[16] As a result, prospects look set to decline, especially as alternative sources for mobilising concessional funds are in their infancy.

Towards IHLEG's overarching goal of '**a fourfold increase from current levels in concessional finance by 2030 for climate action in EMDCs**' the state of delivery shows **insufficient progress, pace too slow**. IHLEG analysis shows required levels of total annual concessional finance of $200–$300 billion by 2030, four times existing volumes.[17]

The key factors supporting this assessment include:

- **Despite challenging macroeconomic conditions and declining ODA levels in some donor countries, the $100 billion climate-finance commitment was reported to be met in 2022 – albeit late; however, future concessional finance levels could decline**. The Organization for Economic Co-operation and Development (OECD) reported that the $100 billion climate finance target was exceeded in 2022, two years overdue,[18] and with some outstanding concerns on the quality of this finance.[19] However, recent announcements by large donors on the cutting of ODA do not bode well for future trajectories[20]. Imminent critical decisions on the $100 billion's replacement, the New Collective Quantified Goal (NCQG) and the delivery of contributions to World Bank's International Development Association (IDA) of at least $28-30 billion from donor contributions (to achieve a mobilised envelope of at least $100 billion) will also be indicative of progress.
- **The adoption of new mechanisms to increase the availability of concessional finance is showing signs of progress but discussions remain in their infancy and the pace is too slow and not consistent with a fourfold increase in concessional finance.** For example, Special Drawing Rights (SDRs) have been voluntarily rechannelled to ease liquidity needs since COVID-19, including through the Resilience and Sustainability Trust (RST) and Poverty Reduction and Growth Trust (PRGT). In 2021, The Group of Seven (G7) countries pledged to channel $100 billion of their SDRs to countries most in need,[21] a commitment that has been met with $56 billion of SDRs channelled through the PRGT and $49 billion through the RST.[22] The International Monetary Fund (IMF) Executive Board approved the use of SDRs to subscribe to hybrid capital of MDBs, but there remain impediments to using SDRs to expand MDB lending. The European Central Bank (ECB) has taken the stance that channelling SDRs through MDBs will not be consistent with preserving the reserve asset characteristic of SDRs, impeding the ability of Eurozone countries to rechannel SDRs through MDBs to expand their lending to EMDCs.[23] There have been hopeful developments for MDBs to use SDRs, with the Africa Development Bank (AfDB) and InterAmerican Development Bank (IDB) making commitment to use the asset to finance hybrid capital,[24] but progress remains uncertain and is moving slowly. Global discussions on enhancing international taxation to raise revenues for climate and development financing is showing signs of progress, as demonstrated by the launch of the Global Solidarity Levies Task Force.[25] Additionally, there are key upcoming decision points for a global shipping levy under the International Maritime Organization (IMO), with an agreement expected in April 2025,[26] as well as Article 6 negotiations at COP29. The possibility of internationally coordinated tax for the super-rich tabled by the G20 and the UN effort to put in place a Tax Convention framework is also a step forward, though both face significant political hurdles.

[16] European Network on Debt and Development, Is this what aid was meant to be? A critical analysis of official development assistance in 2023, June 2024.
[17] Bhattacharya, A., Songwe, V., Soubeyran, E., & Stern, N., Third Report of the Independent High-Level Expert Group on Climate Finance: Raising Ambition and Accelerating Delivery of Climate Finance – Summary, 2024.
[18] OECD, Developed countries materially surpassed their USD 100 billion climate finance commitment in 2022, Press release, May 2024.
[19] Oxfam, Rich countries overstating true value of climate finance by up to $88 billion, says Oxfam, Press release, July 2024.
[20] Focus 2030, France reneges on its Official Development Assistance commitments, February 2024.
[21] Reuters, IMF has hit $100 bln target in SDRs for vulnerable countries – Georgieva says, June 2023.
[22] IMF. Special drawing rights (SDR). Retrieved October 24, 2024
[23] ONE Campaign, Special Drawing Rights (SDRs): Data dive, Retrieved October 24, 2024.
[24] Plant, M., IMF approves new use of SDRs! What's next? Center for Global Development blogpost, May 2023.
[25] European Climate Foundation, Countries unite in Global Solidarity Levies Task Force to mobilise additional financing for people and the planet, 2024.
[26] International Maritime Organization, IMO makes progress on net-zero framework for shipping, 2024.

4. Multilateral Development Banks (MDBs)

Overarching Goal:	Better, bigger and more effective MDBs
Progress Assessment:	Trending upward, insufficient progress

Transformation of the MDB system is a critical path to securing the $240–$300 billion required from MDBs and other development finance institutions to realise the climate transition in EMDCs. The essential role of the MDBs has been underlined by all major global processes and bodies who are seeking reform of the climate finance architecture; from the Bridgetown Initiative to the Climate Vulnerable Forum to the 4P. Building on the G20 Capital Adequacy Framework (CAF) recommendations, the G20 Independent Expert Group on MDB Reform (IEG) organised the multiple reform requirements into the 'better, bigger and more effective' reform agenda. The agenda has now been further institutionalised by the 2024 G20 with the launch of the 'G20 Roadmap Towards Better, Bigger and More Effective MDBs'. Achieving this means making MDBs more efficient and responsive to global challenges (better), expanding their financial capacity (bigger) and achieving greater impact through a shift to a results-based operating model and working better as a system (more effective).

Towards IHLEG's overarching goal of '**better, bigger and more effective MDBs' the state of delivery shows trending upward, insufficient progress**.

The key factors supporting this assessment include: [27]

- **MDBs have signalled strong intent to revamp their vision and strategy but detailed operational changes are moving more slowly.** Political will has supported constructive changes to MDB mandates, which have been updated by almost all major banks to include global challenges, including climate change.[28] This has coincided with record levels of climate finance from MDBs to $74.7 billion for low- and middle-income countries.[29] Yet, only the AfDB, Asian Development Bank (ADB) and World Bank Group (WBG) set targets for impact in their corporate scorecards, and the New Development Bank has no scorecards. Further, as the Center for Global Development (CDG) MDB Reform Tracker's latest update shows, no MDB has as yet formally initiated a review of their capital needs consistent with their new mission.[30]
- **MDBs and their Boards are taking some steps towards tripling lending capacity by 2030, though slowly and with caution.** Reform of standards to account adequately for preferred creditor treatment (PCT) and incorporate uplift from callable capital could release $480 billion in additional lending capacity[31] and is backed by the G20 and G7.[32] So far, only the Boards of IDB and European Bank for Reconstruction and Development (EBRD) have gained a capital uplift from integration of callable capital into their capital adequacy policies. Additionally, MDBs could amplify their lending power by 10x by shifting to an originate-to-distribute model, and action to do so is progressing slowly. Three out of seven MDBs (AfDB, ADB, IDB) have implemented portfolio-level risk transfer, and IDB Invest's commitment to an originate-to-distribute business model offers promise. Additionally, there is a lot of energy behind the effort to augment MDB capital through innovative instruments. The establishment of the World Bank's Guarantee Platform and several deployments of large-scale guarantees from donors demonstrates an

[27] This assessment has been supported by findings of the Center for Global Development's (CGD) MDB Reform Tracker, which was updated in autumn 2024 and includes an analysis of 39 specific reforms across categories such as efficient and new sources of capital, shareholder capital expansion and others. Source: CGD, Multilateral Development Bank Reform Tracker, October 2024. Accessed at: https://www.cgdev.org/media/mdb-reform-tracker
[28] CGD, MDB Reform Tracker, October 2024.
[29] European Investment Bank, Joint Report on MDBs' Climate Finance, 2023.
[30] CGD, MDB Reform Tracker, October 2024.
[31] FitchRatings, Major MDBs Have Rating Headroom for USD480 Billion in New Lending, 2024
[32] G7 Finance Ministers and Central Bank Governors' Statement, Washington DC, April 17 2024

upward trend. The IMF approval of SDR rechannelling into MDBs has also been a breakthrough in using hybrid capital. However, risk-aversion is limiting the widespread use of innovative instruments: guarantees are just 6% of MDB climate finance, against the G20 IEG target for 25% of total MDB finance deployed, whilst hybrid capital has only been issued by one bank to capital markets (AfDB) and the issuance to shareholders is still pending. Crucially, calls to increase shareholder capital are not being met, stymied by a combination of pressures on development budgets and concerns over the implications of voting share changes. MDBs and shareholders point to the host of other actions (e.g. capital adequacy framework reform or increased deployment of innovative instruments) as priorities before assessing capital increase requirements, but this will also need to proceed in parallel in order to meet the scale required (the G20 IEG set the target for $100 billion increase in shareholder contributions across all the MDBs in the next nine years).

- **Improvements to MDB operating models and efforts to work more effectively as a system are frequently touted but progress has largely been limited to high-profile, flagship initiatives and is yet to reflect deeper structural changes.** Whilst the World Bank's (WBG) Evolution Roadmap is a welcome demonstration of efforts to shift MDB operating models, there is considerably more work to action this in the WBG, and across all MDBs. Further, with three banks having targets for shortening project approval timelines (AfDB, EIB, WBG) and no bank yet reporting on their total finance committed to country platforms, it is ambitious to deem MDB action so far as a structural shift from project-by-project to country-level transformation. Additionally, MDBs are indicating a lot of interest in expanding private capital mobilisation, as recommended by the G20 IEG. Yet private capital mobilisation (PCM) rates for climate are off track. Against the IEG target of $1.2 PCM per $1 of MDB finance deployed: PCM is 80 cents per dollar for all income groups in 2023, and 40 cents for low- and middle-income countries.

5. Domestic Resource Mobilisation (DRM)

Overarching Goal:	EMDCs, with support of development partners, significantly scale up domestic financial resources to meet development & climate goals
Progress Assessment:	Off-track

IHLEG analysis has identified a scale up of domestic resource mobilisation required in EMDCs from current levels of $400 billion per year, to approximately $1.4 trillion by 2030, representing a $1 trillion climate-finance gap from domestic resource mobilisation (DRM)[33]. Domestic public financing to invest in climate action will come from taxation and other revenues, as they would for other public goods and services. Several levers exist to increase domestic financing: reallocating government spending away from harmful activities, improving government spending efficiency and expanding government revenue flows. Additionally, domestic private capital can be mobilised through borrowing from domestic public debt markets and investing in domestic savings. To achieve this, domestic capital markets can be deepened through the implementation of enabling financial regulations and bolstering market liquidity.

Towards IHLEG's overarching goal of '**EMDCs, with support of development partners, significantly scale up domestic financial resources to meet development and climate goals**' the state of delivery shows actions are **off-track**.

[33] Bhattacharya, A., Songwe, V., Soubeyran, E., & Stern, N., Third Report of the Independent High-Level Expert Group on Climate Finance: Raising Ambition and Accelerating Delivery of Climate Finance – Summary, 2024.

The key factors supporting this assessment include:

- **Growth in the mobilisation of tax revenues in EMDCs has stalled** since the 2008 global financial crisis, further compounded by the macroeconomic impacts of the COVID-19 pandemic and Russia's invasion of Ukraine. The recent increase in global interest rate has exacerbated the pressure on domestic revenues, with 7.8% of government revenues in developing countries spent on debt interest payments in 2023[34].
- **Public revenue generation is stagnant across EMDCs, compounded by governance inefficiencies, resulting in poor trajectories for public domestic resource mobilisation far below targeted levels for achieving development and climate goals**. Most IDA countries fall below the 15% tax-to-GDP ratio deemed optimal by the World Bank,[35] with LICs and other EMDCs rising modestly by 3.5% and 5% respectively prior to 2008 before plateauing. But the pattern is not uniform and there are some cases where we see improvements such as in Cambodia, Maldives, Nepal and Uganda[36]. There have been some breakthroughs in international cooperation to reduce tax evasion and enhance domestic tax revenue collection in EMDCs, including: the introduction in 2023 of an automatic multilateral exchange of bank information by more than 100 countries to reduce base erosion profit shifting; the endorsement of a global minimum tax by more than 140 countries[37] in 2021. Critical spending for climate action on infrastructure in EMDCs is also impeded by poor infrastructure governance, evident in the IMF's analysis showing that poor governance accounts for 34% of public expenditure losses in infrastructure.[38] Additionally, EMDCs have been slow to phase out and reallocate funds from environmentally harmful subsidies[39]. Moreover, specific tax regimes to limit environmentally harmful activities and promote mitigation, such as carbon pricing mechanisms, are far from the levels required to meet Paris-alignment targets[40].
- **Mobilising private domestic capital for climate action is falling short of needs**. Private domestic capital flows in climate action are difficult to assess due to data gaps, but best estimates indicate that today only $50-100 billion flow annually into climate related investments – and this is against a quickly growing stock estimated at $17 trillion in domestic assets in EMDCs excluding China (including private savings, pension funds, sovereign wealth funds, etc)[41]. Hence, mobilising an additional flow of $440 to $540 billion required to meet the $550–$630 billion per annum needs by 2030[42] seems highly doable. Across many EMDCs, the depth of capital markets, institutional capacity and regulatory constraints can often prevent more domestic investment in climate-positive infrastructure[43] – with sustainable debt issuance in EMDCs representing only 18% of global issuance of sustainable debt securities[44]. Nevertheless, there are good recent examples where EMDCs have deepened domestic capital markets and strengthened the enabling environment to unlock private domestic investment in climate-positive assets. Financial institutions and marketplaces are gradually adopting sustainable finance frameworks, and two-thirds of global stock exchanges with mandatory Environmental, Social and Governance (ESG) requirements are in EMDCs, signalling growing momentum[45]. Additionally, national development banks are enhancing their lending capacity and increasingly upskilling on climate[46]; MDBs and

[34] UNCTAD, A World of Debt, 2024.
[35] IMF, Domestic Resource Mobilization: Key Challenges and Strategies for G20 Economies, 2024.
[36] Ibid
[37] Alstadsæter, A., Godar, S., Nicolaides, P., & Zucman, G., Global Tax Evasion Report 2024, EU Tax Observatory, 2024.
[38] Schwartz, G., Fouad, M., Hansen, T., & Verdier, G., Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment, IMF, 2020.
[39] Koplow, D. and Steenblik, R., Protecting Nature by Reforming Environmentally Harmful Subsidies: An Update, Earthtrack, 2024.
[40] World Bank. State and trends of carbon pricing 2024, 2024.
[41] Blended Finance Taskforce, Mobilising Domestic Capital to Drive Climate-Positive Growth, 2024.
[42] Bhattacharya, A., Songwe, V., Soubeyran, E., & Stern, N., Third Report of the Independent High-Level Expert Group on Climate Finance: Raising Ambition and Accelerating Delivery of Climate Finance – Summary, 2024.
[43] Blended Finance Taskforce, Mobilising Domestic Capital to Drive Climate-Positive Growth, 2024.
[44] World Bank Group, Finance and Prosperity 2024.
[45] Ibid.
[46] European Investment Bank, Finance in Africa 2022: Navigating the financial landscape in turbulent times, 2022.

other international investors should see national development banks as critical partners, especially to build a climate-positive pipeline and originate deal flow.

6. External Private Finance

Overarching Goal:	$450–$550 billion a year of international private capital to EMDCs per year by 2030
Progress Assessment:	Insufficient progress, pace too slow

The climate and transition finance opportunities in EMDCs are becoming increasingly attractive to the private sector as technology developments reduce the costs and opportunities becomes clearer. Over the next 10 years, EMDCs should account for over 60% of the absolute increase in clean energy, creating outsized opportunities for private investment. IHLEG analysis shows that by 2030, the private sector should be deploying at least $1 trillion for climate action in EMDCs – of which at least $450 billion should be 'external' (i.e. from outside of EMDCs). This is eminently doable given the size of the global economy; even so, technology cost reductions are not being realised in EMDCs and the cost of capital is still 3–5x higher than in developed economies. International private flows to EMDCs were only about $15 billion in 2021/22,[47] less than 3% of the $450 billion needed annually by 2030, with significant capital outflows from EMDC stocks and bonds being driven by rising rates in Western economies and a stronger US dollar in recent years. As a result, private climate finance is growing at half the rate of public finance and is primarily directed towards energy and transport in developed economies, while the - already minimal - proportion of climate finance going to adaptation is declining. Macroeconomic and geopolitical challenges, along with data gaps, perception of risk, liquidity constraints, and regulatory barriers create obstacles to large-scale private investment. Governments, financial institutions and corporates must work together to unlock new investment opportunities, standardise and scale effective risk-sharing and credit enhancement structures, tackle regulatory barriers and create efficient incentives to unlock investment for climate action in EMDCs.

Towards IHLEG's overarching goal of **'$450–$550 billion a year of international private capital to EMDCs excluding China per year by 2030'** the state of delivery shows actions are **insufficient progress, pace too slow**.

The key factors supporting this assessment include:

- The opportunity and need to scale private finance for climate action is **widely accepted on the international stage**, as evidenced by various reform agendas, including the G20's Independent Expert Group, the Bridgetown Initiative, the World Bank's Evolution Roadmap and others.
- Since the first report of the IHLEG, important progress has been made with increased collaboration between public, private and philanthropic institutions to develop new investment vehicles and risk-sharing mechanisms to tackle some of the barriers to large-scale climate finance in EMDCs. This includes a proliferation of new blended climate funds (for both mitigation and adaptation); the launch of new guarantee companies including in local currency; currency hedging products to address FX risk; increased attention on early-stage equity to develop pipeline; and a growing focus on securitisation and recycling loans off MDB balance sheets to unlock large-scale institutional capital in EMDC assets.[48]

[47] Climate Policy Initiative, Global Landscape of Climate Finance 2023.
[48] Convergence, State of Blended Finance 2024, 2024.

- Real progress has been made to **align sustainable finance taxonomies** and disclosure standards across the world, especially in Asia, as well as better data availability about the historical performance of EMDC loan portfolios (including the release of the GEMs database and more engagement of credit rating agencies on climate risk) and more anecdotal case studies of lower default rates than expected in EMDCs. [49]
- This progress needs to scale. Further, **regulatory and behavioural barriers continue to play a major barrier to investment**, resulting in higher costs for bank finance in EMDCs and lower portfolio allocations for institutional investors (in Europe, insurers allocate less than 5% to EMDCs; pension funds allocate between 5–15% with only a fraction of this going to climate action). These barriers, coupled with insufficient incentives, mean that there is still significant work to do to accelerate international private investment to EMDCs at the necessary pace.
- For this decade, it is crucial to strengthen collaboration between public and **private finance** to more effectively share data and mitigate risks, to source, aggregate and securitise projects and to tackle critical regulatory barriers. Change is needed both domestically and internationally – across financial institutions, corporations, and policy frameworks. Strengthening collaboration on these issues will unlock the potential for greater private climate finance.

[49] World Bank Group, Finance and Prosperity 2024.

Annex: Climate Finance Agenda to COP30: Commitments & Actions to be delivered

The Global Climate Finance Framework was launched and endorsed by key world leaders at COP28, recognising that climate finance requires action across multiple fronts. The tableau below attempts to provide a comprehensive picture of key priorities and actions to be delivered by COP29 in Baku and by COP30 in Belem. This tableau draws on IHLEG analysis, as well as the CPI Climate Finance Reform Compass. It identifies actions to be taken by key institutions and actors, drawing on multiple proposals, commitments and processes (including the UN/United Nations Framework Convention on Climate Change (UNFCCC), G20, G7, International Financial Institutions (IFIs)), coalitions and initiatives (Bridgetown, The Paris Pact for People and the Planet (4P), the Vulnerable Twenty Group (V20), Glasgow Financial Alliance for Net Zero (GFANZ) and the private sector, Coalition of Finance Ministers and NGFS).

This comprehensive agenda has been updated since the previous roundtable during New York Climate Week (NYCW), with refined milestones and priorities. The tableau is underpinned by the IHLEG *State of Delivery: Progress snapshot on the global climate finance agenda,* which assesses progress against each action pillar. These documents are designed to facilitate accountability and highlight where progress is still required, to aid the prioritisation of future actions, up to COP30.

COUNTRY-LED INVESTMENT PUSH **Goal:** Country-led investment facilitation to plan, prioritise, and implement investment programs and projects at scale.			
Priorities from IHLEG 3.0 report	**Recent actions / Commitments**	**Milestone COP29**	**Milestone COP30**
Countries set out well-articulated strategies and transition plans	• Some countries have come forward with national plans for sustainable development and green transition (e.g. Barbados, Brazil, Bangladesh, V20 Climate Prosperity Plans)	• **V20 and other** countries commit to setting out national plans for sustainable development and green transition.	• **All countries** set out clear investment and financing plans as part of the next round of NDCs.
Translate investment plans to development of well-designed project pipelines	• Efforts are underway to strengthen support for project preparation, including with the participation of the private sector.	• **G20 and donors** commit to strengthening support for project preparation, including by bolstering the Global Infrastructure Facility at COP29.	• **G20 and IFIs** revamp architecture for project preparation facilities with enhanced participation between public and private sectors.
Countries tackle policy and institutional barriers	• Examples of programs in some countries but no systematic assessments of progress so far.	• **Countries** recognise importance of policy and institutional reforms to unlock investments at scale.	• **Countries** demonstrate progress in tackling impediments to the energy transition and climate resilience. • **Countries and international organisations** provide comprehensive

			assessment of progress and remaining barriers. • **MDBs, DFIs and donors** provide capacity-building support for countries' implementation of investment plans and policy reforms.
Use country led platforms to bring together stakeholders on purposeful strategies to scale up investments and financing for transformational change	• Growing recognition of importance of country platforms particularly by the G20 and additional country platforms being put forward including most recently by Brazil.	• **G20 and MDBs** recognise importance of Country Platforms as central instrument for scaling up investment. – DELIVERED • **G20** updates principles for country platforms.	• **Countries** demonstrate progress in implementation of country platforms • **Additional countries** come forward with country platforms for transformative change. • **MDBs** coordinate to support ongoing and new country platforms. • **More donors** commit to adequate and predictable financing packages for country platforms. • **G20 and others** set up mechanisms for tracking and monitoring of country platforms.

DEBT & FISCAL SPACE **Goal:** Tackle debt distress, overcome debt vulnerability due to climate risks, and improve the Debt Sustainability Framework			
Priorities from IHLEG 3.0 report	**Recent Actions /Commitments**	**Milestone COP29**	**Milestone COP30**
Put in place effective debt relief and resolution process to address debt distress.	• IMF/World Bank (WB) has advanced consultations at the Global Sovereign Debt Roundtable, but little progress has been made in the implementation of the Common Framework.	• **G20, IMF** and **WB** set out an action agenda to tackle debt distress in EMDCs.	• **G20** revises Common Framework to facilitate debt relief and include all creditors and MICs. • **UN FFD4** identifies and secures support for a breakthrough debt agenda.

Improve the terms of existing debt and access to low-cost finance to improve fiscal space.	• IMF has provided enhanced support through the PRGT and the newly established Resilience and Sustainability Trust (RST). • WB has provided enhanced support through IDA grants and loans to ease fiscal space.	• **G20 and creditors** recognise steps to address debt have been inadequate, and more needs to be done.	• **IFIs and G20** set out agenda and means to restructure debt and provide access to adequate concessional financing to support liquidity. • **MDBs, with G20 support**, introduce concessional lending instruments with longer tenure to pre-empt debt defaults and support long-term investment.
Tackle the vicious cycle of debt and climate vulnerability	• Climate Resilient Debt Clauses (CRDCs) adopted by some MDBs and G7 countries. • Innovative experiments on debt swaps (e.g. Ecuador, Barbados, etc)	• **IFIs and donors** set out additional steps for adoption of CRDCs by all providers of finance.	• **All creditors – private and public –** introduce CRDCs in their lending instruments to make debt stocks more resilient. • **G20** endorses a set of shared principles as a basis for debt-for-climate swaps.
Improve Debt Sustainability Assessment frameworks	• IMF/WB initiated review of the Debt Sustainability Analysis (DSA) for low-income countries.	• **IMF/WB** continue consultations with stakeholders and issue guidance note on incorporating climate/nature risks in DSAs and longer-term payoffs from climate action.	• **IMF/WB** DSA incorporates climate risk, nature loss and the longer-term growth payoffs of climate investment. • **IMF/WB** DSA frameworks also develop scenarios on climate investment imperatives and options for financing.

CONCESSIONAL FINANCE

Goal: Scale up concessional finance four-fold on existing levels by 2030

Priorities from IHLEG 3.0 report	Recent Actions /Commitments	Milestone COP29	Milestone COP30
Deliver on existing climate finance commitments	• Developed countries delivered $116 bn in annual climate finance in 2022. • COP28 launched 2-year UAE-Belem work program for Global Goal for Adaptation. • Fund for Responding to Loss and Damage operationalised at COP28 and initial funding secured.	• **Donors – old and new –** increase IDA contributions to at least $28-$30 billion, enabling lending of at least $100 billion. • **Donors** agree to increase bilateral concessional finance by at least two-fold by 2030 as part of NCQG. • **Parties** agree on an ambitious and fit for purpose new collective quantified goal (NCQG) at COP29. • **Donors** pledged contributions delivered to L&D Fund.	• **Donors** double adaptation finance by 2025. • **Donors and new contributors** commit to credible funding of the L&D Fund by COP30. • **G20** advances reforms in architecture for multilateral climate funds, including adequacy of funding and ease of access. • **OECD** implements a framework for monitoring and accountability of climate finance.
Develop high-integrity carbon markets	• Voluntary Carbon Markets Initiative (VCMI) published its Code of Practice. • Integrity Council for the VCM (ICVCM) published its Core Carbon Principles. • US announced new Principles for High-Integrity Voluntary Carbon Markets.	• **Parties** reach consensus on operationalising Article 6 (including Art. 6.2 and 6.4) at COP29. – PARTIALLY DELIVERED	• **VCMI** launches scope 3 claims guidance. • **ICVCM** strengthens Core Carbon Principles Assessment Framework. • **More EMDCs**, with donor support, build capacity to attract high integrity carbon finance. • **All countries** expand compliance markets to raise climate finance.
IMF member countries expand the pool of SDRs available for climate finance	• Donors delivered $100 billion in SDR rechannelling. • IMF used SDRs to increase support through RST and PRGT. • IMF approved the use of SDRs to subscribe to hybrid capital of MDBs.	• **IMF** commits to increase number of RST programs. • **MDBs and donors** commit to use of SDRs for hybrid capital for MDBs – starting with IDB and AfDB.	• **IMF member countries** increase pool of SDRs channelled through IMF and MDBs. • **IMF, with support of member countries** agrees to a new SDR issuance.

		• **IMF and key stakeholders** commit to resolve impediments to SDR rechannelling.	
Develop and implement proposals for global solidarity levies	• Launch of the Global Solidarity Levies Task Force at COP28 (Task Force). • G20 Ministerial Declaration on International Tax Cooperation, recognising need for carbon pricing mechanisms and mobilising financing for sustainable development.	• **The Global Solidarity Levies Task Force** puts forward initial proposals for global solidarity levies at COP29, for open consultation. • **Governments** agree to TORs for a UN Tax Convention by 2027.	• **Task Force puts forward** joint declaration(s) agreeing to move forward on new international levies for climate action and development. • **International Maritime Organisation** finalises plans for a new global pricing mechanism for maritime emissions. • **G20** progresses consultations on coordinated taxation of the ultra-rich.

THE ROLE OF MDBs **Goal:** Better, bigger and more effective MDBs and DFIs			
Priorities from IHLEG 3.0 report	**Recent Actions /Commitments**	**Milestone COP29**	**Milestone COP30**
MDBs follow through on reform agenda, including more proactive support for country-led platforms	• G20 undertook major effort to develop a roadmap for better, bigger and more effective MDBs with deliverables and benchmarks. • MDBs committed to streamline and harmonize standards and improve operational efficiency and set up joint platforms.	• **G20** roadmap on MDB reform endorsed by G20 Ministers of Finance and Leaders – *DELIVERED*. • **MDBs** to set out shared understanding and commit on way forward on more proactive support for country platforms - *DELIVERED.*	• **G20** tracks and supports delivery of MDB Reform roadmap. • **MDBs** deliver on joint program of action, with consolidated reporting at the Springs, Annual Meetings and COP. • **MDBs** commit to channel at least 50% of incremental lending activity through country and regional platforms by 2030.

<table>
<tr><td>MDBs take necessary steps to triple lending capacity by 2030</td><td>MDBs committed $125 billion in climate finance in 2023, up from $100 billion in 2022.
MDBs have taken coordinated steps to implement the G20 Capital Adequacy Framework's (CAF) recommendations.
MDBs are increasing the use of hybrid capital and SDRs.
MDBs have strengthened interactions with credit rating agencies.</td><td>MDBs commit to providing scale of support consistent with meeting $1 trillion of external financing requirement and ambitious NCQG.
MDBs and shareholders commit to take the necessary steps to tripling of MDB financing by 2030.
MDBs commit to clarify processes and procedures on use of callable capital.</td><td>MDBs continue with concerted efforts to expand lending capacity to provide long term and predictable financing, including for country led platforms.
G7, G20, philanthropy and private stakeholders to come together to expand hybrid capital and use of guarantees.
MDBs with support of G20 and shareholders establish a coordinated process for regular review of capital adequacy.
Finance in Common mobilises network of national development banks (NDBs) to scale up resources for climate finance.</td></tr>
<tr><td>MDBs catalyse private finance, including through tapping long-term institutional capital</td><td>MDBs are prioritising private finance mobilisation including setting and publishing targets.
WB & GFANZ: Private Sector Investment Lab established.
WB committed to major improvements and expansion of guarantees through MIGA.
Initial steps on tackling FX risk.</td><td>MDBs set targets for collective private sector mobilisation for climate finance by 2030.</td><td>All MDBs commit to institution-specific target to mobilise private climate finance and to monitor progress regularly.
MDBs set targets to ramp up their local currency lending, FX risk sharing instruments and deployment of early-stage equity financing.</td></tr>
</table>

DOMESTIC RESOURCE MOBILIZATION (DRM) **Goal:** EMDCs, with support of development partners, significantly scale up domestic financial resources to meet development and climate goals			
Priorities from IHLEG 3.0 report	**Recent Actions /Commitments**	**Milestone COP29**	**Milestone COP30**
EMDCs increase domestic tax revenues and adopt carbon taxation more widely	• IMF/WB launched a joint initiative to support DRM in EMDCs.		• **More countries** adopt and increase levels of carbon taxation • **More countries** adopt a minimum corporate income tax. • **IMF, MDBs and OECD** expand capacity building support for DRM 7in EMDCs.
Phase-out harmful subsidies, with due regard to political economy	• A few countries have implemented reforms to reduce harmful subsidies		• **More countries** reduce environmentally harmful subsidies.
Strengthen international taxation arrangements for a fair global tax system	• OECD Inclusive Framework agreed on taxing the digital economy and global minimum tax. • UN committee agreed to ToRs for a UN Tax Convention to promote an inclusive global tax system.	• **OECD** Inclusive Framework tailors BEPS to the administrative capacities of EMDCs.	• **G20** initiates discussion to increase global minimum tax from 15% to 20%. • **UN FFD4** to develop a path to achieve significant progress on DRM as key financing pillar.
Strengthen domestic private financial sector in EMDCs, including capital markets	• Some progress in some countries in strengthening domestic financial support for climate actions, including through NDBs.	• **EMDCs** adopt regional and international sustainable finance frameworks. • **Countries and development partners** highlight the importance of concerted action on domestic private finance.	• **Governments** deploy policies to enable domestic pension capital investments for sustainable infrastructure. • **Central banks and other financiers in EMDCs** increase use of sustainable finance products, such as green bonds, sustainability-linked loans. • **MDBs** commit to ramp up local currency lending and deployment of early stage-equity financing.

EXTERNAL PRIVATE FINANCE **Goal:** $450-$550 billion of international private capital to EMDCs excluding China per year by 2030			
Priorities from IHLEG 3.0 report	**Recent Actions / Commitments**	**Milestone COP29**	**Milestone COP30**
Build pipeline & strengthen enabling investment environment	• Efforts on public-private co-creation for pipeline development (e.g. GFANZ-Africa). • GFANZ, the Transition Plan Taskforce, TCFD and CDP have started to provide transition plan guidance. • ISSB working to streamline and consolidate frameworks for transition planning.	• **IFIs** commit to scale early-stage financing for technical and capacity building support for project preparation, including through GIF. • **Countries, private sector and DFIs commit to** platforms for co-creation and financing of projects. • **Private sector and philanthropy agree to** coordinate to deploy early project equity investments.	• **Private sector and DFIs** scale/replicate platforms for co-creation and financing of projects. • **Countries with support of development partners** build a transition-ready skills and labour market. • **ISSB** corporate transition plan guidance adapted to be fit-for-purpose in EMDCs.
Scale efficient risk-sharing mechanisms and credit enhancement and improve data availability	• New blended finance funds launched by EMDC asset managers (e.g. EAIF, GAIA, CLEAR, Climate Investor 2). • Launch of new green guarantee companies (e.g. Green Guarantee Company, Dhamana, Infracredit, Infrazamin) • IDB EcoInvest launched to tackle currency risk. • MDBs and DFIs expand data released in Global Emerging Markets Risk Database.	• **Private investors** commit to replicate successful blended finance funds (e.g. EAIF II, Climate Investor 3). • **Private sector** commits to explore innovative mechanisms to finance adaptation including insurance. • **Global private investors** commit to increase presence in EMDCs.	• **DFIs and donors** scale up credit enhancement tools with lower transactions costs and delivery times. • **IFIs and donors** encourage creation of targeted private climate funds. • **Private sector** launches insurance instrument/s for adaptation finance • **All EM focused asset managers** commit to share anonymised performance data and aggregate with GEMS database • **Global investors** and credit rating agencies expand presence in EMDCs

			• **IMF, WB and donors** explore FX facilities for green investments in EMDCs.
Tackle regulatory impediments and incentives	• Progress on TCFD + TNFD with companies disclosing climate and nature-related risks. • Growing alignment of green bond principles across countries. • Regional and national sustainable finance taxonomies launched.	• **G20** agrees on a review of Basel and Solvency regulations **that** disincentivise investment in EMDCs. • **Institutional investors** commit to review risk management restrictions that disincentivise investment in EMDCs (e.g. capital adequacy; fiduciary duty; credit risk assessment).	• **G20** commissions formal review of regulatory frameworks disincentivising investment in EMDCs. • **Policymakers** to provide guidance on fiduciary duty. • **Asset owners** set long-term targets to increase portfolio allocations to EMDCs. • **G20** to support the convergence of regional sustainable finance taxonomies.