The State of Delivery

Executive Summary

Post-COP29 progress report of the global climate finance agenda

December 2024

In-Consultation Report of the Independent High-Level Expert Group on Climate Finance and Systemiq

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Introduction

Mobilising finance from all sources across the climate finance architecture is essential to securing a sustainable future and meeting global commitments on climate mitigation and adaptation. This is particularly true in emerging markets and developing countries (EMDCs) where the magnitude of climate risks is larger, and needs are greatest. The Independent High-Level Expert Group (IHLEG) on climate finance identifies that $2.4 trillion annually will be required for climate- and nature-related investment in 2030, and $3.1 to $3.7 trillion annually by 2035.

This report reviews progress on the delivery of the climate finance agenda and proposes a framework of performance indicators. The goal is to assess how effectively climate finance is being mobilized and to identify gaps. These gaps can be addressed by increasing ambition and accelerating climate action delivery in EMDCs and making the climate finance system more resilient.

The state of delivery is a progress snapshot of reforms across core themes of the climate finance agenda. These themes include the enabling conditions for investment: country-led investment push and debt and fiscal stability. They also address the required pools of finance, including: delivering and expanding options for concessional finance, Multilateral Development Bank (MDB) finance, domestic resource mobilisation (DRM), and creating a new highway of private finance. These themes have been matched to priorities, actions and milestones to close the climate finance gap needed to achieve the Paris Agreement.

The extent of progress by 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 upwards, 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.

Figure 1: State of Delivery of the Climate Finance Agenda

Figure 1: State of delivery of the climate finance agenda

1. Country-led Investment Push

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

Aligning countries' national development priorities with climate outcomes is essential to unlock both domestic and international climate investment. Three components are required to do this: 1) well-articulated country strategies and transition plans, starting with Nationally Determined Contributions (NDCs) and Long-Term Low Emission Development Strategies (LTS) that are linked to a country's overarching investment strategy; 2) institutional structures capable of translating strategies into tangible investment programmes and pipelines; and 3) sustained policy and institutional reforms that can tackle barriers to investment and incentivise the transition in key sectors. As a concept, country platforms (CPs) have been used for decades in broader development contexts; more recently, CPs have emerged as a key instrument to deliver climate action in synergy with national investment plans. CPs provide a platform to translate plans into projects with a diverse pool of capital sources and stakeholders.

Whilst the need to develop national climate and development plans is generating momentum, delivery remains slow, especially on the convergence of national plans and NDCs. The increasing number of countries developing climate-related investment plans bodes well for the development of additional CPs, but this is still in an early stage. Although there has been 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 materialising 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:

- **There are only a few examples of national climate and development plans that are fit for purpose as investment plans. The 2035 NDCs due in early 2025 present an important opportunity to accelerate progress in twinning climate policies with investment plans.** Recent examples of 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).[1]
- **Attention and capacity-building support around translating plans into investment programmes and developing pipelines has been insufficient.** The current pipeline of climate-aligned projects in EMDCs will need to grow significantly in line with the 2030 investment gap, with some estimates suggesting pipelines must grow 7-9 times from 2023-levels.[2] This is dependent on improved project preparation support and improved domestic public investment management, both of which are lagging. Estimates suggest between 25-50 times more project preparation funding is required in emerging markets alone.[3] And yet despite many calls for expansion,

[1] 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.
2 TBI analysis, based on WB PPI database, World Bank indicators, Preqin database
[3] Haddon J, Parolin A, West D, Walsh G., Emerging Markets Need Projects that Attract Private Investors to Meet Climate Goals, 2023.

institutions that can support project preparation are not growing fast enough. The Global Infrastructure Facility, for example, continues to have a budget that allows it to support only 15 projects a year. Public Investment Management Assessment (PIMA) scores for EMDCs show that government institutions for investment are still relatively weak, particularly around budgeting and allocations.[4] Although previous G20 Infrastructure Working Group (IWG) agendas had emphasised the importance of government capacity for investments, too little has been done and the current G20 agenda overlooks it.

- **National policies for climate investment are not yet fit for purpose, though there are some encouraging signs of change among some EMDCs**. The Climate Change Performance Index's assessment of climate policy in emerging market countries shows that all countries assessed rank 'medium' to 'extremely low' in their policy frameworks. Nonetheless, scores have improved markedly between 2022-2023. On the implementation of explicit carbon pricing, mechanisms are still far from the pricing levels and emissions coverage required for Paris-alignment. Similarly, the phase-out of harmful subsidies is progressing far too slowly, with current global estimates of environmentally harmful subsidies at $1.25–$2.68 trillion a year in 2023, almost $500 billion of which is in developing countries[5] (*addressed in more detail in domestic resource mobilisation section*).
- **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 a) domestic priorities and political economy considerations as well as b) capacity to coordinate between ministries.[6] Secondly, CPs rely on the international development community being supportive of CP development in that country and also at a wider-institutional level. Though MDBs, donors and other partners have signalled intent to streamline CP development efforts, including through their November 2024 statement at COP29 called 'Country Platforms for Climate Action', a fully coordinated and substantive plan is still pending.[7]
- **Further, the 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[8] and Indonesia[9]), only around 10% of the total investment need is met by the international public finance package associated with CPs, and just 0.6% by grants, much of which is pre-existing grants for projects that have been repackaged into the CP.[10]

[4] IMF, Public Investment Management Assessment
[5] Harvey, F., More than £494bn subsidies a year in developing world harmful to climate, says report, The Guardian, 2024.
[6] Independent Report of the G20 TF-CLIMA Group of Experts, A Green and Just Planet: The 1.5o Agenda for Governing Global Industrial and Financial Policies in the G20, 2024.
[7] MDB Climate Action Group, Country Platforms for Climate Action MDB statement of common understanding and way forward, 2024.
[8] Government of the Republic of South Africa, JET Grants Register 2024Q1, State of the Nation, 2024.
[9] JETP Indonesia, https://jetp-id.org/news/jetp-grant-mapping, 2024.
[10] Desktop research and Systemiq analysis.

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

Since COVID-19 and the associated cascading crises, global public debt has surged, worsened by the highest interest rates in two decades and weakening currencies.[11] Today, nearly half of all low-income countries are in debt distress[12] and in Africa, public debt is growing faster than GDP.[13] Debt servicing costs have reached record levels in 2023 among low- and middle-income countries (LICs and MICs) excluding China, growing by 19.7% to almost $1 trillion since 2022. This is also significantly limiting EMDCs access to finance. With high costs of private debt and challenges to refinance bunched maturity payments on private bonds and loans (due to a flight to quality in global capital markets), the creditworthiness of many developing countries declined in 2023-2024. The climate crisis is further feeding and deepening the debt crisis: climate shocks send countries into a vicious cycle of debt and the further accumulation of loss and damage, 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.

Reform of the international debt architecture is required to ensure countries can effectively manage their debt, exit this vicious spiral, and protect their fiscal space for climate investment. Such investments, particularly into adaptation and resilience measures, can have a positive feedback effect on future debt burdens and avoid development losses.[14] Current methods to respond to the debt overhang issue (e.g. debt resolution processes) need to be streamlined and scaled, with a more structured approach for liquidity support, as well as structural reforms and new instruments that adequately incorporate the realities of the climate crisis.

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**.

The key factors supporting this assessment include:

- **Efforts to improve the debt relief and resolution process have increased but remain slow and are not ambitious enough to transform the way the multilateral system addresses debt distress.** The 2024 G20 Brazilian Presidency's focus on poverty and inclusion put debt high on the agenda. However, the agenda did not focus on facilitating investment for climate action in LICs or EMDCs specifically. Whilst there is consensus among G20 countries to reform the Common Framework for Debt Treatments (CF) – as demonstrated by the establishment of the Global Sovereign Debt Roundtable (GSDR) by the G20, IMF and World Bank – differences remain among G20 countries on how to achieve this. The latest report by the GSDR highlighted progress in shortening approval timelines and delivering more predictable debt restructuring, as seen for Ghana and Ethiopia, as well as Sri Lanka outside the CF.[15] There remain areas of outstanding debate, including: a) expanding access to the framework for

11 World Bank, International Debt Report 2024, 2024.
12 Mawejje, J. Fiscal Vulnerabilities in Low-Income Countries: Evolution, Drivers and Policies, 2024.
13 UNCTAD, A World of Debt, 2024.
14 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.
15 IMF, Global Sovereign Debt Roundtable, 3rd Cochairs Progress Report, 2024.

climate vulnerable middle-income countries (MICs) consistent with developing country asks, b) the parameters of debt included and c) the automaticity of debt suspension.

- **There is insufficient progress in improving the terms of existing debt and the provision of low-cost, long-term finance**. 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 54 developing countries now allocating 10% or more of their government revenues solely to interest payments.[16] Worsened by the increasing cost of commercial capital and a general retreat from private lending over the past two years, multilateral lenders have increasingly become the central lifeline for EMDCs. Yet, analysis finds that the IMF facilities lack the appropriate scale to meet the needs of the climate crisis faced in the Global South, where fiscal consolidation is often overemphasised over long-run resource mobilisation.[17] The recent IMF and World Bank non-paper on a three-pillar approach to address the liquidity challenges provide the beginnings of a comprehensive framework to support countries. The three pillars are: 1) structural reform and domestic resource mobilisation, 2) external financial support, and 3) actions to reduce debt servicing burdens.[18] How this three-pillar programme is operationalised and supported by the G20 remains to be defined. The GSDR has highlighted that supporting countries who are not debt insolvent but face liquidity challenges is a priority for members in order to prevent these challenges from morphing into a debt crisis. [19] Other critical actions to scale adequate lending levels for the IMF include upgrading its toolkit, expanding resources for the Resilience and Sustainability Facility and replenishing the Catastrophe Containment and Relief Trust.[20]
- **There have been early steps toward tackling the vicious cycle of debt and climate vulnerability using new instruments.** Climate-resilient debt clauses (CRDCs) are relatively new instruments and have been adopted by some MDBs and G7 countries, yet require adoption among all types of creditors, including private creditors. Debt-for-climate swaps are innovative tools with the potential to unlock significant resources from debt servicing to climate action; however, standardisation of this complex tool to achieve scale is still in its early stages,
- **The Debt Sustainability Assessment framework is improving but requires more reforms to adequately cover climate risks, natural capital and the benefits of climate investments.** The updated IMF Supplementary Guidance Note for the framework for LICs includes how climate change risks impact baseline forecasts and volatility, as well as how climate adaptation investments mitigate risks. This update is a step in the right direction. However, recent reports have shown that key factors are still not included (see the 2024 Expert Review on Debt, Climate and Nature's interim report and Systemiq's 2024 report Integrating Climate, Adaptation and Natural Capital into Macroeconomic Frameworks and Debt Sustainability). These factors include: a) ensuring all baseline macroeconomic forecasts include climate change and nature impacts; b) the recognition of natural capital as contributors to long-term economic growth and an adaptation opportunity; c) the inclusion of climate investments as resilience building into long-term growth; and d) the recognition that many market-access countries are also climate vulnerable alongside low-income countries.[48] Deeper reforms are pending the outcome of an IMF ongoing review.

16 Ibid.
17 Task Force on Climate, Development and the IMF, IMF 2030: A Transformative Action Plan to Achieve Climate and Development Goals, 2024.
18 World Bank, IMF-World Bank Non-Paper on Actions to Support Countries Faced with Liquidity Challenges, 2024.
19 IMF, Global Sovereign Debt Roundtable: 3rd Cochairs Progress Report, 2024.
20 Task Force on Climate, Development and the IMF, IMF 2030: A Transformative Action Plan to Achieve Climate and Development Goals, 2024.

3. Concessional Finance

Overarching Goal:	A fourfold increase in concessional finance on current
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.[21] Concessional finance remains essential to help drive climate action in EMDCs, particularly for those in debt distress, and all pools of concessional finance need to be tapped. Whilst Overseas Development Assistance (ODA) reached historical levels in 2023 ($223.7 billion), growing 1.8% from 2022[22], concessional finance levels remain woefully inadequate, both in scale and quality. Bilateral contributions from advanced economies grew from an average of $32 billion in 2019-20 to $43 billion in 2022, but these levels should double by 2030 and triple by 2035, including a doubling of grant financing by 2030. Public adaptation finance flows to developing countries also grew to $28 billion, yet this is projected to reduce the adaptation finance gap by only 5%.[23] The replenishment of the IDA21 has reached a $100 billion envelope, but from a contributor donor base of only $23.7 billion, short of the $28-30 billion required. It is also unclear whether newly elected governments in donor countries will maintain the commitments of their predecessors. In turn, alternative sources for mobilising concessional funds are increasingly necessary to close the concessional financing gap, including SDR recycling, international taxation and carbon markets; the development of these sources remain 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 that the required levels of total annual concessional finance for climate is $200–$300 billion by 2030, four times existing volumes.[24]

The key factors supporting this assessment include:

- **The delivery of climate finance commitments has demonstrated positive progress yet the concessionality of these flows are still far from required needs in EMDCs.** The Organization for Economic Co-operation and Development (OECD) reported that the $100 billion climate finance target to developing countries was exceeded in 2022, two years overdue.[25] There have also been some outstanding concerns on the quality of this finance, particularly on concessional terms.[26] COP29 secured a New Collective Quantified Goal (NCQG) to replace the $100 billion target, amounting to $300 billion from private and public sources of finance with the aim to mobilise $1.3 trillion. Agreement was welcomed due to the political and material risks at stake, yet the commitment falls short of the $390 billion by 2035 required to meet the goals of the Paris Agreement. In terms of identifying sources of this finance, the COP29 Agreement text acknowledges the need for public and grant-based resources and highly concessional finance, but doesn't specify the amounts required nor links it to the $300 billion commitment. Despite the lack of clarity on several aspects of the NCQG, it must be acknowledged that the

[21] Climate Policy Initiative, Understanding Global Concessional Climate Finance 2024.
[22] One.org, Official Development Assistance, accessed December 2024.
[23] UNEP, Adaptation Gap Report 2024: Come hell and high water —
As fires and floods hit the poor hardest, it is time for the world to step up adaptation actions, 2024.
[24] 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.
[25] OECD, Developed countries materially surpassed their USD 100 billion climate finance commitment in 2022, Press release, 2024.
[26] Oxfam, Rich countries overstating true value of climate finance by up to $88 billion, says Oxfam, Press release, 2024.

inclusion of the $1.3 trillion investment need is a substantial milestone itself for advancing the climate finance agenda under a collective investment goal. At COP29, the operationalisation of the Fund for Responding to Loss and Damage (FRLD) advanced with the World Bank and the Board of the Fund signing agreements that enable the fund to start disbursing funds by 2025. However, the total $792 million pledged is shadowed by the annual $250 billion required by 2030 and $400 billion by 2035 for loss and damages. [27]

- **Scaling high-integrity carbon markets have shown some progress at COP29 in terms of defining integrity and operationalisation of Article 6, yet more action is needed to effectively scale market mechanisms.** Buy-side integrity has bolstered under institutions like the Voluntary Carbon Market Initiative (VCMI) with further guidance on scope 3 claims expected in 2025. Supply-side integrity has also rallied around the Core Carbon Principles as an integrity standard for methodologies. However, fragmentation in the market along with a string of scandals that impacted buyer confidence contracted the market by 61% and reduced prices to a low weighted average of $6/tCO2e in July 2023.[28] At COP29, Parties agreed on outstanding issues blocking the operationalisation of the Paris Agreement Crediting Mechanism (PACM) and provided more clarity on Article 6.2 transactions. These developments progress the operationalisation of the PACM with key decisions on methodologies expected in 2025 led by the Supervisory Body of the mechanism (SBM), which could lead to more carbon market harmonisation and consistent high-integrity standards. Despite negotiations unblocking PACM development and private sector participation, there are still integrity concerns to be addressed due to the lack of clarity in the COP29 negotiated texts.
- **The G7 and G20 have met their 2021 goal of rechannelled $100 billion in Special Drawing Rights (SDRs) to developing countries, but some impediments remain to their use.** 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 rechannel $100 billion of their SDRs to countries most in need, a commitment that has been met with $56 billion of SDRs channelled through the PRGT and $49 billion through the RST. The 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 recycle SDRs through MDBs.[29] There have been hopeful developments for some 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,[30] but progress remains uncertain and slow-moving.
- **Global discussions on enhancing international taxation to raise revenues for climate and development financing is showing signs of progress, as demonstrated by the support from the G20 and launch of the Global Solidarity Levies Task Force at COP29.** [31] However, the success of the Task Force's recommendation requires political support in 2025, particularly at this early stage. There are key upcoming decision points for a global shipping levy under the International Maritime Organization (IMO), with an agreement expected in April 2025[32]. 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. In the philanthropy space, private philanthropic capital is playing a growing role. Yet weakness in reporting means that data on actual flows is scarce.

[27] Bhattacharya, A. et al., Raising Ambition and Accelerating Delivery of Climate Finance, LSE: Grantham Institute, 2024.
[28] World Bank Group, State and Trends of Carbon Pricing: International Carbon Markets 2024, 2024.
[29] ONE Campaign, Special Drawing Rights (SDRs): Data dive, Retrieved October 24, 2024.
[30] Plant, M., IMF approves new use of SDRs! What's next? Center for Global Development blogpost, 2023.
[31] European Climate Foundation, Countries unite in Global Solidarity Levies Task Force to mobilise additional financing for people and the planet, 2024.
[32] International Maritime Organization, IMO makes progress on net-zero framework for shipping, 2024.

4. MDBs

Overarching Goal:	Better, bigger and more effective MDBs
Progress Assessment:	Trending upwards, 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 for the climate transition in EMDCs. Over the past five years, MDBs have increasingly embraced their role in the climate finance agenda, reflected in their new mandates and the ramp up of total climate finance deployments; their 2019 commitment to mobilise at least $65 billion for LICs & MICs by 2025 has been surpassed this year at $74.7 billion. At COP29, MDBs announced a delivery target of $120 billion under a business-as-usual scenario; this current financing remains far short of the tripling required by 2030. The MDBs and their shareholders are driving the MDB reform agenda, especially through the G20. The MDBs have responded positively to the Independent Expert Group's (IEG) reform proposals for a 'bigger, better, bolder' MDB system during the India G20 Presidency. And there have since been a series of commitments from MDBs, both in their October 2023 Statement and the April 2024 Viewpoint Note. This MDB reform agenda has now been further institutionalised under the G20 Brazil Presidency, where finance ministers and heads of state endorsed the 'G20 Roadmap Towards Better, Bigger and More Effective MDBs'. Whilst this roadmap provides specific deliverables and timelines, it is noted that some are not as ambitious as had been suggested by the IEG and other independent experts.[33]

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:[34]

- **MDBs have made some progress in improving their operating models to better support the climate agenda, but they have fallen short of implementing the deep structural reforms needed to drive systemic transformation.** As described above, MDBs reinforced their enthusiasm for CPs at COP29. However, this did not offer a coordinated or concrete plan on how they will help deliver new CPs. Many MDBs have supported several flagship CPs, though none are reporting on their total finance commitments to them. There has been some progress on other reform areas around improving their operating models, including changes to MDB mandates, which have been updated by almost all major banks to include global challenges.[35] There has also been improvement of the corporate scorecards of multiple MDBs (especially the World Bank), and several initiatives aimed at better harmonising standards.
- **MDBs and their Boards are taking some steps towards tripling lending capacity by 2030, though slowly and with caution. There has been greater progress in using existing capital more effectively than in adopting innovative ways to increase capital.** To date, current progress to implement the recommendations from the G20 Independent Review of MDB's Capital Adequacy Frameworks, such as balance sheet optimisation has already raised lending headroom by $357 billion.[36] 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[37] before any downgrade and is backed by the G20 and G7.[38] Yet so far, only the Boards of IDB and

[33] Tan, E. Peter Lankes, H., Multilateral Development Banks and the New Collective Quantified Goal – will they rise to the challenge?, ODI, 2024.
[34] 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
[35] CGD, MDB Reform Tracker, October 2024.
[36] Summers, L. and Singh, N., The G20 Independent Expert Group Report Card on Strengthening Multilateral Development Banks: An Incomplete Grade, G20 IEG, 2024.
[37] FitchRatings, Major MDBs Have Rating Headroom for USD480 Billion in New Lending, 2024.
[38] G7 Finance Ministers and Central Bank Governors' Statement, Washington DC, 2024.

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 10 times by shifting some of their portfolio 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 some promise.

- On increasing their lending capacity through innovative instruments, MDBs have shown some engagement but this needs to be supported by the G20, shareholders and the IMF. The establishment of the World Bank's Guarantee Platform and several deployments of large-scale guarantees from donors demonstrates an 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 largely not being met, stymied by a combination of pressures on development budgets and concerns over the implications of voting share changes. Although most MDBs have expanded their mandates to include global challenges, only two MDBs have successfully achieved a capital increase: the EBRD approved a €4 billion increase in December 2023, while IDB Invest (the private sector arm of the Inter-American Development Bank) approved a $3.5 billion increase in March 2024. 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).
- **While MDBs have signalled a commitment to improve their private capital mobilisation, they have fallen far short of delivering this**. Of the $74.7 billion climate finance deployed to LICs & MICs in 2023, only $8 billion of direct private capital was mobilised among all the MDBs. Of this $8 billion, $6 billion was from the World Bank. In terms of both direct and indirect private capital mobilisation (PCM) for climate, this has been stagnant at just 30 cents per dollar between 2020 and 2022, raising to 40 cents in 2023 for LICs and MICs.[39] This is far short of the $1.2 PCM recommended by the IEG. Areas of particular inaction to catalyse private finance has been the provision of catalytic products such as early-stage finance and FX / risk-sharing instruments.

[39] Joint Report on MDBs' Climate Finance (2022), (2021), (2020); Systemiq analysis.

5. Domestic Resource Mobilisation (DRM)

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

Today, domestic resources account for around 70% of climate finance, totalling around $400 billion per year. IHLEG analysis has identified that public and private domestic financial resources need to scale up to approximately $1.44 trillion a year by 2030.[40] Several levers exist to increase domestic *public* financing for investment in climate action: expanding government revenue flows, reallocating government spending away from harmful activities and improving efficiency of government spending. Additionally, domestic *private* capital can be mobilised through the issuance of commercial debt (in domestic currency), deepening of pension funds, and the investing of domestic savings into local capital markets, both debt and equity. To achieve this, domestic capital markets must 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**.

The key factors supporting this assessment include:

- **Growth in the mobilisation of tax revenues in EMDCs has stalled.** Tax revenues have stagnated as a proportion of GDP since the 2008 global financial crisis. This trend was compounded by the macroeconomic impacts of the COVID-19 pandemic and the instability caused by Russia's invasion of Ukraine. The recent increase in global interest rates has also exacerbated the pressure on domestic revenues, with 7.8% of government revenues in developing countries spent on debt interest payments in 2023.[41] Most IDA countries fall below the 15% tax-to-GDP ratio deemed optimal by the World Bank,[42] 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, Nepal and Uganda. [43] The IMF found that LICs could raise their tax-to-GDP ratio by as much as 6.7% on average just from untapped tax potential, and with reforms of institutions this could rise to 9% of GDP from 2020 levels. [44] 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 and are often impeded by the domestic political feasibility. [45] Additionally, EMDCs have been slow to phase out and reallocate funds from environmentally harmful subsidies.[46]
- **Inefficiencies in public spending is also limiting domestic resource mobilisation (DRM).** Major infrastructure expenditure in EMDCs is impeded by poor administrative capacities for expenditure; IMF's analysis has shown that inefficient governance accounts for 34% of public expenditure losses in infrastructure.[47] Since 2015, Public Efficiency and Financial Accountability (PEFA) scores for EMDCs have been improving, but the picture is mixed

[40] 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.
[41] UNCTAD, A World of Debt, 2024.
[42] IMF, Domestic Resource Mobilization: Key Challenges and Strategies for G20 Economies, 2024.
[43] Ibid.
[44] Gaspar, V, et al., Countries Can Tap Tax Potential to Finance Development Goals, IMF Blog, 2023.
[45] World Bank. State and trends of carbon pricing 2024, 2024.
[46] Koplow, D. and Steenblik, R., Protecting Nature by Reforming Environmentally Harmful Subsidies: An Update, Earthtrack, 2024.
[47] Schwartz, G., Fouad, M., Hansen, T., & Verdier, G., Well Spent: How Strong Infrastructure Governance Can End Waste in Public Investment, IMF, 2020.

across EMDCs. For example, in Sub-Saharan Africa, multiple countries' scores have reduced due to external shocks, political economy factors or changes in governance.[48]

- **There have been some breakthroughs in international tax cooperation to reduce tax evasion and enhance domestic tax revenue collection in EMDCs, but challenges remain in their effectiveness and equitable implementation.** The Global Minimum Tax, set to take effect in 2024, should curb profit shifting and boost global tax revenues but loopholes remain that can deter tax equity for EMDCs[49]. Furthermore, the OECD Base Erosion Profit Sharing (BEPS) Initiative is designed to support EMDC administrative capacities to address the disproportionate impact they face from BEPS. An estimated $100-240 billion potential revenue remains to be recouped. Progress has been made with the implementation of the OECD Declaration on Automatic Exchange of Information in Tax Matters since 2017.
- **Mobilising private domestic capital for climate action is falling short of needs**. Private domestic capital flows for climate action are difficult to assess due to data gaps, but best estimates indicate that today only between $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).[50] Hence, mobilising an additional flow of $440 to $540 billion required to meet the $550–$630 billion per annum needs by 2030 seems highly doable.[51] Across many EMDCs, the depth of capital markets, institutional capacity and regulatory constraints can often prevent more domestic investment in climate-positive infrastructure[52] – with sustainable debt issuance in EMDCs representing only 18% of global issuance of sustainable debt securities.[53] 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.[54] Additionally, national development banks are enhancing their lending capacity and increasingly upskilling on climate;[55] MDBs and other international investors should see national development banks as critical partners, especially to build a climate-positive pipeline and originate deal flow.

[48] Public Expenditure and Financial Accountability (PEFA), 2022 Global Report on Public Financial Management (PFM) Performance, 2022.
[49] EU Tax Observatory, Global Tax Evasion Report 2024, 2023.
[50] Blended Finance Taskforce, Mobilising Domestic Capital to Drive Climate-Positive Growth, 2024.
[51] 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.
[52] Blended Finance Taskforce, Mobilising Domestic Capital to Drive Climate-Positive Growth, 2024.
[53] World Bank Group, Finance and Prosperity 2024.
[54] Ibid.
[55] European Investment Bank, Finance in Africa 2022: Navigating the financial landscape in turbulent times, 2022.

6. External Private Finance

Overarching Goal:	$500–$600 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 costs and opportunities become 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, making investment there often less attractive than in developed economies, and the cost of capital is still 3–5x higher than in developed economies. As a result, private climate finance is growing far too slowly 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:

- **There has been insufficient progress in developing project pipelines and strengthening of the investment environment in EMDCs.** Despite political momentum to better align public and private actors to co-create pipelines, estimates suggest that between 25–50x more project preparation funding is needed and the number of climate projects funded by private sources has been decreasing by 10% per year since 2015.[56] There is recognition of the importance of capacity building and technical assistance especially for energy and non-energy infrastructure-related projects, but funding for capacity building has declined in aggregate between the periods of 2014–2019 and 2019–2024.[57] Meanwhile, fewer than half of the existing project preparation facilities support early-stage development and much project preparation is disconnected from follow-on funding (including risk-sharing mechanisms). There are multiple technical assistance facilities to support national action plans, but these are usually fragmented or planned on a project-by-project basis, rather than as part of a strategic programme.[58] The need to build a transition-ready labour force is essential for national transitions and strengthening the investment environment, but international efforts to coordinate this are scattered, with developments more likely to occur at the domestic level. Private sector transition planning and transition plan disclosure are widely recognised as key tools to mobilise finance at scale for the global transition, but there is currently limited uptake

[56] Haddon J, Parolin A, West D, Walsh G., Emerging Markets Need Projects that Attract Private Investors to Meet Climate Goals, 2023.

[57] Source: Convergence database (https://www.convergence.finance/historical/deal/summary-analysis) filtered by 'Energy', 'Infrastructure' and 'Grant' across periods 2015-2020 and 2020-2025. Note: (1) This was calculated multiplied by deal count and average deal size; (2) The NDC Partnership database contains climate funds but does not cover the full landscape of early-stage climate infrastructure preparation.
[58] Blended Finance Taskforce, Mobilising Domestic Capital to Drive Climate-Positive Growth, 2024.

in EMDCs; as of this report's writing, only five jurisdictions have adopted the ISSB disclosure standards, with 11 planning adoption. Adoption is improving in Asia, but significant gaps remain in Latin America and Africa.

- **There has been an upward trend in the scaling of risk-sharing mechanisms and some improvements in data sharing, though especially adaptation financing is still lagging.** In 2023, blended climate finance increased by 120% compared to 2022, with a record 56% of deals exceeding $100 million (up from 23% in 2022).[59] Aggregation of blending at a portfolio level has increased through the launch of new blended finance funds, including EAIF, GAIA, CLEAR Fund, SDG Loan Fund, GFCR, and Climate Investor 2 - to mention a few. However, cost of capital is still much higher in developing countries and is therefore a significant constraint for investment: in renewable energy projects, the cost of capital is on average seven times higher in low- and middle-income countries compared to high-income ones.[60] Local currency lending could mitigate some of the risks which hike the cost of capital, and the launch of instruments to address FX risk (for example through more affordable hedging solutions and guarantees, or through instruments such as Eco-invest launched by IDB and the Brazilian government) is promising. The Currency Exchange Fund (TCX)'s donor-funded guarantee facility has increased its volume of FX risk of development investments hedged in emerging and frontier markets by 65% in 2023 compared to 2022. Adaptation remains significantly underfunded by the private sector, with less than 2% of adaptation finance coming from the private sector[61] . Nonetheless, aa growing number of blended finance funds with a focus on adaptation are being launched, including GAIA, the Invesco Climate Adaptation Fund and the Global Fund for Coral Reefs.
- **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). At a macro-prudential level, organisations including NGFS, FSB and ECB are starting to discuss the need to address systemic dimensions of climate- and nature-related risks. A G20-led global review of regulatory frameworks disincentivising investment in EMDCs is needed. Some progress has been made to align sustainable finance taxonomies and disclosure standards across the world, such as the recent launch of the ASEAN and Australian taxonomies. However, there are still 50 different sustainable finance taxonomies around the world, although they are mostly focused on developed economies, with only 10% EMDCs covered (in comparison to 76% of advanced economies). [62]

[59] Convergence, State of Blended Finance 2024, 2024.
[60] Butler, C., Simplicity Is the Key to Closing the Climate Finance Gap, Chatham House, 2024.
[61] Climate Policy Initiative, Global Landscape of Climate Finance 2024.
[62] World Bank Group, Finance and Prosperity 2024.

Annex: Climate Finance Agenda to COP30: Commitments & Actions To Be Delivered

The tableau below attempts to provide a comprehensive picture of key priorities and actions to be 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). The analysis relates closely to the Global Climate Finance Framework launched and endorsed by key world leaders at COP28.

This comprehensive agenda has been updated since the previous roundtable during New York Climate Week in September 2024 (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. - *PARTIALLY DELIVERED*	• **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. - *NOT DELIVERED*	• **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	• **Countries** demonstrate progress in tackling impediments to the energy transition and climate resilience.

		unlock investments at scale. - *PARTIALLY DELIVERED*	• **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. - *NOT DELIVERED*	• **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 an 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. - *NOT DELIVERED*	• **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. - *PARTIALLY DELIVERED*	• **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. - *NOT DELIVERED*	• **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. - *PARTIALLY DELIVERED*	• **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. - *NOT DELIVERED* • **Donors** agree to increase bilateral concessional finance by at least two-fold by 2030 as part of NCQG. - *NOT DELIVERED* • **Parties** agree on an ambitious and fit for purpose new collective quantified goal (NCQG) at COP29. - *PARTIALLY DELIVERED* • **Donors** pledged contributions delivered to L&D Fund. - *PARTIALLY DELIVERED*	• **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. - *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. - *NOT DELIVERED* • **MDBs and donors** commit to use of SDRs for hybrid capital for MDBs – starting with IDB and AfDB. - *NOT DELIVERED* • **IMF and key stakeholders** commit to resolve impediments to SDR rechannelling. - *NOT DELIVERED*	• **IMF member countries** increase pool of SDRs channelled through IMF and MDBs. • **IMF, with support of member countries** agrees to a new SDR issuance.

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. - *DELIVERED* • **Governments** agree to TORs for a UN Tax Convention by 2027. - *DELIVERED*	• **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 - *PARTIALLY 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.
MDBs take necessary steps to triple lending capacity by 2030	• MDBs committed $125 billion in climate finance in 2023, up from $100 billion in 2022. • MDBs have taken coordinated steps to implement the G20	• **MDBs** commit to providing scale of support consistent with meeting $1 trillion of external financing requirement and ambitious NCQG. - *NOT DELIVERED*	• **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

	Capital Adequacy Framework's (CAF) recommendations. • MDBs are increasing the use of hybrid capital and SDRs. • MDBs have strengthened interactions with credit rating agencies.	• **MDBs** and shareholders commit to take the necessary steps to tripling of MDB financing by 2030. - *NOT DELIVERED* • **MDBs** commit to clarify processes and procedures on use of callable capital. - *PARTIALLY DELIVERED*	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**.**
MDBs catalyse private finance, including through tapping long-term institutional capital	• 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.	• **MDBs** set targets for collective private sector mobilisation for climate finance by 2030. - *NOT DELIVERED*	• **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.

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 in 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. - *PARTIALLY DELIVERED*	• **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. - *PARTIALLY DELIVERED* • **Countries and development partners** highlight the importance of concerted action on domestic private finance. - *PARTIALLY DELIVERED*	• **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. - *NOT DELIVERED* • **Countries, private sector and DFIs commit to** platforms for co-creation and financing of projects. - *NOT DELIVERED* • **Private sector and philanthropy agree to** coordinate to deploy early project equity investments. - *NOT DELIVERED*	• **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). - *NOT DELIVERED* • **Private sector** commits to explore innovative mechanisms to finance adaptation including insurance. - *NOT DELIVERED* • **Global private investors** commit to increase presence in EMDCs. - *NOT DELIVERED*	• **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. - *NOT DELIVERED* • **Institutional investors** commit to review risk management restrictions that disincentivise investment in EMDCs (e.g. capital adequacy; fiduciary duty; credit risk assessment). - *NOT DELIVERED*	• **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.