

Green Guarantees in the Baku to Belém Roadmap to 1.3T

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Prepared by the Secretariat of the Green Guarantee Group in response to the 2nd call for submissions of views on the Baku to Belém Roadmap to 1.3T

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

Disclaimer: *The following responses are provided exclusively in the context of guarantees, which is the core focus of the Green Guarantee Group (GGG). All recommendations, examples, and policy considerations relate specifically to the use, scaling, and optimisation of guarantee instruments for climate finance, and do not address broader climate finance mechanisms outside this scope.*

(a) What are priority short-term (by the end of 2028) and medium-to-long-term (beyond 2028) actions necessary to enable the scaling up of financing for climate action to developing countries? Based on experience to date and evidence, what can those actions contribute to in terms of progress in enabling the scaling up of financing?

To support the green transition in emerging markets and developing economies (EMDEs) public funds remain essential but are limited and have thus to be used more efficiently and effectively. To mobilize 1.3T, private sector finance needs to be increased significantly. To achieve this, the private sector needs clear incentives: guarantees are an important and well-known tool, but which is yet underused for the green transformation. The potential of guarantees is particularly high in vulnerable and developing countries, where geo-political uncertainty and financial instability often hamper investment flows. **Evidence shows that guarantees can mobilise 6-25 times more private capital than loans, making them highly efficient tools.** Yet, the landscape of guarantee instruments and actors involved is fragmented and their role in financing the green transformation is still marginal, keeping the high potential of guarantees still too low.

The table below showcases actions necessary to scale up the use of guarantees in the short and medium term. For a full description of the actions see the report [here](#).

While all recommended actions could be initiated and largely implemented by 2028 (short term), **certain measures, particularly those focused on strengthening the financial system**, such as the development of local capital markets or the clarification of supervisory treatment of

guarantees, **may require a longer time horizon for full realization. In the short term, securing political momentum will be essential.** Recognition of the GGG initiative and its recommendations through key international processes, including the G20 Sustainable Finance Working Group, the COP30 Circle of Finance Ministers, the Baku to Belém Roadmap, and relevant UNFCCC processes (including COP and beyond), can play a critical role in building the political will necessary for effective implementation.

Recommendations	Key actions
1. Clarify the supervisory treatment of guarantees and develop practical methodologies	▪ Regularly review and update a list of “eligible MDBs” and clarify criteria across jurisdictions
	▪ Develop methodologies for calculating capital relief of complex partial guarantees
	▪ Standardize guarantee structures and risk coverage, supporting liquidity facilities for quick payouts
2. Develop local and currency risk markets to catalyze investment in local currency	▪ Encourage donor-provided local currency mechanisms
	▪ Scale up currency risk hedges, including donor-backed and first-loss facilities
3. Promote data transparency and knowledge sharing to improve risk pricing	▪ Establish a comprehensive guarantee performance database by expanding the Global Emerging Markets Risk Database (GEMs), including private sector data
	▪ Implement a tiered-access approach that balances transparency with confidentiality
4. Scale national guarantee institutions and regional platforms to promote pooled guarantee facilities	▪ Strengthen national guarantee institutions with support from regional hubs
	▪ Encourage co-investment and collaboration for regional platform development by donors, local governments, and private investors
	▪ Standardize underwriting criteria and guidelines across MDBs and development finance institutions (DFIs)
	▪ Explore exposure-swapping arrangements among MDBs and DFIs

(b) What strategies can be implemented to enhance and scale up public and private financing mechanisms for climate adaptation, especially in vulnerable regions?

The focus of the Green Guarantee Group is on mitigation, yet recommendations on the scale up of guarantees will be equally beneficial to adaptation projects.

(c) What other experiences, proposals or approaches could help inform and accelerate efforts to mobilize USD 1.3 trillion in financing, including through grants, non-debt creating instruments, new sources of finance, and strategies to create fiscal space?

In addition to the recommendations presented under response a):

- **Streamline guarantee processes:** Simplify application and reporting requirements across similarly structured guarantee products to reduce transaction costs and improve accessibility
- **Enhance technical assistance (TA):** Establish and expand TA facilities to support local actors in developing bankable green projects.
- **Expand guarantee timelines:** Align guarantee tenors with the lifecycle of climate projects (e.g. 20+ years).

Important approaches include:

- **Guarantee platforms:** The World Bank Group's Guarantee Platform centralises products and streamlines processes, improving scale and efficiency.
- **Guarantee directories:** The GGG is developing an online Guarantee Directory, to be launched at COP30, which will offer comprehensive information on guarantee products and help stakeholders more effectively match supply with demand.
- **Donor-backed first-loss facilities:** These mechanisms, where donor capital absorbs initial losses to reduce risks for private investors (such as TCX and the EBRD's SME program), have proven effective in improving access, lowering costs and catalyze private investments.

(d) What key actors and existing multilateral initiatives should be considered or involved, as appropriate, to support the delivery of the USD 1.3 trillion target?

By focusing on the potential of guarantees, the Green Guarantee Group (GGG) aims to deepen the understanding of various guarantee mechanisms and explore ways to better leverage them to significantly scale up private investments in emerging countries.

Announced at COP28 and launched in March 2024 by the German Federal Foreign Office (FFO) and the Federal Ministry for Economic Affairs and Energy (BMWE, formerly BMWK), GGG brings together experts from governments, Multilateral Development Banks (MDBs), Development Agencies, Think Tanks, private sector actors (investors, insurance companies, RE companies and service providers etc.) as well as civil society actors and academia. It serves as a forum to better understand and overcome limits of guarantees in order to improve risk management, building on existing initiatives such as the World Bank Group Guarantee Platform. Designed as a marketplace

of ideas, the GGG developed solutions-oriented recommendations for decision-makers, published at the 4th Financing for Development Conference (FFD4), to significantly increase the use and efficiency of green guarantees.

This technical work is complemented by a high-level outreach led by **the GGG Chair, Lars-Hendrik Röller**, Chairman of the Berlin Global Dialogue and former Chief Economic Advisor of Chancellor Merkel (2011-2021) and **co-chair, Faruk Yusuf Yabo, the Permanent Secretary of Nigeria's Federal Ministry of Solid Minerals Development**. Recently, the GGG established a Wise Persons Group, a group of high-level experts tasked with supporting the dissemination and implementation of its recommendations ahead of COP30 and beyond.

As an initiative actively advancing a key measure to achieve the USD 1.3 trillion financing target, the GGG should be considered as a critical partner/involved to support the delivery of this goal

As highlighted in the GGG report, other key stakeholders essential to the delivery of this target include Multilateral Development Banks (and in the context of guarantees particularly MIGA), Development Financial Institutions (DFIs)/Public Development Banks (PDBs) (and existing coalitions such as FICs and IDFC), Donor governments and private sector actors.