POLICY BRIEF

The role of multilateral development banks in mobilising and delivering finance under the new collective quantified goal (NCQG)

From the US$300 billion floor to the US$1.3 trillion ambition: quantity, quality and its climate finance target



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From the US$300 billion floor to the US$1.3 trillion ambition: quantity, quality and its climate finance target

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Executive Summary

At COP29 in Baku (November 2024), Parties adopted the New Collective Quantified Goal on Climate Finance (NCQG) with a dual architecture: a core floor of at least USD 300 billion per year by 2035, to be led by developed countries, and a wider call for all actors to scale climate finance to developing countries to at least USD 1.3 trillion per year by 2035 from all public and private sources. Multilateral Development Banks (MDBs) sit as an important part of the financing architecture of the NCQG decision, and where they have currently set a collective ambition to provide 120 billion annually including 42 billion for adaptation for low- and middle-income countries.

At the same time these financial institutions have been undergoing reform agendas from the Group of the 20 (G20) forum to improve lending capacity and optimize balance sheets through the Capital Adequacy Framework, but also broader a reform to align their financing with development and climate action, improved financial instruments and working as a system, providing a concrete near-term lever to scale up financing towards the NCQG. Full implementation could improve financing up to USD 390 billion for all its portfolio including climate action.

However, volume alone will not fulfil the NCQG's mandate. The NCQG decision explicitly recognises that quality of finance — grant and high-concessional shares, non-debt instruments, direct and simplified access, and debt sustainability safeguards — is as central to the goal. MDB finance today remains overwhelmingly debt-based: across recent years, loans have represented well over two-thirds of public climate finance, without any clear targets or plans for non or low-debt financial instruments.

COP30 further raised expectations for climate finance delivery. The Global Mutirão decision called for efforts to at least triple adaptation finance by 2035 in the context of the NCQG, while establishing a two-year Climate Finance Work Programme and a ministerial dialogue covering both the quantitative and qualitative dimensions of the goal. Although the tripling target still lacks a clear baseline and implementation pathway, MDBs will be an important channel for its delivery, making explicit and measurable adaptation finance targets increasingly necessary.

Notwithstanding, MDB policy decisions have taken a recent setback: in late June 2026, the World Bank's Board of Directors retired the 45% climate co-benefits target that had anchored its Climate Change Action Plan (CCAP) since 2021. A setback that signals a wider pressure for multilateral institutions, including the International Monetary Fund (IMF) and the International Energy Agency (IEA) to abandon the climate focus, and other regional MDBs. The redirection threatens to shift the climate change importance to a reduction of regulatory energy burdens, national self-reliance, critical minerals and carbon and fossil fuels.

On top of that, adaptation requires a different financing approach. MDB climate finance remains heavily loan-based, even though adaptation investments often generate limited direct financial returns. With adaptation needs estimated at USD 310–365 billion annually by 2035, the Global Mutirão call to triple adaptation finance will require not only more resources, but more grants, highly concessional finance and non-debt-generating instruments. For MDBs, delivering on adaptation therefore means shifting from simply scaling finance to ensuring that finance is fit for purpose, affordable and non-debt creating.

The recent 2026 Annual Meetings of the World Bank and the IMF, held in Bangkok, Thailand, provided a key moment for setting the priorities of the financial architecture, yet climate change received remarkably almost no attention despite being a world pressing issue. Instead, the

development focused was put around artificial intelligence, the future job gap, mobilizing private finance and energy mix including gas and nuclear, as well of renewables. On the challenges highlighted by the by the IMF, attention cantered on energy insecurity because of geopolitical conflicts and war, and elevated debt levels and limited fiscal space. While these are important global issues to tackle, climate change cuts across all of them, and failing to prioritize it would only postpone and harden conditions with incremental costs for countries.

The objective of this policy brief is to connect the dots of the NQGC decision and the role of the MDBs to in mobilizing the resources needed to meet the dual-layer targets. Derived from the analysis the following key messages:

- **MDBs have an important role in delivering the NCQG, but quantity is only part of the story; the quality of their finance matters just as much.** Collective MDB climate finance reached USD 103 billion last year, up 21%. Yet its quality, in terms of concessionally, cost, access and alignment with national needs, falls short, at a time when debt levels in developing countries, driven in part by climate finance itself, keep rising. The NCQG decision called for the voluntary participation of MDBs, emphasizing both the quantity and the quality of finance.
- **Adaptation needs grant-based and highly concessional finance at scale.** Demand far exceeds supply. Adaptation requires long-term investment that the private sector cannot deliver, so public finance must be central. Adaptation finance delivered as non-concessional loans adds to debt distress and deepens vulnerability. Tripling flows is not the same as tripling impact: finance should be judged by its terms, its effect on debt and fiscal space, and the results it delivers on the ground. Climate funds offer the highest concessionally and direct access, and national development banks and new sources of public revenue also have a role. The open question is to what extent MDBs are the key actor's adaptation finance needs.
- **Complete the MDB reform agenda.** The main elements of the reform agenda are already well understood and should now move decisively into implementation. This includes capital adequacy reforms, shock-responsive balance sheets, climate-resilient debt clauses, and balance-sheet optimisation that expands lending capacity without worsening financing terms for low-income and vulnerable countries. Reform should also strengthen the ability of MDBs to respond more effectively to climate and development needs.
- **Develop measurable climate finance delivery plans:** MDBs should translate both the quantitative and qualitative dimensions of the NCQG into clear institutional trajectories, targets and benchmarks. These plans should show how each institution will contribute to overall climate finance goals, including adaptation, grants, highly concessional and non-debt instruments, affordability, access, and debt sustainability. Reporting should also move beyond volumes and ratios to demonstrate what finance actually delivers in terms of development, resilience and climate outcomes.
- **Country ownership and accountability must be at the core.** Finance should shift from individual projects to national programmes aligned with National Adaptation Plans (NAPs) and Nationally Determined Contributions (NDCs) and build lasting capacity in finance ministries and national systems. It must be backed by robust counting methodologies, strong safeguards and independent oversight, with a focus on outcomes rather than ratios. Developing countries are also key to increasing the demand on adaptation finance.
- **Improve climate finance for easing access:** Access remains a major barrier, particularly for vulnerable countries with limited institutional capacity. MDBs should simplify and harmonise application, approval and reporting requirements, reduce transaction costs, and

improve coordination across institutions. Easier access should also mean stronger support for national systems and institutions so that countries can identify, prepare and manage climate investments more effectively.

- **Balance mitigation and adaptation finance:** MDB financing should better reflect countries' needs and priorities, including those identified in NDCs and NAPs, while addressing the persistent financing gap for adaptation. Historical lending shows an average allocation of 66% to mitigation and 34% to adaptation. However, rebalancing volumes alone is not enough: the mix of financial instruments must also change, as adaptation requires a greater reliance on grants, highly concessional finance and non-debt-generating instruments that do not exacerbate fiscal and debt pressures.
- **Protect climate commitments from political backsliding.** The political context puts commitments at risk, and shareholders need to step up. The retirement of the WBG's 45% climate finance target as part of the WBG CCAP reforms, together with pressure from a major shareholder, raises concerns about how MDB climate finance will be tracked and counted, even though the shift toward outcome-based indicators is a positive step. Clear adaptation finance trajectories are needed, and shareholder coalitions should use their weight to secure them. At COP31, the joint MDB plan could set, or at least reaffirm, a goal of more than USD 42 billion per year for adaptation by 2030.

1. The NCQG: Architecture, targets and what changed

The **New Collective Quantified Goal (NCQG) on climate finance** was negotiated between 2022 and 2024 and adopted at COP29 in Baku, Azerbaijan (Decision 1/CMA.6). It replaces the commitment made at COP15 in Copenhagen (2009) to jointly mobilise USD 100 billion per year for developing countries, a goal later extended through 2025. That earlier goal was mainly political and lacked a technical basis. The NCQG, by contrast, followed a three-year process of technical expert dialogues, ministerial dialogues and submissions (Guzmán & Makowski, 2024).

Paragraph 8 of the NCQG decision sets a goal of at least USD 300 billion per year by 2035 for developing countries, with developed country Parties taking the lead (UNFCCC, 2024). This finance may come from a wide variety of sources: public and private, bilateral and multilateral, including alternative sources. The goal is framed in the context of meaningful and ambitious mitigation and adaptation action and of transparency in implementation, which reinforces that the finance should be accompanied by effective climate action and accountability. Moreover, paragraph 8(c) recognises the voluntary intention of Parties to count all climate-related outflows from, and climate-related finance mobilised, including finance from MDBs towards the goal.

This last element places MDBs as of relevance of the NCQG delivery, and it has two consequences. First, it connects the NCQG with the ongoing MDB reform agenda aimed at scaling up financing, balance-sheet optimization, improving impact and effectiveness, and changing MDB mandates and operational models, which are part of the broader capital adequacy reform agenda and the Triple Agenda for Better, Bolder and Bigger MDBs. Second, by not setting concrete measurable targets, given the steady growth of MDB climate finance, the USD 300 billion could largely be reached under a business-as-usual scenario, reason why, the quantity is not the only element to pursue in the context of the MDBs, but primarily the quality of such finance (Guzmán & Makowski, 2024).

The architecture also combines multiple sources and instruments without distinguishing public provision from developed to developing countries (Article 9.1 of the Paris Agreement) from the mobilisation of private finance (Article 9.3 of the Paris Agreement). This limits the predictability and accountability of the goal (Guzmán & Makowski, 2024). Even so, the decision includes important qualitative elements. It recognises the barriers developing countries face: high cost of capital, limited fiscal space, unsustainable debt levels, high transaction costs, conditionalities, co-financing requirements and burdensome application processes (UNFCCC, 2024, para. 6). These provisions set the standard against which the quality of MDB finance should be assessed (see Table 1).

Table 1: NCQG provisions relevant to MDBs

Paragraph	Content
6	Importance of reforming the multilateral financial architecture; need to remove barriers and address disenablers, including high costs of capital, limited fiscal space, unsustainable debt levels, high transaction costs and conditionalities
8(c)	Recognises the voluntary intention of Parties to count all climate-related outflows from, and climate-related finance mobilised by, MDBs towards the USD 300 billion goal. This does not prejudice decisions of MDB governing bodies
12	Encourages Parties, as MDB shareholders, to continue advancing an evolution agenda for bigger, better and more effective MDBs
21	Urges all climate finance actors to reduce barriers to access (cost of capital, co-financing requirements, burdensome application processes) and to eliminate conditionalities, as appropriate
23	Invites international financial institutions, including MDBs as appropriate, to align their operating models, including by deploying non-debt-inducing instruments, considering shifting risk appetites, simplifying access, considering scaling up highly concessional finance and aiming to increase grant financing to least developed countries (LDCs) and small island developing States (SIDS)
30 and 32	Standing Committee on Finance (SCF) to report biennially from 2028 on collective progress, considering project-level data from, for example, MDBs, multilateral climate funds and other international financial institutions

Note. Based on UNFCCC (2024)

1.1 The dual-layer goal

The NCQG has two layers. The first is the floor: at least USD 300 billion per year by 2035, with developed country Parties taking the lead (UNFCCC, 2024, para. 8). The second is a call on all actors to work together to scale up finance to developing countries to at least USD 1.3 trillion per year by 2035, from all public and private sources (para. 7).

US$300bn Floor led by developed countries, per year by 2035	**US$1.3tn** Overall ambition, all actors, all sources, per year by 2035	**2035** Target year for both layers of the goal

The second layer matters because the floor falls far short of needs. The decision itself recognises that the costed needs in developing countries' Nationally Determined Contributions (NDCs) amount to USD 5.1–6.8 trillion up to 2030, or USD 455–584 billion per year. Adaptation finance needs alone are estimated at USD 215–387 billion per year up to 2030 (UNFCCC, 2024, para. 3). Broader estimates point in the same direction. In 2024 — the NCQG adoption year — the Independent High-Level Expert Group on Climate Finance (IHLEG) estimated that emerging markets and developing countries other than China will need to invest around USD 2.4 trillion per year in climate action by 2030, and USD 3.1–3.5 trillion by 2035. These figures include domestic investment and cover a broad scope: clean energy, adaptation, loss and damage, natural capital and just transition. Of the total, about USD 1 trillion per year by 2030 and USD 1.3 trillion by 2035 would need to come from external sources (Bhattacharya et al., 2024).

Developing countries' negotiating proposals reflected the scale of these needs. Ahead of COP29, the Arab Group proposed mobilising USD 1.1 trillion per year between 2025 and 2029, of which USD 441 billion would be annual provision of public finance. The African Group proposed USD 1.3 trillion, a figure later adopted by the G77 and China at the start of COP29 (Guzmán & Makowski, 2024). Developed countries did not table a figure until the last day of negotiations (Ibid). The USD 300 billion finally agreed covers less than a quarter of the external finance the IHLEG estimates for 2035. Closing that gap is the purpose of the Baku to Belém Roadmap.

1.2 The Baku to Belém Roadmap: a proposed first attempt with limited consensus

Paragraph 27 of the NCQG decision launched the “Baku to Belém Roadmap to 1.3T”. It was to be developed under the guidance of the COP29 and COP30 Presidencies — Azerbaijan and Brazil, respectively —, in consultation with Parties. Its aim was to scale up climate finance to developing countries to support low-emission and climate-resilient development pathways and to implement NDCs and National Adaptation Plans (NAPs). The paragraph specifies that this should happen "including through grants, concessional and non-debt-creating instruments, and measures to create fiscal space" (UNFCCC, 2024, para. 27). The Presidencies presented the final report at COP30. It draws on more than 227 submissions and offers an action framework for the short and medium term (COP29 Presidency & COP30 Presidency, 2025).

Its reception was divided. The Global Mutirão decision (1.CMA.7) only took note of the report (UNFCCC, 2025, para. 47). This is the weakest formula available: it neither adopts nor endorses the content. Developing countries criticised the lack of transparency in its preparation and the absence of a clear implementation path. They also objected to contested instruments such as remittance-based mechanisms (Guzmán, 2025; Guzmán & Makowski, 2026). Developed countries avoided endorsing the Roadmap and preferred existing channels over new commitments. At the UNFCCC’s 64° Sessions of the Subsidiary Bodies (SB64) in Bonn (June 2026), the COP29 and COP30 Presidencies discussed "quick wins" and announced a summary to guide follow-up. They also presented a Climate Policy Initiative (CPI) tool to track the scale-up towards USD 1.3 trillion (Guzmán & Makowski, 2026). Despite this, the Roadmap remains a non-binding report, without measurable targets, timelines or accountability mechanisms (Guzmán, 2025).

Even so, the Roadmap sets out five finance action fronts — known as the “5Rs” — together with five thematic action fronts. They provide a framework for identifying the financial, institutional and systemic levers needed to scale up climate finance for developing countries, improve access and allocation, and support the mobilization of at least USD 1.3 trillion annually by 2035.

The 5Rs: finance action fronts

The Baku to Belém Roadmap provides a proposal-framework for scaling up climate finance, within which MDBs are put forward as central actors in achieving the USD 1.3 trillion aspiration. Its five finance action fronts — the "5Rs" — help identify the financial, institutional and systemic changes needed to increase the volume, accessibility and effectiveness of climate finance. MDBs are explicitly assigned roles across four of the five fronts, ranging from scaling up concessional and low-cost finance to addressing debt constraints, mobilizing private capital and strengthening country-level investment frameworks (COP29 Presidency & COP30 Presidency, 2025):

- **Replenishing — Grants, concessional finance and low-cost capital:** MDBs are asked to intensify their role in providing and mobilising capital for NDCs and NAPs. This includes fully implementing the roadmap towards better, bigger and more effective MDBs and the Capital Adequacy Framework reforms. MDBs are also asked to consider additional capital where needed and to strengthen system-wide coordination and transparency. They should expand project preparation and technical assistance with public development banks. Finally, they should set enhanced climate finance targets through 2035, prioritising concessional resources for adaptation.
- **Rebalancing — Fiscal space and debt sustainability:** Creditor countries, the International Monetary Fund (IMF) and MDBs are asked to ease debt burdens, including through climate-resilient debt clauses and debt-for-climate and debt-for-nature swaps, supported by standardised structures. MDBs are also asked to review policies that preclude non-concessional lending in high-risk debt contexts, when operations enhance resilience.
- **Rechannelling — Transformative private finance and affordable cost of capital:** MDBs are asked to scale up guarantees, foreign exchange hedging, insurance and first-loss capital. They should also harmonise guarantee offerings and align their capital treatment with their low default risk and move towards originate-to-distribute models.
- **Revamping — Capacity and coordination for scaled climate portfolios:** MDBs are asked to support new-generation country platforms and investment frameworks with predictable and flexible support.
- **Reshaping — Systems and structures for equitable capital flows:** The IMF and the World Bank are asked to revise their debt sustainability frameworks to incorporate climate and nature risks.

The Roadmap also sets out short-term steps with deadlines. By October 2027, MDBs could report collectively on how to reach a new aspirational climate finance target by 2035. By the same date, they could adopt explicit targets for adaptation and private capital mobilisation. Developed countries, for their part, could communicate a delivery plan towards the USD 300 billion goal in their biennial communications under Article 9.5 by the end of 2026 (COP29 Presidency & COP30 Presidency, 2025).

Two points deserve attention. First, the Roadmap asks MDBs for more ambitious climate targets precisely when the largest of them —The World Bank Group — has retired its own (see section 4). Second, easing restrictions on non-concessional lending in highly indebted countries sits uneasily with the NCQG's call for non-debt-creating instruments (see section 3).

Thematic action fronts

In parallel, the Roadmap identifies five thematic action fronts that focus on where scaled-up finance should be directed. These recognize that increasing the volume of finance alone is insufficient;

finance must also support priority areas that advance climate resilience, sustainable development and inclusive growth (COP29 Presidency & COP30 Presidency, 2025).

- **Adaptation and loss and damage — Living better with change:** increase accessible and appropriate finance to reduce vulnerability, strengthen resilience and address residual climate impacts, with particular attention to vulnerable countries and communities.
- **Clean energy access and transitions — Powering our lives and journeys:** accelerate investment in clean energy, grids, storage, transport and universal energy access, while reducing the high cost of capital that limits investment in developing countries.
- **Nature and its guardians — Thriving in our shared environment:** scale financing for conservation, ecosystem restoration and sustainable management of forests, oceans and other ecosystems, while creating incentives that recognize the value of nature and support local and Indigenous communities.
- **Agriculture and food systems — Nurturing the land that feeds us:** increase finance for resilient and low-carbon food systems while improving food security and access to finance for smallholders and other vulnerable producers.
- **Just transitions — Building fair change together:** ensure that climate finance supports socially inclusive transitions by addressing impacts on workers and communities and incorporating equity, participation, gender responsiveness and locally led approaches.

Several processes will follow up on the NCQG and the Roadmap. The Standing Committee on Finance (SCF) will report biennially from 2028 on collective progress towards all elements of the decision, drawing on project-level data from MDBs, among other sources (UNFCCC, 2024, paras. 30 and 32). A special assessment of access to climate finance will take place in 2030 (para. 34), and the decision will be reviewed that same year (para. 36). The Roadmap identifies the Paris Agreement's Second Global Stocktake (GST2) and the high-level ministerial dialogues on climate finance in 2027 and 2029 as key moments for follow-up. It also announces an independent expert group, with a first report by October 2026, to refine financing pathways to USD 1.3 trillion (COP29 Presidency & COP30 Presidency, 2025).

The Roadmap offers useful avenues, but it is not an implementation plan. Most importantly a plan is still needed to show how the USD 300 billion will be delivered and how the ground will be prepared for the USD 1.3 trillion. That plan should make the contribution of MDBs visible, in both quantity and quality (Guzmán & Makowski, 2026).

1.3 What changed after Baku: Global Mutirão and the Climate Finance Work Programme

COP30 in Belém added three elements that shape the role of MDBs in delivering the NCQG. First, the Global Mutirão decision calls for efforts to at least triple adaptation finance by 2035 in the context of the NCQG (UNFCCC, 2025, para. 53). It defines no baseline, no specific contributors nor instruments. Thus, the COP30 goal covers adaptation finance from all channels, including MDBs. This goal is different from the NCQG's call to triple annual outflows from the multilateral climate funds by 2030 (UNFCCC, 2024, para. 16). Second, the decision established a two-year Climate Finance Work Programme (CFWP), which includes Article 9.1 of the Paris Agreement. Developing countries pushed for it because the NCQG does not specify how much public finance will flow from developed countries. Third, the decision convened a ministerial dialogue on the implementation of the NCQG, covering both its quantitative and qualitative elements.

None of these processes has yet produced clear results. At SB64, Parties could not agree on whether the CFWP had formally started, nor on its modalities. The text on the GGA, including the reference to the tripling, had no agreement (Rule 16) and will be discussed at COP31 (Guzmán & Makowski, 2026). The tripling therefore still lacks a clear "home" and an implementation path. This is where MDBs can make a difference. Their pledge of USD 42 billion for adaptation by 2030 (Joint MDBs, 2024) makes them one of the main channels available to meet the goal (see section 2.1). The Roadmap's call for explicit MDB adaptation targets by October 2027 offers a concrete way to anchor that contribution.

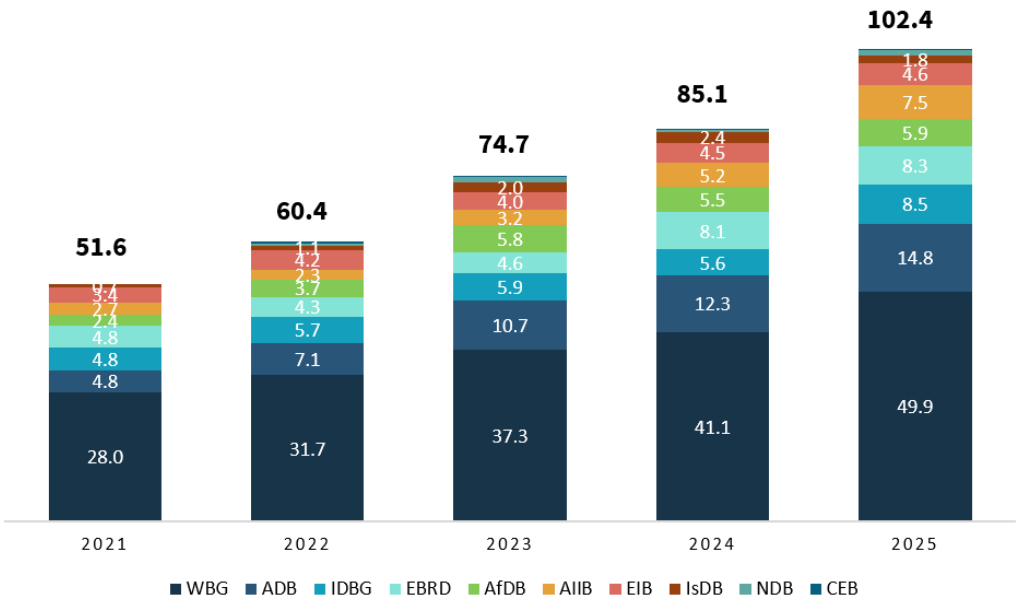
2. The current and prospective role of MDBs

2.1 Track record: where MDB climate finance stands today

In the context of the COP29 and the NCQG, MDBs published a statement for the annual collective ambition in climate finance. The statement stablishes that for 2030 they will be providing for low- and middle-income countries USD 120 billion, including 42 billion for adaptation and additionally mobilize USD 65 billion from the private sector (Joint MDBs, 2024). This represents an increase of 140% from the former collective goal of providing USD 50 billion annually for low- and middle-income countries for 2025 that was set in a high-level statement in 2019 (Joint MDBs, 2019).

Alongside these collective ambition commitments, the main MDBs have been publishing a joint report calculating how much finance is being approved annually since 2020. The last report for 2025 data shows that the total financing surpassed the 2019 ambition, and reached USD 102.6 billion for low- and middle-income countries (Joint MDBs, 2026). Yearly the provision of financing has been growing at a rate of 19%, showing a trend on consistency with the commitments made (see figure 1).

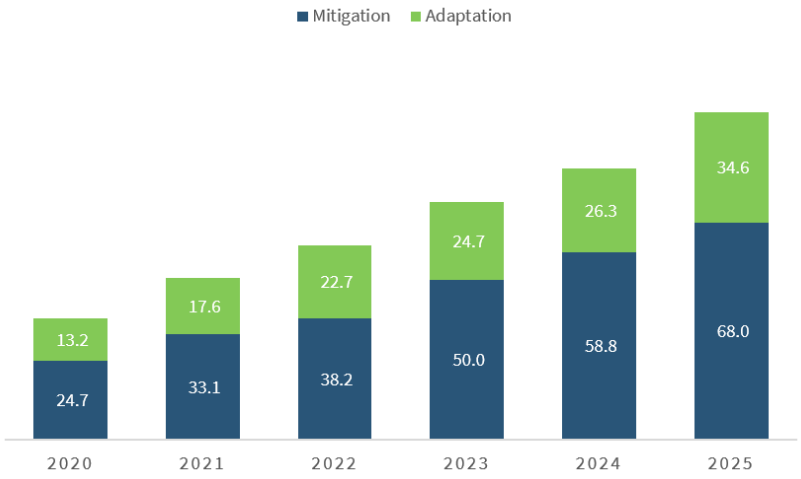
Figure 1: MDBs Climate finance for LMIC in billions of USD



Source: Joint MDBs (2026, p.3)

Sectorally, mitigation continues to dominate MDB climate finance where on average 66% has been destinated, contrasted with 34% on adaptation (figure 3). A persistent imbalance that has been flagged given that adaptation needs in developing countries are acute and related projects are investments with limited direct revenue-generation potential, which financial burden lies on central governments.

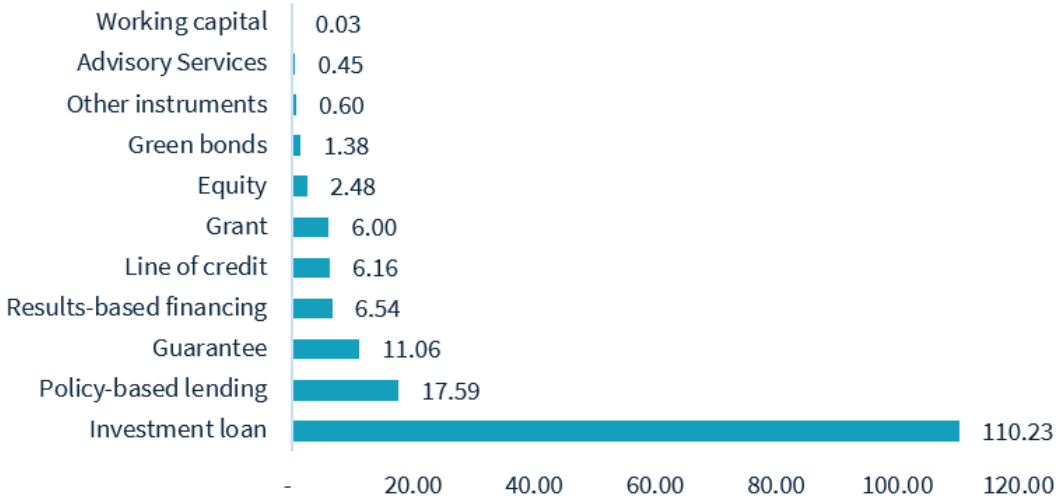
Figure 2: MDBs Climate Finance per policy type for LMIC in billions of USD



Source: Joint MDBs (2020-2025)

With relation to financial instruments, the MDB joint reports present information on general main instruments, however data as it is provided does not allow to calculate more precisely the use of concessional, highly-concessional instruments or related, and debt burdens must be inferred. Despite this limitation, data provided shows that for 2025 debt-generating instruments[1] reach 87%, contrasted with non-debt-generating which reached 4%. Thus, signalling that most of the finance for climate action is still creating debt burdens for developing countries.

Figure 3: MDB Climate Finance by Instrument LMIC in billions of USD (2025)



[1] Debt-generating: investment loans, lines of credit, green bonds, working capital, and policy-based lending. Non-debt-generating: grants, advisory services.

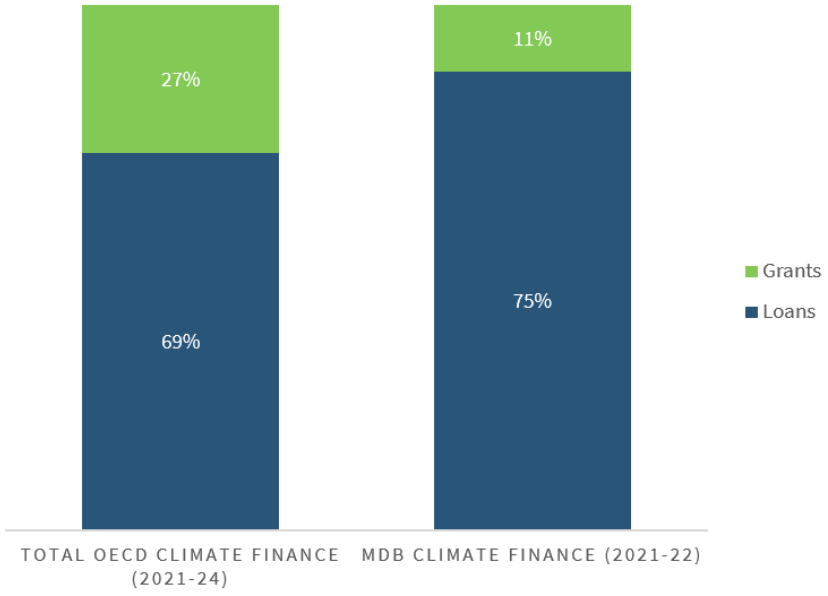
Source: Joint MDBs (2026)

2.2 The need for quality improvement: MDB predominance of debt-base finance

Historically, public climate finance mobilised toward the former USD 100 billion goal was delivered as loans: according to OECD data (2026a), an average of 69% of climate finance was provided in form of loans for the 2021-2024 period, compared to 27% delivered in grants (Figure 4). A similar picture can be drawn for climate finance provided by MDBs, where a higher 75% of finance was provided in loans and 11% in grants for the 2021-22 period (UNFCCC Standing Committee on Finance, 2024). Within MDB sectoral finance specifically, grant shares have been particularly low for mitigation (around 4% in 2025) and only somewhat higher for adaptation (around 10% in the same period), even though adaptation and loss-and-damage interventions are, by definition, largely non-revenue-generating and therefore poorly suited to debt instruments (Joint MDBs, n.d[2]).

An overreliance on debt-based climate finance risks undermining the sustainability of countries' climate transitions, particularly at a time when many developing countries are already facing severe debt constraints and limited fiscal space. The latest international debt report underscores that between 2022 and 2024, debt service and interest payments exceeded new financing inflows by roughly USD 741 billion, marking the largest net debt-related outflow in more than five decades (World Bank, 2025). These pressures are further exacerbated by reductions in official development assistance (ODA), which have been in decline for three consecutive years (a reduction of 29% from 2022-25) reaching an estimate of USD 163 billion for the end of 2025 showing the lowest levels since 2014; volumes which are still projected to fall by 9.9% in 2028 (OECD, 2026b).

Figure 4: Climate finance provided for instrument and actors.



Source: Based on OECD (2026a) and UNFCCC Standing Committee on Finance (2024)

[2] Percentages are calculated as non-debt generating instruments using the same definition from footnote figure 3.

Note: Four year period average is shown for OECD figure/ Sum of individual instrument does not add up to totals as average amounts are displayed and other financial instruments such as equity or others are not shown.

2.3 Reform agenda: the levers that could improve scaling up financing

The MDBs have been undergoing a reform process that started at the Group of the 20 (G20) since 2021. The set of reforms are ambitions as they are trying to transform the objectives of the development banks, scale-up financing for the development agenda, increase and improve capital, lower the costs of project-making and increase the effectiveness of their lending (Guzmán & Escalante, 2026). There are two main set of reforms that have been proposed: i) the Capital Adequacy Framework (CAF) (Boosting MDBs' investing capacity, 2022), and ii) The Triple Agenda – Better, Bolder and Bigger MDBs (G20 Independent Expert Group, 2023b).

a) Capital Adequacy Framework (CAF) reforms

The CAF reforms are intended to expand MDB lending capacity by making more efficient use of existing shareholder capital while safeguarding financial sustainability and adequate risk. Capital adequacy measures the ability of the financial institution to meet its obligations with relation to the exposure to risks which entails the use of parameters and methodologies which is used by the institutions, regulators and rating agencies (Boosting MDBs' investing capacity, 2022). By altering parameters, methodologies, risk appetite and other internal elements MDBs should be able to create additional lending room.

The action plan presented with the joint G20 Presidencies of Italy and Indonesia in 2022 proposes 5 main recommendations to maximize impact of MDB capital: i) adapt approach to defining risk tolerance, ii) use callable capital, iii) expand uses of financial innovations, iv) improve credit rating agencies assessment of MDB financial strengths, and v) increase access to MDB data and analysis (Boosting MDBs' investing capacity, 2023).

These reforms are directed mostly for increasing lending room capacity, so they can be understood to scale up available funding or increases of quantity. However, they don't modify how lending is done, how it affects countries debt management or the impacts of their lending.

b) Triple Agenda reforms – Better, Bolder and Bigger MDBs

A more structural set of reforms was proposed during the G20 Presidency of India in 2023 with two volumes with recommendations and the goal of transforming the MDBs to the challenges of the XXI century, particularly in line with the sustainable development goals and climate change. The changes proposed include modifications in the mandates of the MDBs, change the operational models, scaling up capital, works as a system, and how to implement the reforms. The recommendations also take into account the need of concessional finance (quality finance).

The Triple Agenda proposes a mandate of eliminating extreme poverty, boosting shared prosperity and contributing to global public goods. As part of the Triple Agenda, specific changes are proposed to strengthen the MDBs under the Better, Bolder and Bigger Agenda (G20 Independent Expert Group, 2023b):

- **Better:** support in transformative programs, clarity of policies and investments.
- **Bolder:** taking on and managing more risk effectively and engagement with the private sector.
- **Bigger:** scaling up finance according to countries' needs

To implement these changes MDBs are proposed to change how they operate individually and collectively as well as structural changes. The recommendations (see G20 Independent Expert Group, 2023a, 2023b) calls for MDBs to reform the MDBs vision and mission to signal the transformation and guide the efforts. With respect to the operational models, MDBs are to lower the costs of support, provide scalable projects, and work with the private sector to co-create investing opportunities. Additionally, it recommends G20 members to agree on a common goal to scale up financing to provide by 2030 USD 300 billion per year on non-concessional finance and USD 90 billion on concessional finance. This goal is relevant as it creates a measurable trackable target particularly for concessional finance, although no agreed commitment was actually taken forward.

Additionally, the recommendations call to initiate a process of a General Capital Increase (GCI) which means to increase the total shareholder capital to further increase the lending volume of the banks, which would enable the finance target set of the total of USD 390 billion in lending.

An important change based on the reforms, includes the aim of MDBs working as a system which involves the use of shared diagnostics, information exchange, coordinated technical assistance, develop country platforms, project pipelines development and other joint efforts.

The proposed reforms are structural in the way MDBs operate, set goals and work collectively. These changes involve significant impact as to how projects and policies are implemented with countries and also involve an additional room for lending capacity by lowering costs of project creation and scaling up experiences, which can be understood as optimization of capacity. While reforms explicitly call for an increase in general capital to further the room of lending — quantity of finance —, recommendations still don't face the pressing issue of debt burdens and grant or highly concessional lending.

2.4 The Role of MDBs for adaptation finance

Improving climate finance involves also recognizing the need to differentiate how finance is aligned with mitigation and adaptation. While many mitigation investments can generate direct revenue streams, adaptation primarily seeks to strengthen resilience and reduce vulnerability to climate impacts, often producing broad public benefits rather than immediate financial returns. Relying predominantly on loan-based finance may be inappropriate for many adaptation interventions, particularly in countries already facing limited fiscal space and high debt burdens.

The latest available data on MDB financial instruments show that non-debt-generating instruments account for around 10% of adaptation finance for low- and middle-income countries, compared with only about 4% of mitigation finance (Joint MDBs, 2026). Additionally, as shown in section 2.1, there is a clear imbalance between the allocation of finance, were mitigation accounts for about 66% on average.

On the quantitative aspect of finance for adaptation, while MDBs collective action pledged USD 42 billion (35% of total ambition) financial needs for adaptation are estimated around USD 310-365 billion per year for developing countries (UNEP, 2025). For COP29 NCQG decision, Parties called for a balance between mitigation and adaptation finance and recognized the need to dramatically scale up adaptation finance. Later, COP30 increased the political relevance of this discussion through the Global Mutirão Decision, which calls for efforts to at least triple adaptation finance by 2035 in the context of the NCQG. However, the decision does not establish a baseline for the tripling, specify which actors are expected to contribute, or define which financial instruments should count. This leaves important implementation questions unresolved, particularly regarding the respective roles of public and private finance and whether increased adaptation finance will be delivered

through grants and concessional resources or through instruments that could add to countries' debt burdens (Guzmán, et al, 2025).

However, the quality of finance is as important as its scale. Many adaptation investments such as water management, coastal protection, health systems or social protection generate broad public benefits but limited direct financial returns, making them poorly suited to conventional debt-based financing (Bueno et al., 2025). The NCQG reflects this challenge by acknowledging the need for public and grant-based resources and highly concessional finance, particularly for adaptation, and inviting MDBs to expand the use of non-debt-inducing instruments, simplify access and scale up highly concessional finance. These provisions create an important benchmark for assessing whether MDB finance is fit for adapting needs rather than simply increasing overall lending volumes.

The role of MDBs is also relevant to the relationship between the NCQG and the Global Goal on Adaptation (GGA). The GGA seeks to strengthen adaptive capacity, resilience and the reduction of vulnerability, while its implementation increasingly depends on linking financial support to measurable adaptation outcomes. The technical work on adaptation indicators has shown that finance-related metrics still face important limitations, including insufficient differentiation between domestic and international finance and limited attention to sufficiency, concessionality and predictability (Bueno et al., 2025). Strengthening the interoperability between financial reporting and adaptation metrics could therefore help connect MDB finance more clearly to resilience outcomes, while improving transparency on the quality and origin of the resources supporting adaptation.

For MDBs, this implies moving from broad climate-finance commitments toward measurable institutional plans for adaptation. Such plans should clarify how each institution will contribute to the NCQG and to the adaptation finance tripling, including through explicit adaptation targets, greater use of grants and highly concessional resources, non-debt-generating instruments, simplified access and transparent reporting on financial terms and disbursement. This would also strengthen accountability under the NCQG, as the Standing Committee on Finance is expected to assess collective progress from 2028 using, among other sources, project-level information from MDBs and other international financial institutions.

3. Adapting MDB finance to the qualitative standards of the NCQG

3.1 The NCQG framework for improving quality for MDBs climate finance

The NCQG decision points out five key elements to improve quality finance. First, there is a need to improve grants and concessional finance, this means improving public and grant-based resources with highly concessional finance (para. 14). Additionally, these instruments require a particular focus with adaptation and loss and damage, as the most of the related projects are revenue generating source.

Second, the decision acknowledges the fiscal constraints and increasing cost required for climate change, thus it highlights the critical importance of reducing the cost of capital, and at the same time increasing the mobilization ratio from public sources by 2030 (para. 15). This is particularly relevant because high financing costs can reduce the capacity of developing countries to invest in climate action, especially where fiscal space is already limited and debt pressures are increasing.

Third, provide an increase of public resources through the UNFCCC climate funds, including the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund (para. 16). As part of the increase of funding, the decision highlights the pursuit of efforts to triple annual outflows of the mentioned funds by 2030 to be able to reach the USD 300 billion target.

Fourth, and as shown on section 2.1, about two thirds of finance is allocated in mitigation contrasted to adaptation. In this sense, there needs to be a balance between adaptation and mitigation finance in line with the priorities set by countries (para. 17). A special attention is needed for countries that are vulnerable to adverse effects to climate change and with significant constraints, such as least develop countries and small island developing states, reaffirming also the first point above with the type of financial instruments used with adaptation and loss and damage.

The fifth element is related to improving access (paras. 21 and 23). This arises as a challenge of constraints, systemic inequalities, co-financing requirements and burdensome in the application process. In this regard, the decision encourages efforts to enhance efficient and effective access to all climate finance actors, including bilateral, regional and multilateral finance for developing countries. And to remove conditionalities for access when appropriate.

3.2 What adapting MDB finance to NCQG quality standards requires

Strengthening the qualitative dimension of the NCQG will require action across several key areas. As mentioned before, there is a need to implement grant and concessional floors for non-revenue-generating action in particular for adaptation projects and loss and damage. This requires grants-based instruments as a default instrument for adaptation, loss and damage, with concessional loans reserved for interventions that generate genuine repayment capacity.

This approach would also respond to the NCQG recognition that adaptation and loss and damage require a greater reliance on public, grant-based and highly concessional resources, given their limited capacity to generate direct financial returns.

In line with grant and concessional floors, quality finance also needs an expansion of non-debt-creating instruments. Paragraph 15 of the NCQG decision names specific tools to reduce the cost of capital and create fiscal space: first-loss instruments, guarantees, local currency financing and foreign exchange risk instruments. For MDBs this means scaling guarantees, first-loss and risk-sharing facilities, results-based grants, and hybrid/equity-like capital — instruments that mobilise private capital or de-risk projects without adding to sovereign debt stock.

However, reducing the cost of capital should be considered an objective in itself and not only as a mechanism for mobilising additional private finance. MDB financing should therefore be assessed according to the effective cost faced by recipient countries, including interest rates, maturities, currency risks and other financing conditions. At the same time, efforts to increase mobilisation ratios should ensure that leveraging additional resources does not result in higher costs or greater financial risks being transferred to developing countries.

The NCQG also calls for a significant increase in public resources channelled through the operating entities of the UNFCCC Financial Mechanism and other climate funds, alongside efforts to triple their annual outflows from 2022 levels by 2030. Although these funds operate separately from MDBs, this element is relevant for the broader climate finance architecture. MDB financing should complement rather than substitute the more concessional and grant-based resources available through climate funds, particularly for adaptation, loss and damage and highly vulnerable countries.

Additionally, finance needs to differentiate by cost to the recipient, thus making it clear how much finance is destined and which what type of instrument (Hirschel-Burns, 2024, p.11). This means not treating the total USD 300 billion as a single figure and giving more nuance to subtargets by instrument type. By extension MDB climate targets and reporting should adopt sub-targets by instrument, and policy type (mitigation, adaptation) that distinguish the finance provided. This would allow the SCF to assess quality, not only volume (UNFCCC, 2024, paras. 30–33).

Such differentiation is also necessary to address the balance between mitigation and adaptation established in the NCQG. Improving quality therefore requires not only increasing overall climate finance but also assessing whether its allocation responds to country-driven priorities and whether adaptation receives an adequate share of resources. This is particularly relevant for countries most affected by climate changes as well as highly vulnerable countries, where adaptation needs are significant and financing conditions are especially constrained.

Another key consideration is the need for debt sustainability safeguards. Debt financing though loans should be limited to projects with genuine revenue-generation potential and to borrowers with the fiscal capacity to sustain repayment, so that scaling climate finance does not itself become a driver of debt distress. On the contrary, high-concessional loans or grants must be focused on non-revenue-generating potential. This also means improving the allocation of funds and differentiation of climate policy/projects. This point is especially relevant because the Baku to Belém Roadmap asks MDBs to review policies that preclude non-concessional lending in high-risk debt contexts when operations enhance resilience (COP29 Presidency & COP30 Presidency, 2025). Without clear safeguards, this could increase debt burdens in the countries least able to bear them.

3.3 Closing the gap between commitments and disbursement

One of the elements Access to climate finance remains a major challenge for developing countries. There are two major challenges accessing finance (OFI & OECD, 2026): Increasing fragmentation across funding channels — for 2023, 40% of developing countries worked with at least 16 different donors, which went up by 20% from 2015. This fragmentation raises transaction costs, strains limited institutional capacity, but also weakens the ability of scaling up climate action in national programmes and project-financings are scattered. These barriers are reinforced by procedural bottlenecks and duplicative administrative requirements, while reforms to improve access have not yet produced significant improvements in most cases.

The second main challenge is the delays between disbursements and commitments. While the commitments are the overall financial agreements, the actual transfer of these funds is done by disbursements which lag behind the pledges and could be executed over several years. For example, for 2023 the OECD DAC members disbursed 66.8% and multilateral institutions 55.6%, both from climate commitments (ibid). The delays result in the reduction of action and transaction costs (OFI & OECD, 2026).

To close the gap between commitments and disbursements MDBs could apply two reforms: first, direct access modalities that let national and subnational entities manage funds without routing every project through an international implementing agency, reducing transaction costs and building longer-term in-country capacity. The NCQG calls on multilateral climate funds to prioritise direct access (UNFCCC, 2024, para. 24); applying the same standard to MDBs would reduce transaction costs and build long-term national capacity.

Second, simplified and harmonised approval and reporting requirements across MDBs, reducing the administrative burden on recipient ministries of finance and environment that must currently navigate different accreditation, procurement and reporting standards for each institution.

Finally, MDBs can support country platforms, as proposed by the Baku to Belém Roadmap and part of the Triple Agenda reforms, to align financing with national priorities and reduce fragmentation (COP29 Presidency & COP30 Presidency, 2025).

4. Political shifts affecting MDB climate finance and implications for the NCQG delivery

4.1 International pressure for multilateral institutions, backsliding and implications for climate finance

Multilateral institutions are facing increasing pressure to weaken or abandon existing climate commitments. Since the change in the United States of America administration, political shifts have been demanded to multilateral institutions. Changes started from the U.S. withdrawal from the Paris Agreement in 2025, which later turned into others such as the International Energy Agency (IEA) where at the biennial ministerial meeting of the organization was threatened from a similar pull out if the organization wouldn't eliminate the planet/warming fossil fuel emissions by 2050 or net zero scenario (Plumber, 2026).

A similar situation was experienced at the Spring Meetings of 2026, where the International Monetary Fund (IMF) was asked to turn back to their original mandate focused on disciplined lending and resolving balance of payments, distant from international development, and for the World Bank to eliminate their 45% climate finance target and both to focus on the promotion of national self-reliance, critical minerals and energy abundance with the use of carbon intensive resources (Escalante, 2026).

Some of these demands of policy shift eventually turned into concrete changes. On 29th June 2026, the World Bank's Board of Directors concluded months of shareholder negotiations by extending the Bank's Climate Change Action Plan (CCAP) — which had been due to expire on 30 June 2026 — while simultaneously retiring the CCAP's central metric: the target that 45% of the Bank's annual total financing will be destined to climate co-benefits (itself a 2024 upward revision of an earlier 35% target set in 2020). The CCAP is the World Bank's plan of how the institution would integrate climate consideration into its operations and a main paradigm shift of the focus of the bank. The first CCAP covered the 2016–2020 period, while the second, covering 2021–2025, initially established a 35% climate finance target. A third CCAP was expected for the 2026–2030 period; however, as part of the political pressure and one year negotiation the existing plan was instead extended indefinitely. Before retiring the 45% target, the Bank had already met the projection by reaching 48% in 2025 (World Bank Group, 2025a).

There are still some quantitative climate commitments remaining within the World Bank. The IDA21[3] replenishment—which provides concessional financing to the world's lowest-income countries for the 2026–28 period—still preserves a target of at least 45% of IDA's total commitments as climate co-benefits on average, with at least half of that financing supporting adaptation (IDA,

[3] The International Development Association (IDA) is the World Bank Group's concessional financing arm, providing grants and low-cost financing to the world's lowest-income countries.

2025). This means that, despite the removal of the broader World Bank Group 45% target, a comparable quantitative climate-finance benchmark remains in place for IDA operations for LMIC. Nonetheless, a new negotiation replenishment will be conducted in 2027 which could also affect climate finance.

The retiring of the goal signals a backslide in the commitment towards climate action. Implementation of policies at the Bank follows wide general goals and decisions, which for climate change require progressive improvements, that's why an update of the third CCAP was significant, as it would have meant incremental efforts from the Bank, and to other international finance institutions, aligning their decisions with the Paris Agreement. Instead, a broader political shift indicates the opposite.

Overall, these changes are part of a broader agenda aimed at promoting different structural directions that aren't aligned with the Paris Agreement. Of particular importance for the MDBs at present is related to the ongoing work at the G20, where most of the past reforms have been done. For 2026, as the U.S. administration has the Presidency, the priorities and working agenda diverges from past work, and are in fact the opposite. The U.S. priorities for this year are the removal of regulatory burdens (limits on emission from coal or gas), affordable and secure energy supply chains from fossil fuel and coal, and critical minerals (G20 United States, 2026; The White House, 2026).

4.2. The 2026 Annual meetings and the diverging focus from climate change

The Annual Meetings of the World Bank Group and the International Monetary Fund are the main spaces where governments, financial institutions and other actors set the priorities and the direction of the international financial architecture. The 2026 Annual Meetings, held from 12 to 18 October in Bangkok, Thailand, showed an important shift in these priorities. This year, discussions were strongly centred around artificial intelligence, the future of jobs, economic growth, the mobilisation of private capital, debt pressures and energy security. Climate change, however, was notably absent from the conversations, despite being a cross-cutting development challenge in all topics addressed.

Some of the challenges raised during the Annual Meetings reflected an increasingly difficult global economic environment. In the press conference on the Global Policy Agenda, IMF Managing Director Kristalina Georgieva described a global economy reaching its limits, affected by a negative energy supply shock linked to the war in the Middle East, persistent inflation, tighter fiscal conditions and increasing debt burdens (IMF, 2026). For low-income countries, debt-service costs have increased from around 6% of government revenues a decade ago to 14% today, while development assistance is falling and access to private investment remains constrained. These are pressing issues were mostly addressed as macroeconomic, energy or fiscal problems, with little connection to the way climate impacts are already increasing fiscal risks, infrastructure needs and financing pressures.

On the other hand, the World Bank's agenda followed a similar direction. In his statement to the Board of Governors, World Bank Group President Ajay Banga placed jobs at the centre of the institution's development strategy. As he mentions, over the next 10 to 15 years, around 1.2 billion young people are expected to enter the labour market, while only approximately 400 million jobs are projected to be available, creating a potential gap of around 800 million jobs. His proposed development model combines public finance, private investment, philanthropy and technology, with a strong emphasis on increasing private capital mobilisation and using AI as a tool to improve productivity and development outcomes (Banga, 2026).

Energy was also presented primarily through the lenses of access, affordability and economic growth. The World Bank described its approach as a «balanced energy mix» that includes renewables, hydropower, gas, nuclear energy, transmission, grids and storage. From a climate perspective, this approach raises important questions. Expanding energy access is fundamental, particularly in developing countries, but placing gas alongside renewable technologies can prolong investments in carbon-intensive infrastructure, hydropower also involves damages to ecosystems related with flooding large areas, and nuclear involves uranium extraction and leaving dangerous waste and potential risk, all of this just at a moment when financial institutions are also expected to align their operations with the Paris Agreement and support a just energy transition.

The limited attention to climate was particularly visible in the flagship events, which largely focused on artificial intelligence, employment, private sector development and investment mobilisation, with little discussion of how these priorities intersect with climate risks and the financing needs of developing countries. While private investment can add to the quantity, it cannot replace the role of public and concessional resources. The focus on private financing comes at a time were Official Development Assistance and country contributions to multilateral funds is reducing.

Another important discussion emerged during the CSO Roundtable with WBG Executive Directors, one of the few formal opportunities for civil society to engage directly with members of the World Bank Board. The exchange revealed a fragmented political environment within the institution. Some shareholders continue to support climate action as part of the Bank's development mandate, while others are questioning the climate change as a scientific fact. This division is driving the changes in political commitments such as the 45% climate co-benefits target from the CCCAP explained in section 4. Instead, the World Bank has shifted toward outcome-based with the use of Scorecards for impact measurement, but it should not replace clear quantitative climate finance commitments, especially as MDBs are expected to contribute to NCQG delivery.

While climate remained marginal within the main programme, important discussions took place around the margins of the Annual Meetings. The Xingu Finance Talks, convened in connection with the Veredas Dialogue, brought together actors from the climate and financial communities to discuss issues such as fiscal space, the cost of capital and structural sources of finance for developing countries. GFLAC, together with REDFIS and Thailand's State Audit Office, also convened a high-level roundtable on the role of MDBs in delivering the NCQG, with particular attention to the quality of finance for adaptation. The discussion highlighted the need to accelerate MDB reforms, increase concessionality, simplify access, strengthen country ownership and assess climate finance not only by volumes mobilised but also by its implications for resilience, debt sustainability and development outcomes. These discussions showed that there remains significant demand for connecting the reform of the international financial architecture with the climate finance commitments negotiated under the UNFCCC, even if this connection was largely missing from the central Annual Meetings agenda.

The priorities discussed in Bangkok therefore show an increasing divergence between the institutional agenda and the climate and development finance needs being raised by developing countries. While AI, employment, energy security, debt and private investment are all important global issues to address, climate change cuts across each of them, and failing to prioritise it would only postpone action and make future conditions harder and more costly for countries.

The question is therefore not whether the World Bank and IMF should address those issues, but if these priorities can be pursued without integrating climate resilience, decarbonisation, fiscal space

and the commitments already agreed under the Paris Agreement and the NCQG. In a context of declining ODA, pressure on public climate finance and increasing debt vulnerabilities, moving climate considerations away from the centre of the international financial agenda risks making the development challenges these institutions seek to address even more difficult and expensive in the future.

4.3. Implications for NCQG delivery

The pressure for multilateral institutions is having significant impacts for the alignment and delivery of the NCQG. A concerning turning point was the retirement of the climate co-benefit goal as part of the CCAP of the World Bank: The World Bank is, by a wide margin, the largest provider of climate finance among MDBs. For the latest updated data, the bank provided a total of USD 41 billion for low- and middle-income countries, which is about 48% of total MDB climate finance (Joint MDBs, 2026). The retirement of its climate target not only implies a setback on a large share of a single institutions but also has implications for the NCQG's delivery architecture and political will for the Bank as well as for other MDBs.

To being with, the target is a loss of the World Bank's clearest accountability anchor. The 45% target was a concrete and reportable commitment and board approved by a wide number of countries as it is represented by global actors. Its removal weakens the basis on which NCQG reporting can hold the largest MDB accountable for sustained scale-up, at precisely the moment the Baku to Belém Roadmap asks MDBs to set enhanced climate finance targets through 2035 (COP29 Presidency & COP30 Presidency, 2025).

From a wider perspective it is a precedent risk for the joint MDB collective action. The World Bank's shift from a volume target could, if replicated by other shareholders pressuring other MDBs, fragment collective ambition and efforts for incrementing climate finance. And could instead, turn into other broader political goals such as critical minerals, artificial intelligence, or national security. The Bank's commitment to keep contributing to joint MDB reporting is important; the comparability of that reporting underpins the SCF's assessment of NCQG progress (UNFCCC, 2024, para. 32). In fact, a recent news story highlighted that the Interamerican Development Bank (IDB) would be possibly retiring its 45% climate target from its portfolio on climate finance during or after the COP31, which would be followed after by the Asian Development Bank (ADB), (Chase-Lubitz, 2026)

The change signals effect on donor and shareholder political will: the change reflects a broader retrenchment by the current US administration from multilateral climate finance, occurring alongside wider bilateral aid cuts by several developed countries. This trend runs directly counter to the scale-up in ambition, political commitment and predictability that the USD 300 billion floor and USD 1.3 trillion pathway both require from developed-country shareholders of MDBs.

It also points to a composition risk. A client-demand-driven approach tends to favour loan-based mitigation over grant-based adaptation. Without a target, the balance between mitigation and adaptation called for in the NCQG (paras. 17–18) could deteriorate.

Additionally, it puts on risk to the tripling of adaptation finance. MDBs are not the only source for tripling adaptation finance by 2035, so in the absence of a bank-wide target makes it harder to anchor its contribution, although the World Bank's stated intention to strengthen its work on adaptation offers an entry point.

Finally, this change in policy direction could reshape where climate finance is ultimately directed. Most recently, the World Bank has been promoting a metal and mineral policy (see World Bank Group, 2025b), where the bank intends to support critical mineral for job creation, resource abundance and prosperity, however this support comes alongside funding which could eventually

impact climate alignment. And as mentioned above (see section 4) is part of the U.S agenda on a contrary focus from climate change.

4.4. Regional implications for Latin America and the Caribbean

Latin America and the Caribbean receives about 12% of MDB climate finance —for both LMIC and HIC (Joint MDBs, 2026). The region occupies a strategic position in the global energy system, combining one of the world's cleanest electricity mixes with abundant renewable energy resources—particularly hydroelectric energy, and high-quality solar wind—significant reserves of critical minerals, including lithium and copper, potential intensive green hydrogen hub, and substantial fossil fuel resources: Latin America and the Caribbean holds around one third of global reserves of lithium and copper, while major oil and gas resources are concentrated in countries such as Venezuela, Brazil, Guyana and Argentina (IEA, 2023).

In fiscal terms, the region has been recovering from the fiscal imbalances due to the COVID 19 pandemic, and maneuvering in a limited fiscal space. While payment from interests reached a decrease after 3 years — about 2.9% of the GDP — the region still faces deficit in both primary and global results, and the average of public debt is still at its historical highest's for about 52% of GDP (higher than pre-pandemic levels), (ECLAC, 2026).

Under this context, improving MDB climate finance requires not only scaling up of financing but also improving quality. Resorting to other financial instruments rather than loans is a priority, especially given that it has been historically the main instrument used representing about 92% of total climate finance (GFLAC, 2025). MDBs working in the region can promote other financial instrument as well as optimal level grants-based financing that does not add more pressure to the limited fiscal space and debt situation in the region to achieve a just climate transition.

However, amid increasing pressure to retreat from the climate agenda, MDBs should maintain and reinforce their existing climate commitments. As mentioned above, the retiring of the climate finance goal of the World Bank is a negative political signal which could propagate to other regional MDBs. For example, in August the IDB increased the security financing goal from a USD 2.5 billion target to USD 4 billion (a 60% increase) (IDB, 2026), pointing to a risk of differed investment focus, and the possibility of eliminating the climate financial target of its portfolio (Chase-Lubitz, 2026).

This adds to a complex political change across countries in the region, where new country administrations show a distant view with climate change and are aligning with the U.S. administration in the international political views. This could translate in further investments in oil, gas, nuclear, critical minerals, including explicit misalignments with climate change. Since member countries are shareholders of MDBs and ultimately decide the allocation of projects, without MDB safeguards in fossil fuels, finance might be altered for carbon intensive sources. As a consequence, not only the MDB decisions will increase the gap for the NCQG two-layer goal, but fossil fuel finance will deepen and change the trend from past years (Guzmán & Escalante, 2026).

5. Recommendations

The NCQG will only succeed if MDBs deliver more finance, of better quality and on more accessible terms. That is harder now that the largest MDB has weakened its own accountability framework. The coming months offer several opportunities to act: COP31 in Antalya (November 2026), the ministerial dialogue on the implementation of the NCQG, and the deadlines proposed by the Baku to Belém Roadmap for October 2027. The following recommendations are addressed to three audiences.

To MDB shareholders and governance bodies

- **Strengthen the role of shareholders in safeguarding climate commitments.** MDB shareholders should use their governance role more actively to protect and advance existing climate finance commitments, particularly in a context of increasing political pressure. Stronger shareholder coalitions can help defend measurable climate finance targets, support clear adaptation finance trajectories, and ensure that institutional reforms remain aligned with the NCQG and the Paris Agreement.
- **Establish measurable climate finance targets in line with the NCQG.** MDBs should adopt quantitative targets not only at the institutional level, but also across mitigation and adaptation, with further differentiation by financial instrument. This should include specific benchmarks for grants, highly concessional finance, and non-debt-creating instruments. This will help ensure that increases in climate finance are accompanied by improvements in its quality, affordability and suitability.
- **Establish an optimal instrument financing mix.** Develop transparent estimates of the appropriate share of financing to be delivered through grants, highly concessional loans, non-debt-creating instruments and other financial instruments, taking into account countries' debt and fiscal space and the revenue-generating capacity of different types of climate investments. This would help ensure that increases in climate finance are accompanied by an appropriate mix of instruments rather than relying predominantly on debt.
- **Develop quality finance plans.** MDBs should establish clear plans to improve the quality and accessibility of their financing by reducing the cost of capital, streamlining burdensome application and reporting processes, and simplifying access to resources. These efforts should also promote greater coordination through country and country platforms, helping reduce fragmentation across financing channels and institutions.
- **Accelerate the implementation of reform agendas from the G20.** MDBs should continue implementing the Capital Adequacy Framework recommendations to expand lending capacity, while also advancing the broader reforms proposed under the G20 Triple Agenda, including aligning MDB operations and joint work towards development and climate action.

To MDB management

- **Set regional and country-level targets for grants and non-debt finance.** MDBs should establish explicit benchmarks for the share of climate finance delivered through grants and non-debt instruments, particularly for adaptation, and loss and damage. These targets should reflect country-specific circumstances, including debt vulnerabilities, fiscal space and priorities identified in NDCs and NAPs.
- **Expand direct-access and simplified-approval modalities.** MDBs should broaden access models that reduce the need for complex intermediation and shorten approval timelines, while simplifying application, accreditation, procurement and reporting requirements. These reforms should be designed to lower transaction costs and administrative burdens for recipient governments, particularly in countries with limited institutional capacity.
- **Strengthen country platforms as coordination mechanisms.** MDBs should support country-led platforms that bring together governments, development banks, donors and other relevant actors around nationally defined climate and development priorities. These platforms can help align financing with NDCs and NAPs, improve coordination across

institutions, reduce duplication and fragmentation, and create clearer pipelines for climate investment.

To developing country governments and civil society networks

- **Build coalitions to push NCQG implementation.** Developing countries, including within the G77 and China, should identify champions to promote the quantitative and qualitative implementation of the NCQG in MDB governance and in the UNFCCC. This includes the CFWP and the ministerial dialogue on NCQG implementation.
- **Give the tripling of adaptation finance a clear home.** COP31 and COP32 are key moments to secure an implementation path for the tripling of adaptation finance, including the expected contribution of MDBs.
- **Coordinate on debt.** Ministries of finance should coordinate on the debt implications of climate finance, including through borrower-country forums. Their shared position should guide MDBs in the design of instruments and conditions.

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