



G20
SOUTH AFRICA 2025



**FINANCE
TRACK**

Sustainable Finance Working Group:
2025 Presidency and Co-chairs Note on Agenda Priorities

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Introduction

A better future for the global economy depends on making sustained progress on our shared challenges. Looking ahead, we aim to reinvigorate solidarity and the multilateral system, while promoting fair treatment, opportunities, and advancement for everyone, and working towards the inclusive achievement of the sustainable development goals (SDGs). These efforts include fostering technological development and integrating the world's less-developed regions into a thriving, interconnected global economy.

Tackling the challenges related to sustainability requires a collaborative and inclusive global approach to unblocking institutional and market barriers to scaling up sustainable finance. The Sustainable Finance Working Group (SFWG) has identified options for innovative ways to channel more climate finance to economies looking to scale up climate-related investments. The work has been guided by the *G20 Sustainable Finance Roadmap*¹ developed during the Italian Presidency in 2021. In 2024, the SFWG welcomed the report on the independent review of the vertical climate and environmental funds (VCEFs) and endorsed the *2024 G20 Sustainable Finance Report*² which includes (i) high-level principles for 'credible, robust, and just' transition plans for financial institutions and corporations and additional recommendations for supporting just transitions; (ii) recommendations on addressing the implementation challenges of sustainability reporting standards, including for small- and medium-sized enterprises (SMEs) and emerging markets and developing economies (EMDEs); and (iii) recommendations on financing nature-based solutions.

Yet, large financing gaps persist and the flow of funds remains far below the levels necessary for just transitions and increased climate resilience.

¹ G20 SFWG (2021). *G20 Sustainable Finance Roadmap*. <https://g20sfwg.org/roadmap/>

² G20 SFWG (2024). *2024 G20 Sustainable Finance Report*. <https://g20sfwg.org/wp-content/uploads/2024/10/2024-G20-Sustainable-Finance-Report.pdf>

Under the Group of Twenty (G20) South African Presidency, the SFWG will continue to build on prior achievements and focus on three priority areas:

- strengthening the global sustainable finance architecture;
- scaling up financing for adaptation and just transitions; and
- unlocking the financing potential of carbon markets.

While working on these priorities, the SFWG will continue to track and report progress on the implementation of the Roadmap's current actions, including jurisdiction-specific activities.

2025 SFWG Workplan

Priority 1: Strengthening the global sustainable finance architecture

Background

In recent years, there has been notable progress in climate and biodiversity finance flows. The United Nations Framework Convention on Climate Change's (UNFCCC) Standing Committee on Finance reported an increase in global climate finance³ flows in 2021–2022 by 63% compared to 2019–2020, reaching an annual average of US\$1.3 trillion.⁴ However, an annual financing gap of US\$6 trillion remains until 2030.

³ Refer to the UNFCCC's updated operational definition of climate finance - Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases, aims at reducing vulnerability, increasing adaptive capacity, and mainstreaming and increasing resilience of human and ecological systems to negative climate impacts, and includes financing for actions identified in a country's nationally determined contribution, adaptation communication, national adaptation plan, long-term low-emission development strategy or other national plan for implementing and achieving the goals of the Paris Agreement and the objective of the Convention.

⁴ UNFCCC (2024). *UNFCCC Standing Committee on Finance: Sixth Biennial Assessment and Overview of Climate Finance Flows*. https://unfccc.int/sites/default/files/resource/UNFCCC_BA6_Report_Web_FINAL.pdf(p6)

While multilateral development banks (MDBs) and national development banks (NDBs) have shown a strong commitment by providing increased levels of climate finance,⁵ significant challenges remain. There is an urgent need for increased financing through enhanced private sector partnerships and more effective deployment of existing resources with better country alignment. A fundamental solution lies in improved collaboration between MDBs, NDBs, VCEFs, and development finance institutions (DFIs), as current fragmented approaches result in duplicated efforts or unnecessary frictions, leading to missed investment opportunities. This increased collaboration has been recommended by various stakeholders such as the Independent High-Level Expert Group on Climate Finance launched by the 26th and 27th Conference of the Parties' (COP26 and COP27) Presidencies, the UN Climate Change High-Level Champions in 2022,⁶ the G20 MDB Roadmap developed by the International Financial Architecture (IFA) Working Group in 2024,⁷ the G20 Task Force for the Global Mobilisation against Climate Change⁸ and the independent review of the VCEFs⁹. The latter recommends that VCEFs “actively pursue co-financing mechanisms with MDBs, DFIs, NDBs, PDBs, and private actors to syndicate and otherwise increase opportunities to mobilise complementary funding from these sources and enhance coherence in the global climate finance landscape”.

The existing collaboration between these institutions encompasses various mechanisms, such as on-lending and co-financing arrangements, technical cooperation, and

⁵ (i) European Investment Bank (EIB) (2023). 'Multilateral development banks (MDBs) provide record climate finance of close to \$61 billion for low and middle-income economies in 2022'. <https://www.eib.org/en/press/all/2023-376-multilateral-development-banks-provide-record-climate-finance-of-close-to-usd61-billion-for-low-and-middle-income-economies-in-2022>; (ii) Finance in Common (FiCS) (2021). *PDBs in action: Progress report from the first year of life of the Finance in Common coalition*. https://financeincommon.org/sites/default/files/2021-10/Progress%20Report%20from%20the%20First%20Year%20of%20Life%20of%20the%20Finance%20in%20Common%20Coalition_0.pdf; and (iii) International Finance Corporation (IFC) (2023). 'COP28: Multilateral development banks (MDB) joint statement'. <https://www.ifc.org/en/statements/2023/cop28-mdb-joint-statement>

⁶ V Songwe, N Stern and A Bhattacharya (2022). *Finance for climate action: scaling up investment for climate and development*. <https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf>.

⁷ G20 FiCS Joint Event Rio de Janeiro (20–21 May 2024). Key takeaways and recommendations by the FiCS Chairman to the G20 Brazilian Presidency: “Connecting the MDB system with national and subnational development banks could make the best use of the US\$23 trillion in assets managed and US\$2.5 trillion annual investments made by the FiCS institutions.”

⁸ G20 South African Presidency (2024). <https://g20.org/track/environment-and-climate-sustainability-2>

⁹ G20 SFWG (2024). *Accelerating Sustainable Finance for Emerging Markets and Developing Economies: Independent High-Level Expert Group Review of the Vertical Climate and Environmental Funds*. <https://g20sfwg.org/wp-content/uploads/2024/10/G20-IHLEG-VCEF-Review.pdf>

knowledge sharing. This partnership offers multiple benefits including increased resource mobilisation, complementary institutional strengths, improved project quality, higher private sector engagement, and better alignment with national priorities.

To achieve these benefits, we must urgently address several challenges across VCEFs, MDBs, and NDBs. These challenges include inconsistent reporting systems, varying eligibility criteria, capacity constraints in implementation, and the management of currency risks. Improving the efficiency of co-financing options requires funders to better understand project characteristics, including project size, geographic scope, project risk, and maturity profile. This understanding can assist with the following:

- Match financial instruments such as grants, loans, and guarantees with project objectives.
- Maximise the leverage of concessional finance.
- Avoid unnecessary competition by public finance for projects that could attract private finance.

There is also a need for improved measurement of co-financing volumes as the lack of information has made it difficult to assess the effectiveness of co-financing arrangements and implement appropriate measures to resolve any frictions.¹⁰

Since public resources alone are insufficient to meet the needs for climate projects, continued efforts to establish co-financing arrangements with private actors can significantly enhance the capabilities of VCEFs, MDBs, and NDBs to better address development challenges, promote sustainable growth, and achieve greater impact in the countries and sectors they serve.

¹⁰ N Chin, E Bagnera and N Pinko, Climate Policy Initiative (CPI) and V Ahlgren and L Sabogal, E3G (2023). *Enhancing MDB-NDB cooperation. Understanding climate finance flows and Paris alignment.* <https://www.climatepolicyinitiative.org/wp-content/uploads/2023/12/CPI-E3G-Report-Summary-Enhancing-MDB-NDB-cooperation.pdf>

Objective and approach

Under the G20 South African Presidency, the SFWG will advance the understanding of climate finance cooperation between VCEFs, MDBs, and NDBs, along with private financial institutions. This will be achieved by identifying barriers that impede collaboration and exploring options to facilitate co-financing and mobilise private finance.

The work will be supported by the consolidation of existing research, dedicated surveys, case studies, and a side event co-hosted at the Finance in Common (FiCS) summit in February 2025. The deliverables under this priority will provide the SFWG with the following:

- Quantitative data of current co-financing volumes, including the mobilisation of private finance by VCEFs, MDBs, and NDBs.
- An assessment of obstacles hindering co-financing between NDBs, MDBs, and VCEFs and the mobilisation of private finance. This could include, without being limited to, a focus on the consistency of standards and requirements across MDBs, NDBs, and VCEFs, along with suggestions on how to harmonise them, and a deeper understanding of the additionality of guarantees on climate finance flows.¹¹
- Examples of successful co-finance projects and/or platforms, including key conditions and relevant context for their scale-up.

In addition, building on the IHLEG review of the VCEFs and following the VCEFs' joint commitment to develop ambitious and concrete actions to enhance access to climate finance and increase their collective impact, the VCEFs¹² and other stakeholders will be invited to an SFWG side event. This event is to update members on their progress made so far.

¹² The Global Environment Facility (GEF), the Adaptation Fund (AF), the Climate Investment Fund (CIF), and the Green Climate Fund (GCF)

Deliverables

1. A compendium of successful co-financed projects, including a description of the project financed, the mechanism itself, and lessons learnt.
2. A set of recommendations on how to scale up co-financing by VCEFs, MDBs, and NDBs and mobilise funding from the private sector.
3. A short progress report on the implementation of the IHLEG review of the VCEFs, delivered under the G20 Brazilian Presidency. The report will be based on information shared by VCEFs and other stakeholders during an SFWG meeting and will be annexed to the *2025 G20 Sustainable Finance Report*.

Priority 2: Scaling up financing for adaptation and just transitions

Background

Since 2021, the SFWG's focus has been on addressing frictions that impede the scaling up of both private and public sustainable finance. While mitigation finance has been at the centre of the group's discussions, obstacles related to the scaling up of adaptation funding have received less direct attention. These issues were tackled indirectly through priorities such as 'Enabling finance for the SDGs' under the G20 Indian Presidency and 'Financing nature-based solutions' under the Brazilian Presidency.

Efforts by the financial sector to scale up climate financing have largely been directed towards climate mitigation, with significantly less attention given to adaptation funding. According to the Climate Policy Initiative (CPI),¹³ more than 90% of global climate finance in 2021/22 was directed towards mitigation, while adaptation finance accounted for less than 5% of the total, with another 5% allocated to dual purposes. Although adaptation finance has seen an increase, there remains an annual financing gap for climate

¹³ B Buchner et al. (2023). *Global Landscape of Climate Finance 2023*. <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/>

adaptation in developing countries, estimated to be between US\$194 billion and US\$366 billion,¹⁴ which is about 10 to 18 times greater than current financing flows. This gap is expected to increase to between US\$315 billion and US\$565 billion by 2050.

While financing climate resilience and adaptation is not yet well understood by investors, it holds significant appeal for several reasons. These include a clearer understanding of the near-term trajectory of climate change, the emergence of demand for climate-resilience technologies and solutions, and the availability of investable opportunities that leverage nature-based solutions while enhancing biodiversity.¹⁴ This highlights the potential of climate-resilience and adaptation investments, particularly in developing economies that are often more exposed to the effects of rising temperatures and extreme weather events. Scaling up such investments, however, requires effective frameworks and incentives to guide investment decisions.

Various obstacles impede the scaling up of adaptation finance, including the following:

- For financial and non-financial institutions, there is uncertainty about how to incorporate adaptation and resilience considerations into transition plans.
- Investors face a lack of information and methodologies that clearly define and internalise the benefits and risks associated with climate-resilience investments.
- In key financial sectors, such as insurance, there is an existing and growing gap in climate-related insurance protection.
- Practitioners encounter challenges in scaling the financial instruments used to provide adaptation finance.
- Policymakers at country level struggle with weak links between national adaptation plans (NAPs) and investment planning.

¹⁴ UNEP (2023). *Adaptation Gap Report 2023: Underfinanced. Underprepared – Inadequate investment and planning on climate adaptation leaves world exposed.* <https://www.unep.org/resources/adaptation-gap-report-2023>

Objective and approach

Adaptation finance, as discussed under this priority, refers to finance for actions that help natural or human systems respond to actual or anticipated climatic stimuli or their effects, which moderate harm or exploit beneficial opportunities.¹⁵

During the South African Presidency, the SFWG's work will be focused on three focus areas to address adaptation finance challenges. The work will be informed by input papers and a side event focused on addressing funding challenges for national just transition plans. The event, co-hosted with the South African Presidential Climate Commission (PCC) and the Banking Association South Africa (BASA), is scheduled for March 2025.

Focus 1: Integrate adaptation and resilience considerations into the transition plans of financial institutions and corporates.

Financial institutions in EMDEs usually focus on broader sustainability objectives and adaptation due to their exposure to severe climate impacts. However, they face challenges in incorporating adaptation considerations in their transition planning.¹⁶

The G20 SFWG will leverage its convening power to consolidate and deepen existing work on transition plans and adaptation finance. The SFWG will build on (i) outcomes from the Indonesian¹⁷ and Brazilian Presidencies¹⁸ on transition plans; and (ii) previous work, including by the Network for Greening the Financial System (NGFS), to analyse the distinct challenges financial institutions, particularly in EMDEs, face when developing transition plans.

¹⁵ Based on the UNFCCC definition of 'adaptation':

https://unfccc.int/files/press/backgrounders/application/pdf/press_factsh_adaptation.pdf

¹⁶ Network for Greening the Financial System (NGFS) (2024). *Tailoring Transition Plans: Considerations for EMDEs*.

https://www.ngfs.net/sites/default/files/media/2024/04/17/ngfs_tailoring_transition_plans.pdf.pdf

¹⁷ G20 SFWG (2023). *G20 Transition Finance Framework*. <https://g20sfwg.org/wp-content/uploads/2023/12/TFF-2-pager-digital.pdf>

¹⁸ G20 SFWG (2024). *2024 G20 Sustainable Finance Report*. 'Chapter 2: Advancing credible, robust, and just transition plans' (p8). <https://g20sfwg.org/wp-content/uploads/2024/10/2024-G20-Sustainable-Finance-Report.pdf>

Recommendations will be divided into three key components:

- High-level recommendations for incorporating adaptation and resilience in financial institutions and corporate transition planning approaches.
- Approaches to set key metrics, targets, and key performance indicators (KPIs) to allow firms to integrate adaptation into transition planning and help them set objectives for climate resilience, enable clear tracking of progress, promote accountability, align actions with goals, and facilitate informed decision-making.
- An enhanced understanding of how the broader policy environment supports the implementation and success of transition plans for both financial and non-financial firms.

Focus 2: Identify and address insurance protection gaps

As the frequency and severity of physical risks continue to rise, policymakers are increasingly concerned about the growing number of uninsurable risks. The cost of disasters has risen sevenfold globally since the 1970s, generating US\$313 billion in economic losses in 2022 alone. These increasing losses are driving up insurance costs, with premiums in some places surging by more than 50% since 2015.¹⁹ In some regions, insurance companies are even withdrawing because they cannot recoup the cost of payouts, which is increasingly imperilling investment. Climate change takes a heavy toll on people's capacity to withstand shocks and safeguard their assets; therefore, insurance protection gaps are intrinsically linked to preserving livelihoods. Closing insurance protection gaps can generate economic growth, enhance societal resilience, and foster long-term stability.

This focus area will identify and address insurance gaps and their possible impact on adaptation funding, particularly in the agriculture, infrastructure, and real estate sectors. This will include a review of current solutions, involved stakeholders, and the remaining needs and obstacles to overcome. Specific attention will be given in identifying the role

¹⁹ United Nations University (2023). *Uninsurable future*. <https://interconnectedrisks.org/tipping-points/uninsurable-future>

of government, private insurance companies and financial sector regulators in addressing climate-related insurance gaps. In addition, the deliverable will provide recommendations on how to tackle current capacity and data gaps. The SFWG will also reflect on how these outcomes may apply to other climate-related insurance protection gaps.

Focus 3: scale up adaptation funding mechanisms

Spending on adaptation remains well below the required levels. This reflects several obstacles, including difficulties in pricing climate risk, lack of appropriate policies and regulations to internalise the benefits of adaptation projects, and gaps in data and capacity, among other challenges. The ability of public adaptation funding to mobilise private funding has been significantly lower compared to private funding for mitigation.²⁰ There are also significant differences across sectors, with infrastructure attracting a lot more private funding.²¹ Increasing climate resilience requires significant scaling up of both private and public funding. In addition, significant challenges exist in funding disaster risk management in an environment of significant fiscal pressures.

Building on the efforts of the past G20 SFWG presidencies regarding funding instruments and mechanisms (especially on *nature-based solutions* and *valuing nature capital*), the G20 SFWG under the South African Presidency will (i) produce a compilation of case studies on the use of financial instruments²² in adaptation finance; (ii) identify macroeconomic, microeconomic, institutional, and other barriers to scaling up adaptation finance; and (iii) provide recommendations on how to address these obstacles, focusing on key sectors, which may include water, agriculture, early warning systems, and climate-resilient infrastructure.

²⁰ Organisation for Economic Co-operation and Development (OECD) (2023). *Scaling Up Adaptation Finance in Developing Countries*. https://www.oecd.org/en/publications/scaling-up-adaptation-finance-in-developing-countries_b0878862-en.html

²¹ World Bank Group and Global Facility for Disaster Reduction and Recovery (GFDRR) (2021). *Enabling Private Investment in Climate Adaptation & Resilience: Current Status, Barriers to Investment and Blueprint for Action*. <https://openknowledge.worldbank.org/server/api/core/bitstreams/127de8c7-d367-59ac-9e54-27ee52c744aa/content>

²² Selected cases could cover a variety of financial instruments, such as insurance, loans, bonds, and funds across the banking and insurance sectors, and capital markets.

Deliverables

1. Recommendations on how financial institutions and corporates could incorporate adaptation and resilience considerations into their transition plans.
2. Analysis of insurance protection gaps and recommendations for governments, the private sector, and supervisors on how to address these gaps, particularly in the agriculture, infrastructure, and real estate sectors. This includes focusing on data availability and capacity gaps, especially in EMDEs, and insights on how these outcomes may apply to other climate-related insurance protection gaps.
3. A compilation of case studies for adaptation finance across a range of financial instruments.
4. Analysis and recommendations on scaling up adaptation funding mechanisms, including by building on and expanding previous SFWG work on nature-based solutions.

Priority 3: Unlocking the financing potential of carbon markets

Background

Many EMDEs face significant challenges in attracting the capital needed for their low-carbon transitions. It is estimated that EMDEs, excluding China, require around US\$1 trillion per year in private investment – both domestic and cross-border – to achieve their climate objectives, which is considerably more than the current investment flows. To narrow this financing gap, all viable financing levers need to be considered.

One such lever is scaling carbon markets. High-integrity carbon credits can channel financing toward projects that offer substantial climate and environmental benefits, but might otherwise struggle to attract investment, especially in EMDEs. This includes nature-based solutions, transitioning from high-carbon energy sources, and developing new technologies such as carbon capture.

Recent developments have improved trust in these markets. Both compliance and voluntary carbon markets have made important progress in setting stronger supply-side integrity standards. At COP29, long-awaited agreements were reached under Article 6, including enhancing transparency and reporting, and ensuring that carbon credits represent real, measurable, and verifiable reductions. In voluntary markets, various market-led initiatives have introduced standards that reinforce the credibility of carbon credits.

However, a key challenge remains: the underlying market infrastructure is fragmented and often lacks consistent, comparable data standards, resulting in limited interoperability among the different carbon markets. Without a common way to track, verify, and compare carbon credits, confidence and liquidity remain limited. EMDEs – where many credits originate – are particularly affected, as unclear data standards and poor interoperability limit their ability to attract global buyers and scale up financing.

By focusing on improving the foundational elements of market infrastructure – including data standardisation and cross-border connections – the SFWG can help unlock the greater financing potential of these markets. An internationally coordinated approach to carbon credit data can create a more trusted, transparent, interconnected, and scalable global carbon market that better supports EMDEs and contributes to achieving climate goals.

Objective and approach

The objective is to develop a Common Carbon Credit Data Model as a global public good. This model will provide a framework for defining, categorising, and recording carbon credit data throughout its life cycle. It will define the minimum key data attributes required from the beginning stages of project development and validation through to credit issuance, trading, and finally retirement.

By establishing consistent data fields and identifiers – such as project type, methodology, credit quantity, vintage, and ownership – the model aims to improve transparency, comparability, and interoperability across infrastructure systems for different types of

carbon markets. Ultimately, this will enhance market integrity, build trust, and help EMDEs attract cross-border climate finance.

The G20 SFWG will release a draft deliverable for public consultation following approval of consultation documents in the first weeks of June 2025 by the SFWG. The group will then deliver the consultation outcomes and proposed amendments in time for the fourth SFWG meeting in September. The SFWG will draw on the existing practices and initiatives focused on carbon credit data, including its collection, storage, and transmission to achieve a publicly beneficial outcome with broad-based support.

Deliverable

A Common Carbon Credit Data Model which will guide how standardised data attributes are defined, recorded, reported, and incorporated into existing market infrastructures across jurisdictions. It will serve as a globally recognised reference point, enhancing the transparency, comparability, and interoperability of carbon credit data across different markets. By connecting different carbon markets, reducing fragmentation, and enhancing capital flows, it will support EMDEs in attracting cross-border climate finance. The model will reflect inputs gathered from technical expert working groups and a public consultation. It will be published alongside supporting voluntary guidance detailing the principles and approach taken.

Meeting dates and official side events

Event	Date	Location
1st SFWG meeting	16 – 17 January	Virtual
A session on the sidelines of the FiCS Summit 2025, co-hosted by the G20 SFWG, FiCS and Development Bank of Southern Africa (DBSA), on unlocking the potential of the global sustainable finance architecture	26 – 28 February	Hybrid, Cape Town
2nd SFWG meeting (part 1)	24 March	In-person, George
Side event co-hosted by the PCC and BASA on funding obstacles to just (national) transition plans	25 March	
2nd SFWG meeting (part 2) and a half-day side event on the <i>G20 Sustainable Finance Roadmap</i>	26 March	
Joint SFWG and Framework Working Group (FWG) Meeting	4 April	Virtual for SFWG members
Private Sector Roundtable on priorities 2 and 3	11 June	In-person, Cape Town
3rd SFWG meeting and a half-day side event on the VCEFs review implementation	12 – 13 June	In-person, Cape Town
4th SFWG meeting and half-day side event on the G20 Technical Assistance Action Plan (TAAP)	29 – 30 September	In-person, Durban

Abbreviations

AF	Adaptation Fund
BASA	Banking Association South Africa
CIF	Climate Investment Fund
COP	Conference of the Parties
CPI	Climate Policy Initiative
DBSA	Development Bank of Southern Africa
DFI	development finance institution
EMDE	emerging markets and developing economies
FiCS	Finance in Common
FWG	Framework Working Group
G20	Group of Twenty
GCF	Green Climate Fund
GEF	Global Environment Facility
GFDRR	Global Facility for Disaster Reduction and Recovery
IFA	International Financial Architecture
IHLEG	Independent High-Level Expert Group
MDB	multilateral development bank
NAP	national adaptation plan
NDB	national development bank
NGFS	Network for Greening the Financial System
OECD	Organisation for Economic Co-operation and Development
PCC	Presidential Climate Commission
SDG	sustainable development goal
SFWG	Sustainable Finance Working Group
TAAP	Technical Assistance Action Plan
UNFCCC	United Nations Framework Convention on Climate Change
VCEF	Vertical climate and environmental fund