Global Landscape of Climate Finance 2025:

# EMDE Spotlight

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CLIMATE POLICY INITIATIVE

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## ABOUT CLIMATE POLICY INITIATIVE

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to help governments, businesses, and financial institutions drive economic growth while addressing climate change. CPI has offices in Brazil, India, Indonesia, South Africa, the United Kingdom, and the United States.

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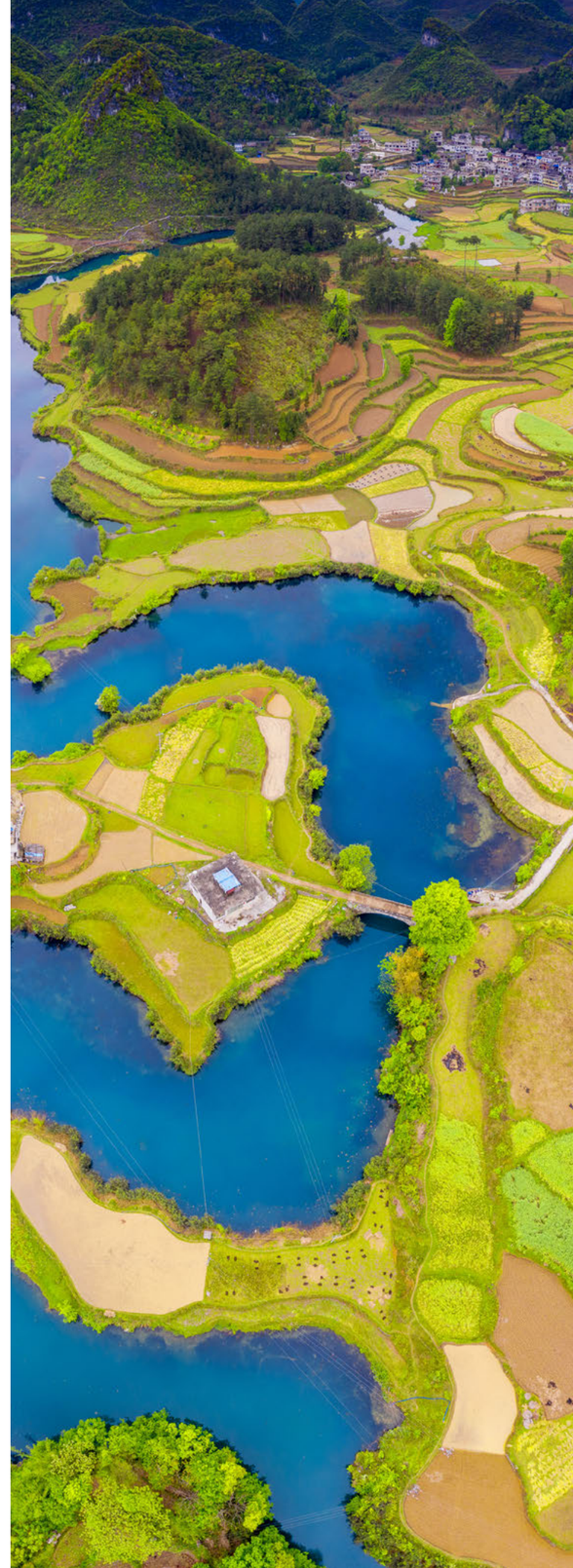

## SECTOR

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## REGION

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## RELATED CPI WORKS

Global Landscape of Climate Finance Tracking Methodology 2025

Global Landscape of Climate Finance 2025

Assessing Top-Down Climate Finance Needs Methodology (2025)

Climate Finance Roadmaps (2024)

The Cost of Inaction (2024)

Tracking and Mobilizing Private Sector Climate Adaptation Finance (2024)

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# The climate finance gap cannot be efficiently bridged without a clear picture of how money moves: who provides it, where it goes, and what it supports.

For over a decade, CPI's Global Landscape of Climate Finance (GLCF) has provided the most comprehensive tracking of domestic and international climate flows from public and private sources worldwide[1]. This data and analysis on the scale, sources, instruments, and uses of climate finance equips governments and investors to seize opportunities in the climate transition.

This report, focused on emerging markets and developing economies (EMDEs), builds upon the broader Global Landscape of Climate Finance 2025 research presented earlier this year.

**Where are we now?**

Global climate finance neared USD 2 trillion in 2023, more than doubling in the past three years. Private investment in climate surpassed USD 1 trillion for the first time.

Momentum for climate investment is building worldwide, yet the investment gap remains large—at least USD 6 trillion is required by 2030, with the gap starkest in developing economies.

As well as delving deeper into climate finance trends in EMDEs, this report explores the domestic policies and international climate finance levers that can drive significantly more climate finance to these vital regions.

1 CPI tracks primary investment in physical assets and activities with direct and indirect mitigation and adaptation outcomes. More details on our methodology are available here.

# LANDSCAPE OF CLIMATE FINANCE IN EMDEs IN 2023

*Values are in USD billion*

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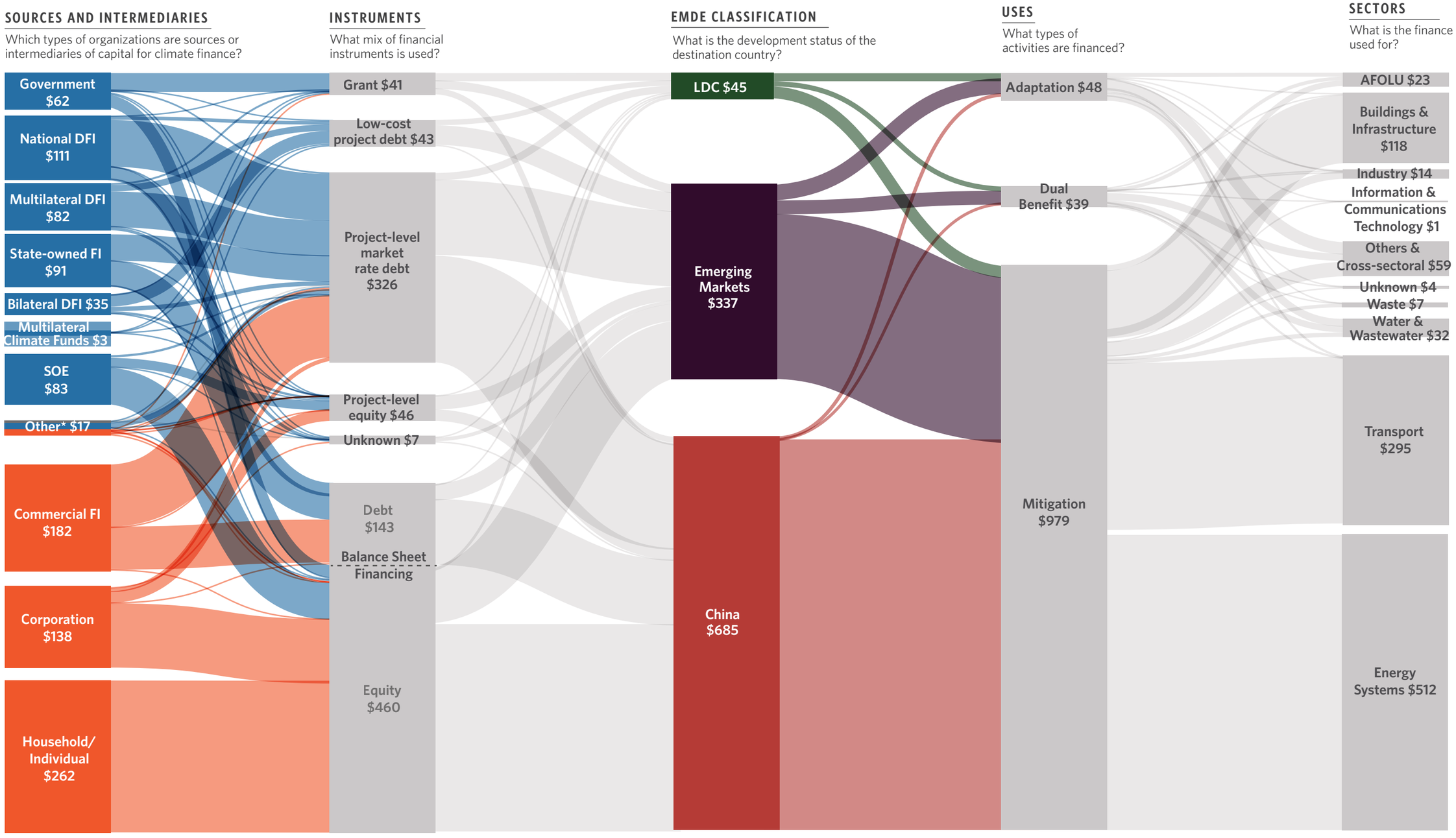
**1.1** TRILLION USD IN 2023




*"Other" public sources include export credit agencies and unknown public funds*
*"Other" private sources include institutional investors, third sector organizations, funds, and unknown*

*"AFOLU" stands for agriculture, forestry, other land use, and fisheries.*

# Executive Summary

**Finance for emerging markets and developing economies (EMDEs) is key to combating the global climate crisis and accelerating an economic transformation.** These 157 countries represent almost 90% of the global population and over 40% of the global economy.[2] They are undergoing rapid urbanization, industrial growth, and rising energy needs, while experiencing greater physical climate impacts. They are also increasingly stepping up their leadership in shaping the agenda for global climate action.

**EMDEs require almost USD 4 trillion in annual climate finance between now and 2030 to meet climate goals.** The success of their climate transitions will determine the course of global emissions for decades to come. At the same time, EMDEs are most vulnerable to the negative impacts of climate change (EIB 2025). While their financing needs are large, addressing the climate crisis provides unprecedented opportunities for investment and development.

**Across All EMDEs, climate finance surpassed USD 1 trillion in 2023, of which 80% was mobilized domestically.** These flows were primarily driven by China, accounting for 64% (USD 685 billion) in 2023. While growing from a lower base, other high- and middle-income EMDEs in Central Asia and Eastern Europe, the Middle East, and Latin America have also made promising progress, driven by strong domestic private financing led by corporates, commercial financial institutions and households.

**EMDEs are leveraging the low-carbon transition as an opportunity to stimulate durable economic development.** This drives economic diversification, job creation, energy access and independence, and better health outcomes, while also building overall fiscal resilience. Adaptation and resilience are becoming integral parts of national development strategies. Strong domestic planning and policies, along with well-targeted international finance, can help countries tap into this sustainable development potential.

**International climate finance represented less than 20% of total flows in All EMDEs, reaching USD 209 billion in 2023—public institutions provided the largest source, accounting for 76% of all international flows in 2023**. These public flows have nearly doubled since 2018 driven by donor governments and multilateral/bilateral DFIs. But recent developments suggest that they may slow or even decline as major donors cut official development assistance (ODA) and political priorities shift. International private finance is increasingly important, with flows to All EMDEs reaching approximately USD 49 billion in 2023, mainly from commercial financial institutions and corporates, up from USD 20 billion in 2018. At the same time, cross-border climate finance among EMDEs (South-South climate finance) is increasing, rising from USD 16 billion in 2018 to USD 26 billion in 2023, highlighting new opportunities to mobilize investment.

**Box ES1: Economic country subgroupings in this report**

This report follows the IMF World Economic Outlook classification (2025) for the world's 157 emerging markets and developing economies (EMDEs). This grouping is referred to throughout the report as "All EMDEs." We also disaggregate the following subgroupings from All EMDEs to explore specific trends:

- **Emerging Markets.** We analyze the 111 EMDEs excluding China and the 45 least developed countries (LDCs) as a separate subgroup, referred to throughout the report as "Emerging Markets." These countries represent over half of the global population and 23% of global GDP. They have high potential to scale climate finance.
- **LDCs.** We break out the 45 LDCs, based on the UNCTAD classification (2025). While these countries represent 1.4% of the global economy, they include 20 of the world's 25 most climate-vulnerable countries. This focus aims to give special attention to these countries' climate flows and needs, which tend to be more acute due to their fiscal, economic, social, and climate risk challenges.
- **SIDS.** Using the UN classification (2025), in Section 3, we also highlight adaptation finance data related to the 49 small island developing states and associate overseas islands territories (SIDS), which sit across both EMDEs and advanced economies. Highlighting and addressing SIDS' adaptation flows is crucial, given their unique vulnerabilities to climate change.
- **China.** China is discussed separately due to the relative scale of the market compared to other EMDEs, and because the trends and size of its climate flows make it a frequent outlier within the EMDE grouping.

An overview of climate and socioeconomic indicators of these subgroups is shown in Annex Table A.1.

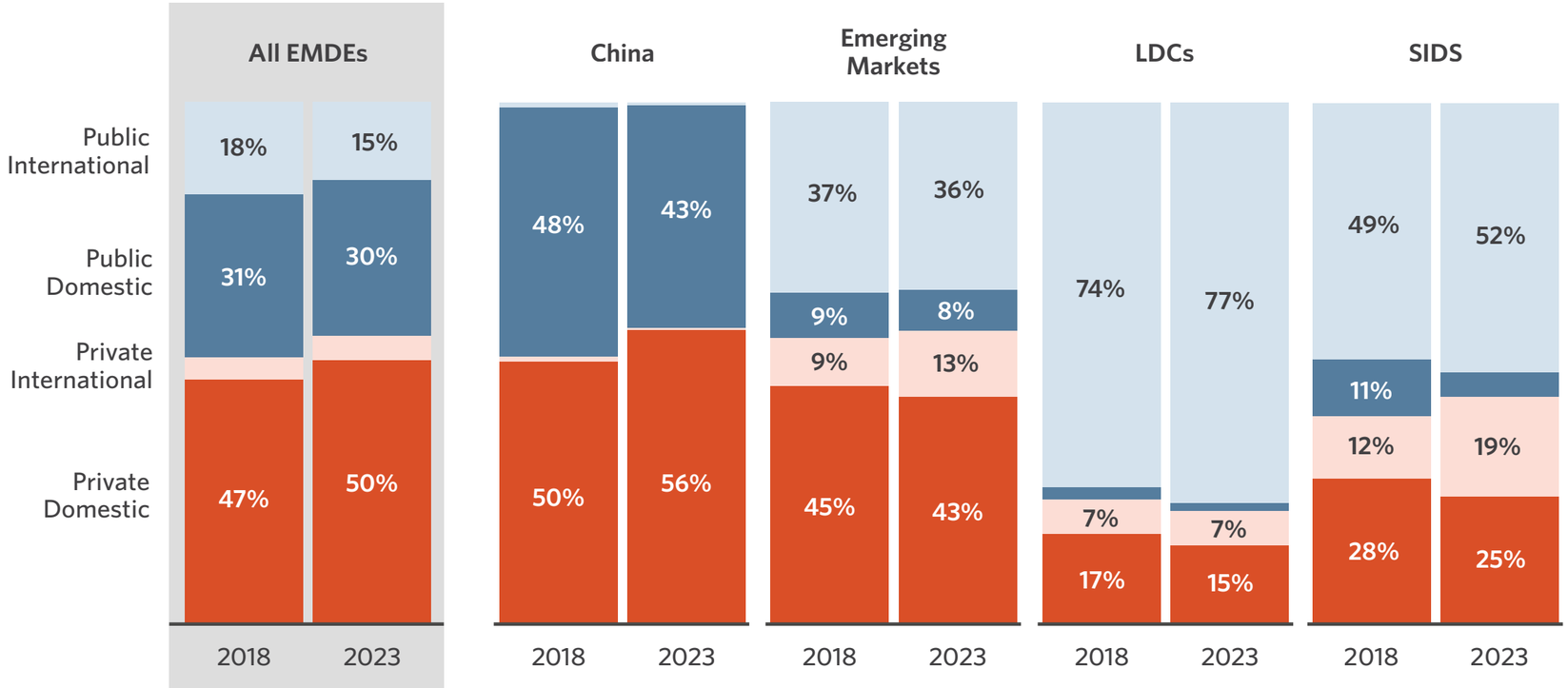
2 CPI calculation based on the IMF World Economic Outlook 2025. Excluding China, EMDEs account for 70% of the global population and about 25% of global GDP.

# KEY DEVELOPMENTS IN EMDEs

**Across EMDEs, mitigation finance has expanded rapidly, particularly in China and a few Emerging Markets, but remains far below needs.** Adaptation finance has been growing from a low base but stagnated in the most recent years, while the needs for adaptation and resilience will only grow the longer mitigation finance is delayed. Finance with dual benefits for both mitigation and adaptation rose from USD 18 billion in 2018 to USD 39 billion in 2023, indicating a growing recognition of adaptation and mitigation co-benefits.

The dominance of non-concessional mitigation finance signals maturing markets but also highlights widening disparities in access and affordability. Domestic and private investments are increasingly important—but catalytic international finance will be central to helping these flows to scale across All EMDEs.

**Figure ES1:** Climate finance by source and EMDE subgroupings



## MITIGATION

**Mitigation finance accounted for 92% of tracked flows in 2023 (USD 979 billion) across All EMDEs, more than double the level in 2018 (USD 432 billion).** Yet, this remains far below the estimated USD 3.86 trillion in mitigation investment that EMDEs need each year until 2030. Without a major scale up, economic development could lock EMDEs into high-emissions, low-resilience infrastructure.

- **In Emerging Markets** (EMDEs excluding China and LDCs), mitigation finance nearly doubled from 2018 to reach USD 285 billion in 2023. Cost competitiveness of clean and renewable energy technologies, combined with policy incentives for electric mobility and energy efficiency, is enabling primarily domestic and some international flows. Long-term frameworks such as climate-aligned national development plans and goals, paired with governance efforts such as sustainable finance taxonomies, further support these efforts. Investments are increasing, but are dominated by a handful of countries in each region. These countries have enabled private actors including corporates and commercial financial institutions to operate and scale, reduced fossil fuel subsidies, and integrated decarbonization measures into national development plans, laying the foundations for channeling more public funds for climate mitigation.
- **LDCs** saw mitigation finance increase from USD 14 billion in 2018 to USD 21 billion in 2023. These countries face unique challenges in energy transition. In 2023, Bangladesh and Angola accounted for 34% and 9% of total mitigation finance to LDCs, respectively. Bangladesh has consistently accounted for over 30% of all mitigation finance to LDCs, largely directed to the buildings and infrastructure sector, while Angola had a sharp rise in 2023, driven by investments in the energy sector. Across LDCs, international public institutions remained the primary source of mitigation finance, providing more than half of total flows in 2023, primarily through large-scale projects.
- **China** saw a 153% increase in mitigation finance between 2018 and 2023, dominating climate finance in most sectors and accounting for nearly 70% (USD 673 billion) of total mitigation flows to All EMDEs. The share of private finance increased to 60% in 2023 compared to 40% in 2018. China's rapid scale-up in climate solutions results from long-term planning, including phased policies that target domestic technological capabilities.

**Across All EMDEs, non-concessional mitigation finance dominates, primarily driven by China.** In Emerging Markets, around 29% of flows in 2023 were deployed through concessional loans, grants, and development finance, whilst this value was 50% in LDCs. Strategically directing increasingly limited public resources to de-risk investments and mobilize private capital remains crucial to financing mitigation at scale, particularly in LDCs.

**Mitigation finance primarily flows where technology costs are falling rapidly, market structures are strong, and commercialization is being proven.** Hard-to-abate sectors, such as agriculture, forestry, fisheries, and other land use (AFOLU), industry, and waste, received 3% of All EMDEs' mitigation finance in 2023 and still face significant financing gaps, despite their significant mitigation potential.

**In 2023, renewable energy accounted for 66% of newly installed power generation capacity in Emerging Markets, and 80% across All EMDEs.**[3] Solar energy dominated investments, reflecting falling technology costs and the abundance of solar resources in many EMDE countries. Brazil, Chile, Viet Nam, Morocco, and Uzbekistan are using policy tools, including feed-in tariffs, competitive auctions and streamlined regulations for power purchase agreements, to broaden investment opportunities and create a more predictable policy environment. Barriers such as grid constraints and continued fossil fuel subsidies must now be addressed to achieve further scale. This is particularly important in LDCs, where renewable energy sources only accounted for 36% of newly added capacity in 2023, despite their lack of access and growing needs spurred by rapid development.

**Transport accounted for nearly 30% of mitigation finance flows in 2023 across All EMDEs.** With a 26% CAGR from 2018 to 2023, these flows outpaced growth in renewable energy. The sector is driven by two main forces: domestic private investment in battery electric vehicles (BEVs) purchased by businesses, individuals and households and international public finance for public transportation. BEV adoption is rising rapidly, driven by subsidies, tax exemptions, and lower operating costs. With supply chains and technologies increasingly present within EMDEs, countries are prioritizing building resilience and independence. Resource-rich economies, like Indonesia, are promoting local value addition, while new entrants such as Turkey are expanding EV manufacturing. In dense urban areas, finance is shifting to affordable two- and three-wheeler BEVs with battery-swapping options. Strategic planning frameworks that identify public transport as Infrastructure Flagship Projects in development plans, such as in the Philippines, demonstrate how aligning decarbonization priorities with national development planning can mobilize large-scale investment.

**Buildings and infrastructure accounted for 12% of mitigation finance to All EMDEs.** Notable progress has been made in this area through alternative financing mechanisms supported by international development finance, including expanding affordable, energy-efficient housing portfolios, implementing appliance efficiency standards, establishing energy-efficiency codes for buildings, and piloting demand-side management. However, only half of new buildings (residential and non-residential) constructed in EMDEs were covered by mandatory energy-efficiency requirements in 2023 (IEA 2024a), missing an opportunity to embed sustainable infrastructure within rapid urban development.

**Despite being one of the largest sources of emissions, AFOLU continues to receive just over 1% of mitigation flows in All EMDEs.** While climate-smart agriculture and agrivoltaics dominate in China, forestry finance is prevalent in Latin America and sub-Saharan Africa, given these regions' vast forest cover. Results-based payments (RBPs) under the Reducing Emissions from Deforestation and Forest Degradation (REDD+) initiative are a key mechanism for channeling forestry finance. Domestic governments in Emerging Markets and LDCs could explore additional programs and carbon market mechanisms, while private actors can expand their roles, particularly through solutions such as agrivoltaics. Initiatives to diversify AFOLU beyond REDD+ are increasing, but more project-level transparency is needed to improve climate budget tagging and track results.

3 Calculated based on the share renewable energy installed capacity in All EMDEs including China from IRENA (IRENA 2025).

## ADAPTATION

**Adaptation finance across All EMDEs totaled USD 48 billion in 2023, increasing by 46% since 2018, but still far short of annual needs through to 2030.**[4] In addition, these flows were uneven across countries, with the top 20% receiving over 70% of all EMDE adaptation finance in 2023. Tracked flows decreased in 2023 compared with previous years, driven by drops in financing from key funders, methodological changes, and wider data challenges.

- **In Emerging Markets** (EMDEs excluding China and LDCs), adaptation finance totaled USD 27 billion in 2023, more than doubling since 2018, with a recent increase in private finance. The share of adaptation finance sourced privately rose from below 2% (USD 224 million) in 2018 to surpass 7% (USD 2 billion) in 2023. This shift was driven by large increases in the UAE, Brazil, and Indonesia, which together accounted for 82% of private Emerging-Market adaptation finance in 2023.
- **In LDCs and SIDS**, adaptation finance also approximately doubled from 2018 to 2023. LDC flows increased from USD 7.4 billion in 2018 to USD 14.3 billion in 2023. Adaptation flows to SIDS rose from USD 0.7 billion to USD 1.7 billion in the same period. Grants accounted for over half of LDCs' adaptation finance in 2023, increasing as a share of total flows since 2018, while in SIDS the share of grants declined. Over the same period, market-rate financing has remained modest in both groups. While the share of grants, low-cost debt, and development finance remained high, the absolute values were still relatively small (USD 14 billion for LDCs in 2023 and USD 1.6 billion in SIDS). Given their high exposure to climate risks and constrained fiscal space, these countries must steer clear of a climate adaptation–debt trap and work to build resilient, sustainable financing portfolios (WRI, 2023).
- **In China**, adaptation finance more than doubled from 2018 to 2022, from USD 12 billion to USD 26 billion. The subsequent sharp drop to USD 6.4 billion in 2023 stems from significant reductions in tracked flows from a few large institutions, such as the China Development Bank. This decline is likely at least partly due to changes in tracking methodology and currency depreciation, given that all tracked flows are converted into USD (see analysis in Annex Box A.2).

**Other and cross-sectoral activities received 46% of adaptation flows to All EMDEs in 2023, with investment of USD 22 billion.** Most finance in this category went to disaster risk management, policy and national budget support, and capacity building. Indonesia, China, Bangladesh, the Philippines, and Turkey received the highest shares of these flows in 2023.

**Adaptation finance for water and wastewater grew modestly from 2018 to 2023, despite recent expansion in private finance.** Flows reached USD 13 billion over the period. Excluding China, EMDE flows reached USD 8 billion in 2023, growing from USD 6 billion in 2018. Adaptation financing for water and wastewater is mostly provided by public actors, who often channel finance through municipal utilities. However, several upper-middle-income EMDEs saw a sharp increase in private finance in this sector in 2023.

**Adaptation finance for AFOLU in All EMDEs fell in 2023 after growth between 2019 and 2022, with implications for private finance and vulnerable regions.** Annual investment rose from USD 4.7 billion to USD 7.4 billion between 2019 and 2022, before falling to USD 6.9 billion.[5] Flows to sub-Saharan Africa, the region facing the highest food systems risks, fell from USD 3.7 billion in 2022 to USD 3.1 billion in 2023, but still totaled 45% of AFOLU adaptation finance across All EMDEs in 2023. Private finance for AFOLU adaptation across All EMDEs decreased by 56% in 2023, from USD 964 million to USD 427 million. Most of this drop (73%) was due to reduced funding in sub-Saharan Africa from third-sector organizations.

**Adaptation finance can be volatile and inconsistent at the sectoral and regional levels, especially in LDCs and SIDS, where lower volumes of flows are tracked.** However, strong sectoral growth is displayed in several case studies. Bangladesh has received the highest level of financing for policy support and capacity building, developing institutional frameworks and international partnerships. Ethiopia has used strategic plans and roadmaps to support growth in AFOLU climate finance, and Pakistan has done similar for water and wastewater. Legal and institutional foundations for disaster risk management in Viet Nam, Kenya, and the Bahamas have supported investment there.

**Despite these positive cases, barriers persist, and adaptation and resilience should be mainstreamed into all decision-making.** While many EMDE governments have begun to advance adaptation policies, sustaining finance and moving toward adaptation needs levels remains a challenge. Concrete implementation policies often lag behind those for mitigation. High perception of risks, unpredictable returns from projects, limited technical and institutional capacities, fragmented governance of cross-sector solutions, and limited or inconsistent data and information on climate risks, finance flows, and solutions often limit investment.

4 An estimated annual average of USD 222 billion is required through to 2030 to finance adaptation in EMDEs excluding China. Needs estimates for All EMDEs (including China) are not currently available. Adaptation finance in EMDEs excluding China doubled from USD 21 billion in 2018 to USD 42 billion in 2023.

5 This trend is consistent when excluding China.

## RECOMMENDATIONS

**EMDEs have enormous opportunities for sustainable growth and development through climate investment, but only a handful of EMDEs are leading the way on climate finance.** They are demonstrating possibilities to mobilize domestic resources and attract international private investment through domestic policy enablers. In many cases, international public finance provided technical and advisory support, knowledge transfer, insurance, and guarantees to de-risk private investment. Despite progress, EMDEs require more and better-quality international climate finance to support national priorities, reach underserved communities, and reduce the cost of capital. More coordinated efforts are needed to close the investment gap, a) by increasing climate finance and its overall impact, b) redirecting harmful flows, and c) increasing the number of countries making progress.

**Focusing on key enablers for climate finance in EMDEs, our recommendations are centered around three solution levers:**

1. **Strengthening domestic enabling environments to mobilize resources,**
2. **Improving the quality of international climate finance, and**
3. **Increasing the transparency of climate-related data.**

The following table summarizes these key enablers and the roles of different actors in scaling investment. Details are provided in this report's Recommendations section.

## **Table ES1:** Overview of recommendations

| Solution levers | Recommendations | Roles of different actors | | |
|---|---|---|---|---|
| | | **EMDE government** | **Donors and international public climate finance providers** | **Private sector** |
| **Strengthening the domestic enabling environments to mobilize resources** | i) Implement and sequence policies and frameworks that address persistent sectoral barriers. | **Implement** (Address sector-specific barriers) | **Support** (Technical advisory and capacity-building support) | **Contribute** (Active engagement in policy dialogues on overcoming sectoral barriers and improving investment environment) |
| | ii) Strengthen national policy implementation and financial ecosystems for climate finance through strategic planning, climate investment roadmaps and pipelines, and institutional readiness. | **Implement** (Strategic planning and coordination between ministries on climate finance) | | |
| | iii) Strengthen capacity and governance to encourage domestic investment and attract further international cooperation and inflows. | **Implement** (Comprehensive capacity-building programs for relevant institutions) | | **Implement** (Own capacity building on identifying and evaluating climate investment opportunities) |
| **Improving the quality of international climate finance to support national priorities and reduce the cost of capital** | i) Design targeted programs tailored for EMDE groups for market creation—building demand for and supplying climate solutions in underserved sectors such as AFOLU and industry.<br>ii) Collaborate with countries, public (e.g. MDBs, DFIs, climate funds etc.) and private actors (e.g. philanthropies, impact investors) to mobilize catalytic concessional capital and de-risking tools, and to develop regional guarantee platforms.<br>iii) Implement flexible climate financing strategies based on lessons from past projects and metrics that capture the impact of climate finance more holistically.<br>iv) Continue to prioritize concessional adaptation finance in highly vulnerable countries.<br>v) Further track and strengthen South-South cooperation. | **Support** (Create pipelines of investment, facilitate cooperation between public and private sector) | **Implement** (Focus on improving the quality of climate finance) | **Implement/Contribute** (Engage in blended finance transactions, EMDE climate solutions investment products) |
| **Increasing transparency of climate-related data** | i) Enhance transparency, accessibility and affordability of global climate finance relevant data, particularly for adaptation, physical risk, domestic investments from households, public budgets, and the private sector in EMDEs. | **Implement** (Transparency and reporting of more granular data on climate investment) | | |
| | ii) Harmonize climate-related financial regulation, taxonomies, and green financial markets standards. | **Implement** (Guidelines and regulations) | **Support** (Share international best practices) | **Contribute** (Dialogues on decision-useful data) |