CLIMATE
POLICY
INITIATIVE

Global Landscape of Climate Finance 2025: EMDE Spotlight

Summary Handout

November 2025

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. 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.

Table A.1: Overview of select climate and socioeconomic indicator of country groups as of 2023

Grouping	Climate Finance, USD billions					Socioeconomic indicators		Vulnerability **
	Total investment	Private (% of total)***	Public (% of total)***	Domestic	International	% of global GDP	% of global population	No. countries in top-25 most vulnerable (ND-GAIN)
All EMDEs	1,066	587 (55%)	478 (45%)	857 (80%)	209 (20%)	42%	86%	25
Emerging Markets	337	188 (56%)	147 (44%)	172 (51%)	165 (49%)	23%	54%	5
LCDs	45	10 (22%)	35 (78%)	7 (16%)	38 (84%)	1,4%	14%	20
SIDS*	12	5 (42%)	7 (58%)	3 (27%)	8 (73%)	0,4%	0,8%	9
China	685	389 (57%)	296 (43%)	678 (99%)	6 (1%)	17%	17%	0

* SIDS are cross-cutting across EMDEs and Advanced Countries. SIDS in the top 25 most vulnerable countries are EMDEs, 4 are LCDs.

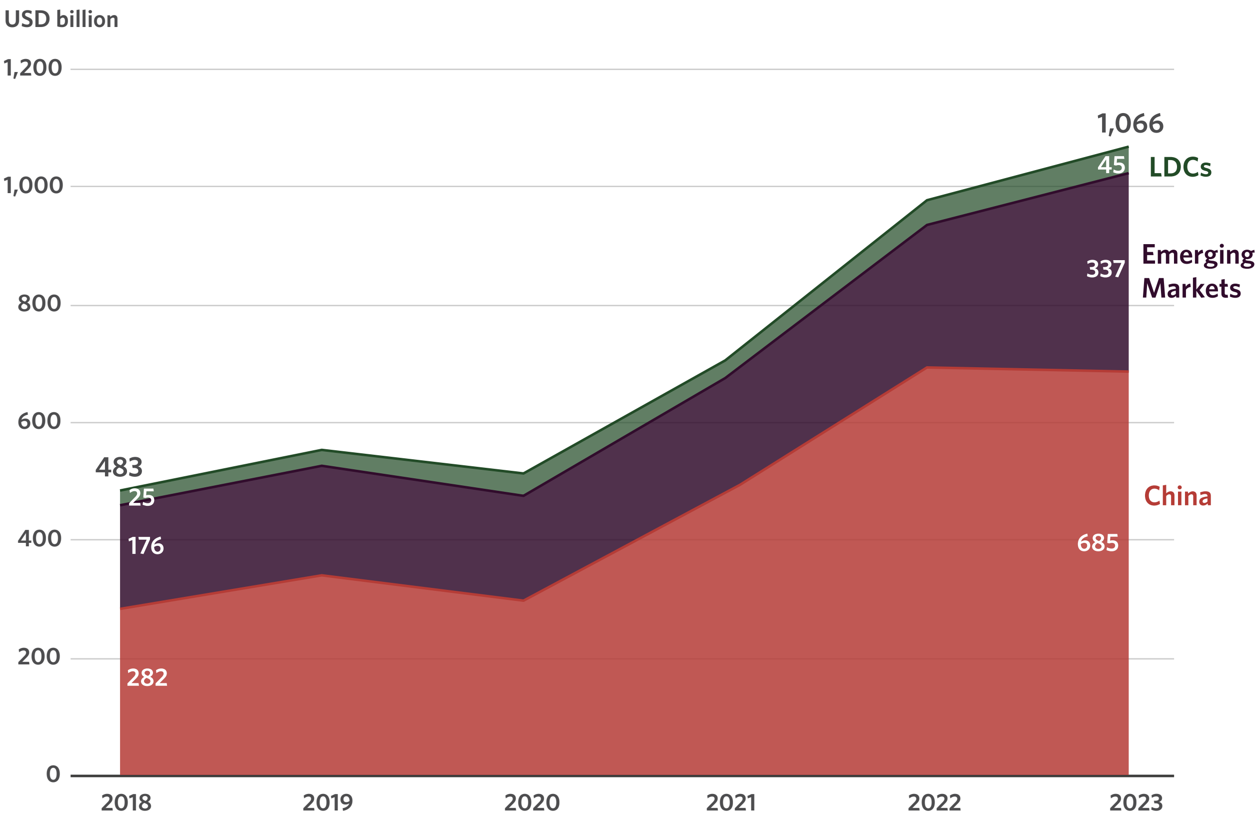
**Vulnerability is measured based on the vulnerability component of the ND-GAIN index (as opposed to the full ND-GAIN index which considers various socioeconomic indicators).

*** Shares exclude flows which could not be categorized across Public or Private institutions.

KEY FINDINGS

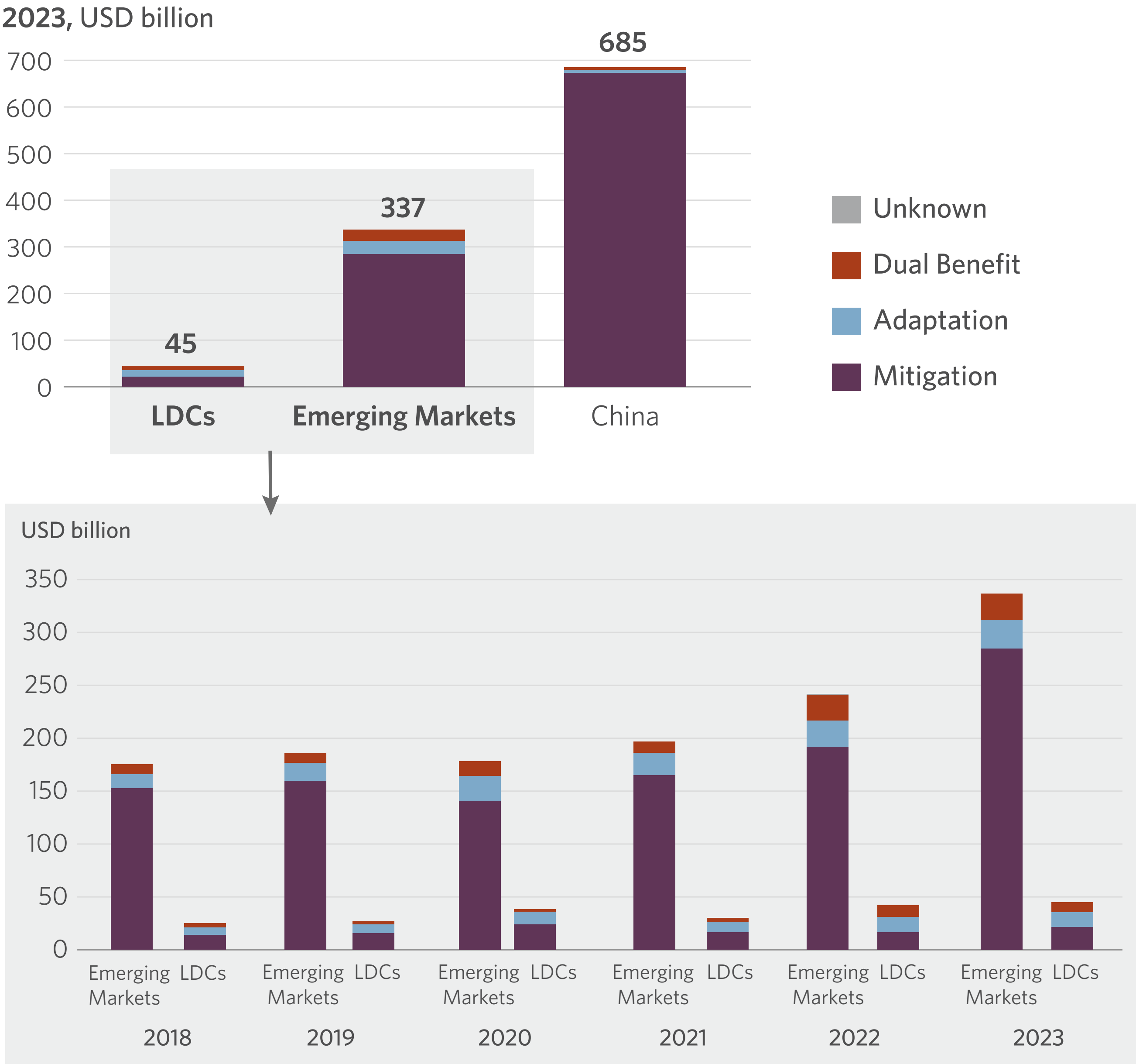
- **EMDEs require almost USD 4 trillion in annual climate finance between now and 2030 to meet climate goals.** The success of their climate transitions will determine the course of global emissions for decades to come. EMDEs are also most vulnerable to the negative impacts of climate change (EIB 2025).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

Climate finance to EMDEs by subgroupings



- **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.
- **Across EMDEs, mitigation finance has expanded rapidly, but remains far below needs.** 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.
- **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 and are key to protecting such economic growth benefits. Strong domestic planning and policies, along with well-targeted international finance, can help countries tap into this sustainable development potential.

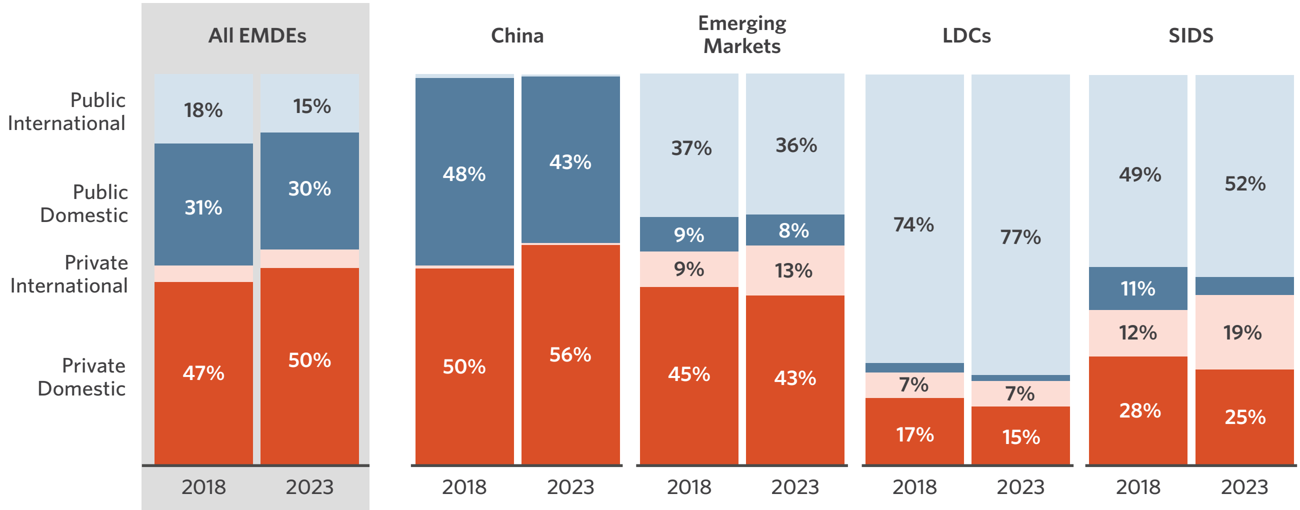
Climate finance to EMDEs by use



SOURCES OF EMDE CLIMATE FINANCE

- In 2023, 80% of all EMDEs' climate flows came from domestic actors (USD 857 billion)[1,2] (USD 7.5 billion) in 2023.

Share of climate finance to EMDEs by development status and source of finance, 2018 vs 2023



- **Both public and private climate finance have almost doubled from 2018 to 2023 in Emerging Markets (EMDEs excluding China and LDCs).** Over the period, private finance increased from USD 95 billion to USD 188 billion (reaching 56% of flows), and public finance rose from USD 79 billion to USD 147 billion (reaching 44% of flows).

PRIVATE FINANCE

- **Most private finance to Emerging Markets continued to come from domestic sources in 2023, despite a fall in share since 2018.** Approximately 77% (USD 145 billion) of private finance was sourced domestically, down from 83% (USD 79 billion) in 2018. Commercial financial institutions, corporations, households and individuals provided almost all private finance. Limited capital market depth and underdeveloped financial infrastructure hinder international private investment from reaching its full potential (IFC and Amundi 2024).

PUBLIC FINANCE

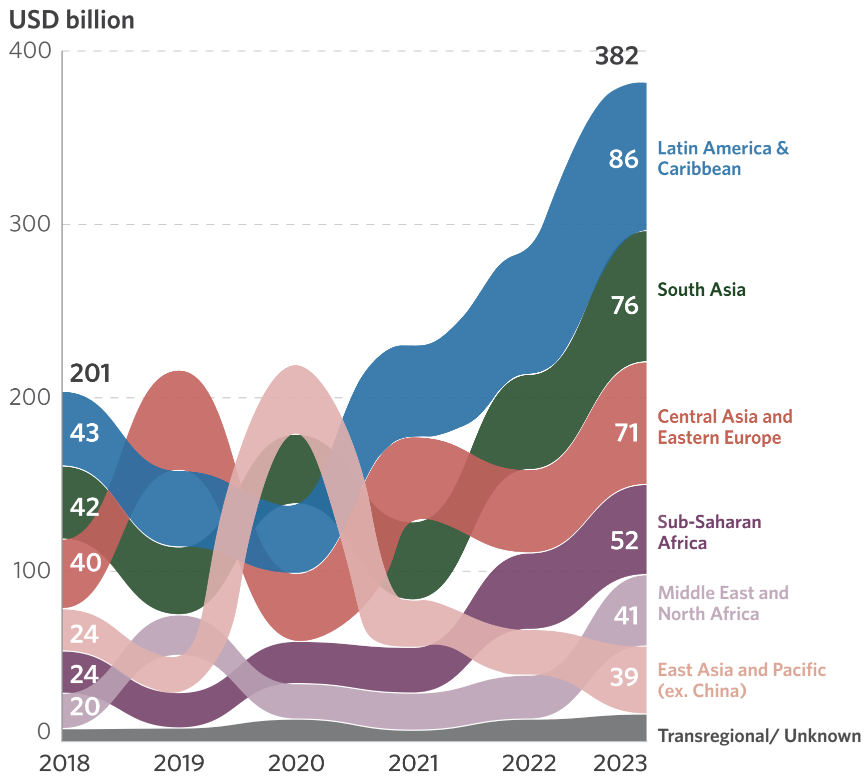
- **Public flows to Emerging Markets primarily came from international sources, accounting for 82% of public flows in 2023.** Multilateral development finance institutions (DFIs) provided 44% of public flows to these countries. Bilateral DFIs and governments provided 21% and 14%, respectively. A lack of standardized and regularly reported data on domestic public expenditure hinders understanding of public flows beyond international sources.

1 Emerging Markets exclude China and Least Developed Countries (LDC).
2 LDCs per UNCTAD classification.

GEOGRAPHIES

Across All EMDEs, climate investment is becoming a vehicle for economic development, energy access and security, and resilience against climate-induced shocks.

- **East Asia and the Pacific accounted for almost 70% of all EMDE climate finance from 2018 to 2023.** China drove the region's flows, accounting for 94%. Excluding China, the region's EMDEs posted a 10% CAGR, rising from USD 24 billion in 2018 to USD 39 billion in 2023. As the region with the lowest EMDE flows, excluding China, in 2023, this points to a major opportunity for growth.
- **Sub-Saharan Africa saw the next-fastest growth, more than doubling from USD 24 billion in 2018 to USD 52 billion in 2023.** Latin America and the Caribbean recorded the highest flows in 2023, totaling USD 86 billion, up from USD 43 billion in 2018. The Middle East and North Africa (MENA) reached USD 41 billion in 2023. All three regions had a CAGR of around 15% from 2018 to 2023.



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.

- **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. 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 SECTORS

- **In 2023, renewable energy accounted for 66% of newly installed power generation capacity in Emerging Markets, and 80% across All EMDEs.** Solar energy dominated investments, reflecting falling technology costs and the abundance of solar resources in many EMDE countries. 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.
- **Buildings and infrastructure accounted for 12% of mitigation finance to All EMDEs.** Notable progress has been made 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).
- **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.

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. 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.
- **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.

ADAPTATION SECTORS

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

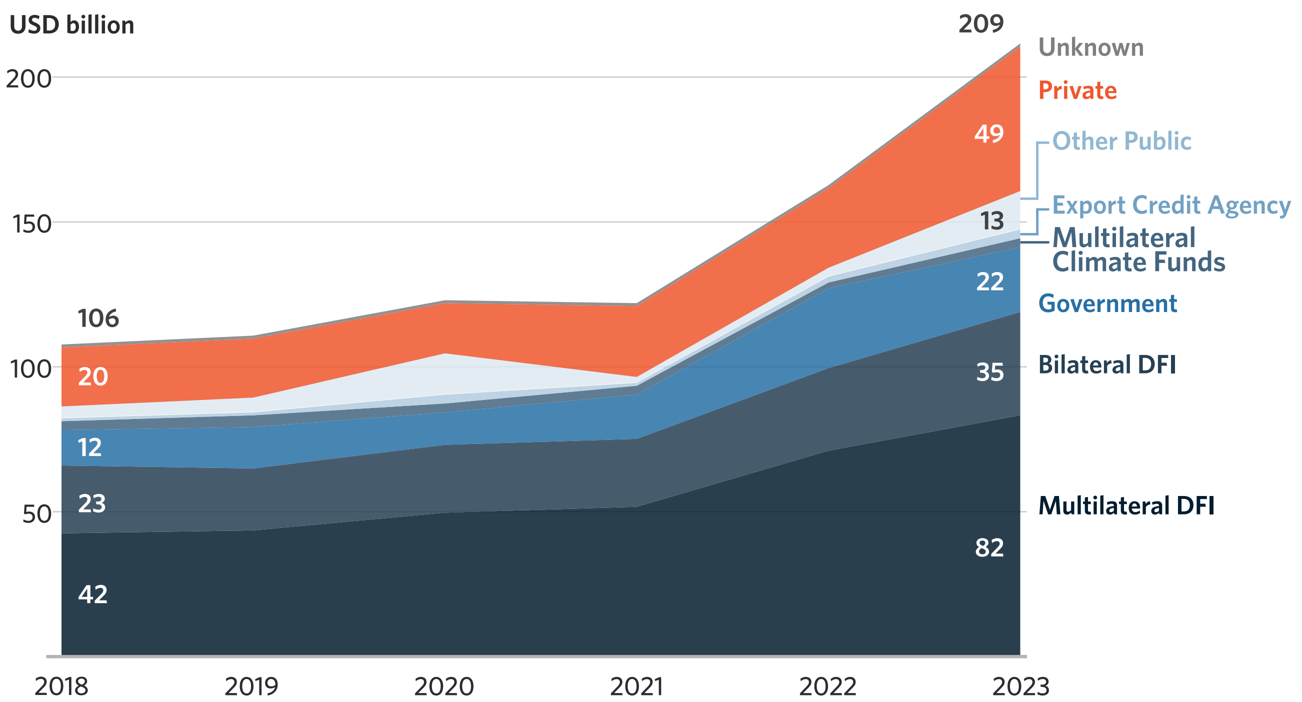
Adaptation finance for AFOLU in All EMDEs fell in 2023 after growth between 2019 and 2022, with implications for private finance and vulnerable regions. Annual investment rose from USD 4.7 billion to USD 7.4 billion between 2019 and 2022, before falling to USD 6.9 billion. Flows to sub-Saharan Africa, 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.

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.

INTERNATIONAL CLIMATE FINANCE

- **International climate finance to All EMDEs exceeded USD 200 billion in 2023.** Public sources provided USD 159 billion in 2023, almost double that of 2018. However, recent developments suggest that this critical financing may slow, or even decline. ODA cuts announced by major donors amid shifting political priorities are placing increased strain on international public finance. Nevertheless, catalytic and non-debt financing are urgently needed for many EMDEs, and LDCs in particular.
- **International private finance also more than doubled from USD 20 billion in 2018 to USD 49 billion in 2023.** Private finance is increasingly important, but still comprises just under a quarter of international flows, and in many cases may have been leveraged by international public flows. Multilateral Development Banks (MDBs) have directly mobilized over USD 8 billion in private finance in developing countries in 2023.
- **Most international private finance to EMDEs originated from advanced economies.** Western Europe accounted for 59% of these flows to All EMDEs in 2023 (USD 29 billion). The US and Canada contributed 11% (USD 5.2 billion), and advanced economies in East Asia and the Pacific 9.8% (USD 4.8 billion). EMDE countries invested USD 7.3 billion of private climate finance in other EMDEs in 2023 (15% of international private finance to All EMDEs). These South-South private flows were led by China and the MENA region, each accounting for 4.4% of private international finance to All EMDEs in 2023.
- **Over half of international private finance to All EMDEs went to energy systems (USD 29 billion).** Latin America and the Caribbean received the most (28%, or USD 7.9 billion), followed by Central Asia and Eastern Europe (24%, or USD 6.8 billion). Governments and international institutions are increasingly working to build trust in EMDEs through greater regulatory and policy transparency, stronger institutional frameworks, and clearer accountability mechanisms (OECD 2015; IEA 2023; OECD 2025b). As these conditions improve, commercial FIs are more willing to commit capital to renewable energy projects overseas.

International climate finance to All EMDEs by source

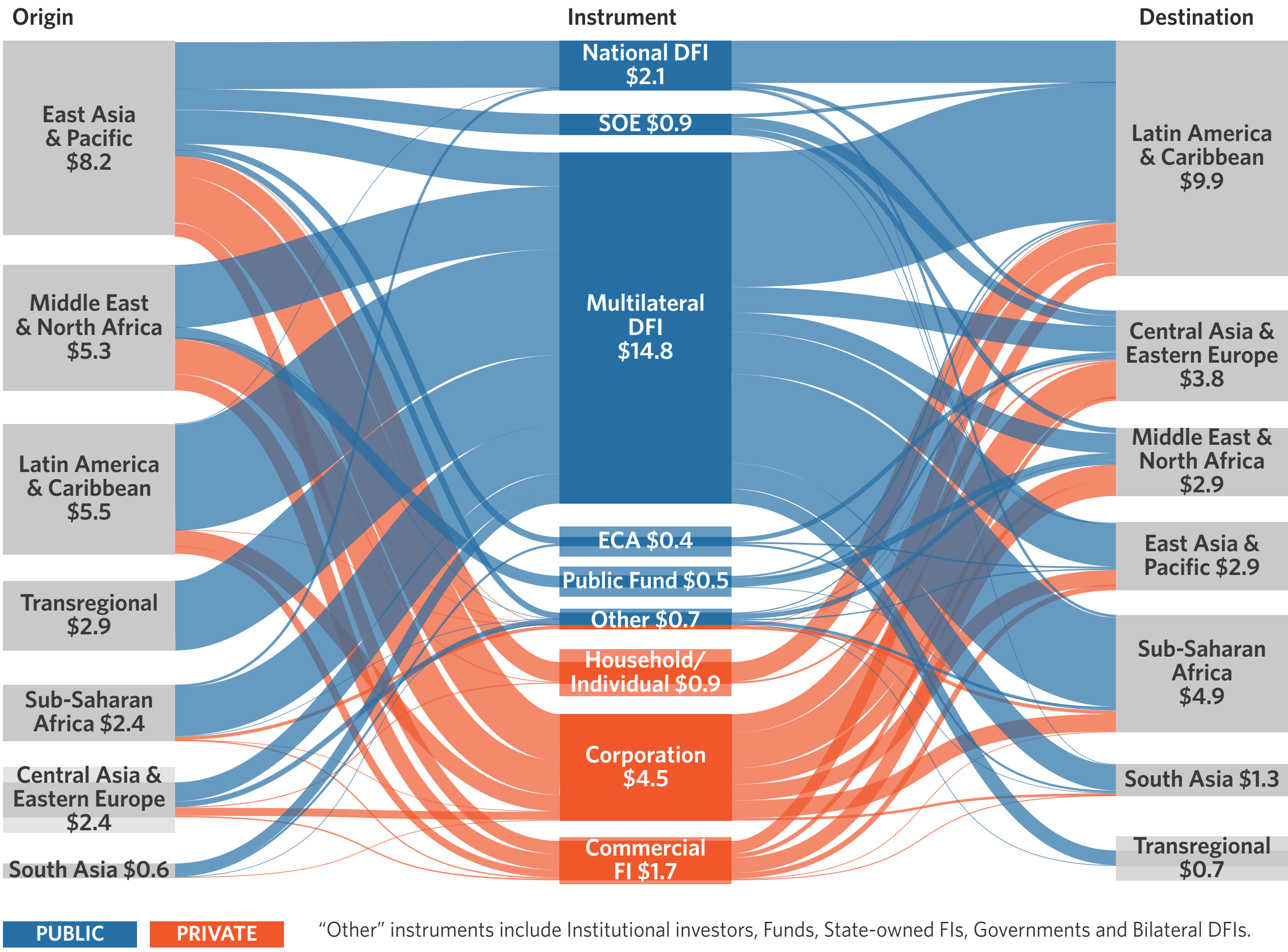


SOUTH-SOUTH FINANCE

South-South flows are an increasingly important source of international climate finance for EMDEs and can benefit both recipient and funder by enabling technology and knowledge transfer, trade, and the development of a shared global climate agenda (Development Aid 2025).

- **Climate flows between EMDE-based institutions have risen from USD 16 billion in 2018 to USD 26 billion in 2023.** This marks an increase in climate finance, including from countries such as China, to other EMDEs, as well as the expansion of green financing from regional development banks such as CAF and BOAD servicing EMDEs.
- **South-South climate financing from development banks with majority EMDE shareholders grew from 2018 to 2023.** This includes institutions such as the Islamic Development Bank and the Asian Infrastructure Investment Bank. However, the New Development Bank, which is exclusively EMDE-owned, has seen limited climate finance growth (MDBs 2024).
- **Green energy investment through China's Belt and Road Initiative soared by 60% from 2022 to 2023 to reach USD 11.8 billion**, though the initiative's oil and gas investments also reached record highs (Green Finance & Development Center 2025).
- **South-South flows are also not limited to public finance; private climate finance flows between EMDEs increased in 2023.** Examples of this type of financing include the UAE backed private climate investment fund Altérra, which has earmarked USD 5 billion out of USD 30 billion for investment in emerging economies (ESG Today 2024).

Tracked South-South climate flows, USD billions



"Other" instruments include Institutional investors, Funds, State-owned FIs, Governments and Bilateral DFIs.

RECOMMENDATIONS

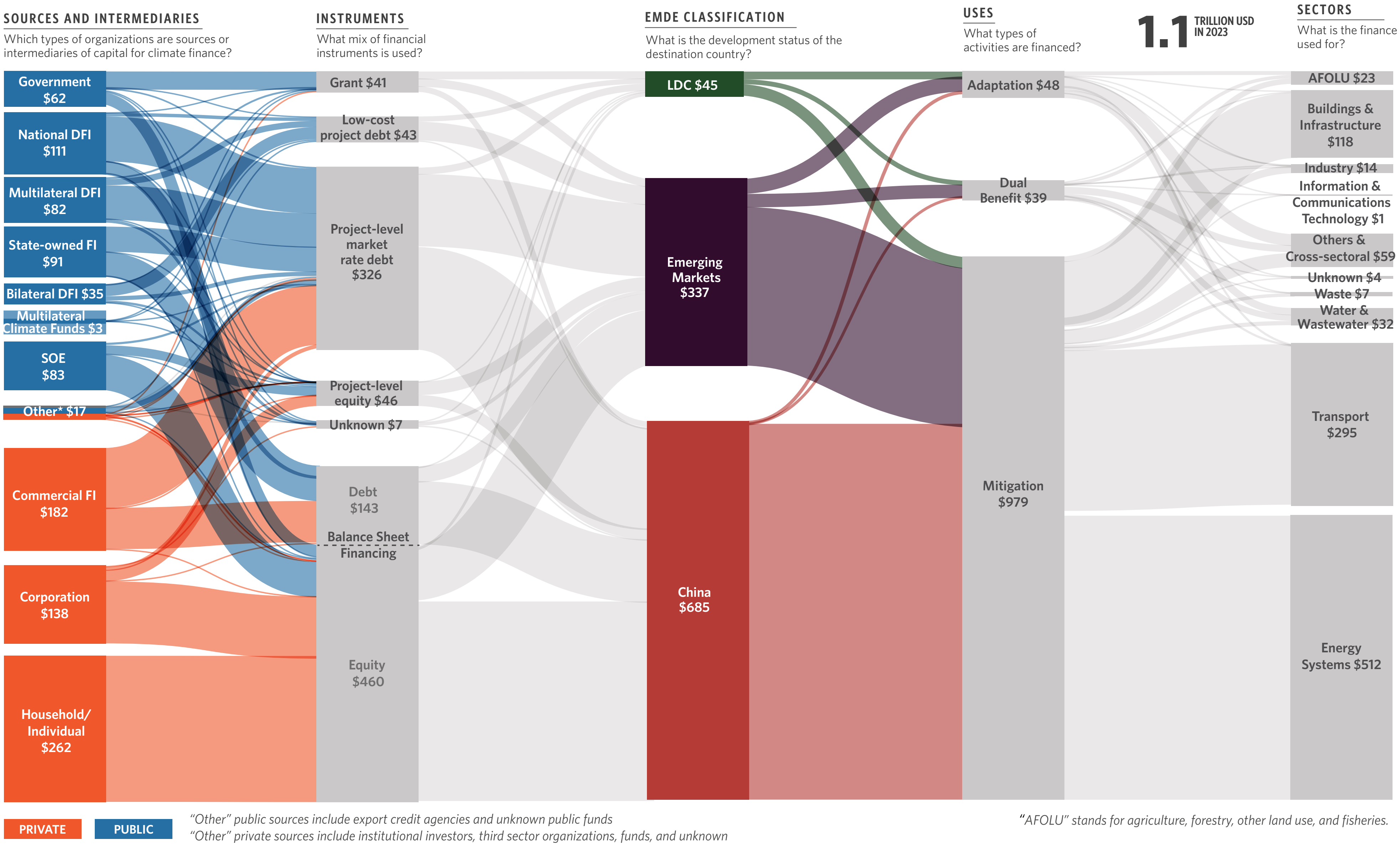
EMDEs have enormous opportunities for sustainable growth and development through climate investment, but only a handful of EMDEs are leading the way on climate finance. They are demonstrating possibilities to mobilize domestic resources and attract international private investment through domestic policy 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.**

LANDSCAPE OF CLIMATE FINANCE IN EMDEs IN 2023

Values are in USD billion



"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.

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