



Submission to the Global Solidarity Levies Task Force
Response to Call for Proposals: Mechanisms for Enhancing and Redistributing
Revenues from Solidarity Levies

Submitted by the Global Climate Finance Forum (GCFF)

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About the Global Climate Finance Forum (GCFF)

The Global Climate Finance Forum (GCFF) is a multi-stakeholder platform focused on accelerating climate finance for small and medium-sized enterprises (SMEs) across the Global South¹. GCFF brings together over 40 investors, entrepreneurs, thought leaders, and policymakers to co-develop strategies that localize capital, de-risk investment, and dismantle systemic barriers preventing scalable finance for climate solutions.

The inaugural Forum, held in April 2025 in Montego Bay, Jamaica, showcased the impact of climate SMEs through viable, scalable models—from solar distribution in Africa to agroforestry hubs in Brazil—while underscoring the persistent challenges they face: high costs of capital, policy bottlenecks, and limited visibility in global finance flows.

The Forum catalyzed over 20 concrete commitments and has since established a Secretariat to drive implementation and advocate for SME-aligned reforms heading into COP30 and beyond.

1. Concept Note

Proposed Mechanism: Solidarity Levy SME Financing Instruments

We propose a set of Solidarity Levy SME Financing Instruments that channel the international portion of levy proceeds into national financial systems through locally grounded financial institutions, ensuring deep knowledge of local capital markets.

The instruments are designed as a flexible structure that can take the form of a blended vehicle or a facility model, depending on country and institutional contexts:

- **Blended Vehicle:** a pooled financing vehicle in each country, managed by a local country manager (asset manager or NGO) that coordinates capital providers and ensures scalability.

¹ The Global South is defined as low- and middle-income countries, as well as low- and middle-income and underserved communities within high-income countries.

- **Facility model:** a financing facility that channels levy proceeds directly through credit unions, cooperatives, and local banks to scale SME lending.

Key features:

- **SME focus:** All funds target SME-led climate mitigation and resilience solutions, ensuring resources directly support the businesses driving local climate action.
- **Locally led delivery:** Proceeds are distributed through local financial institutions — defined here as credit unions, cooperatives, retail/commercial banks, and other community-rooted lenders under the facility model — and through local asset managers and NGOs with proven financial expertise under the blended vehicle.
- **Leverage:** By serving as concessional and risk-sharing capital, levy proceeds strengthen local lenders to expand SME financing, provide credit enhancement, and mobilize domestic savings, while also crowding in institutional investors such as pension funds, sovereign wealth funds, and international impact investors.
- **Transparency:** Each facility and vehicle publishes allocations, leverage ratios, and impacts (jobs, resilience, emissions avoided) into a regional registry linked to the global Solidarity Levy Registry.
- **Additional incentives:** Developing countries that introduce domestic solidarity levies become eligible for step-down sustainability-linked loans or bonds, where the coupon rate decreases once the levy is operational and remains contingent on its maintenance. This links sovereign borrowing costs directly to climate policy implementation, lowering financing costs while creating measurable accountability.

This mechanism ensures levy proceeds support locally grounded climate finance ecosystems, strengthening financial institutions closest to SMEs and multiplying impact through leverage.

2. Operational Framework

Implementation Timeline & Milestones

- **COP30 (Belém, Nov 2025):** Political endorsement of principles and pilot countries announced.
- **2026:** Instruments designed in partnership with local financial institutions and NGOs with proven financial expertise; initial capitalization from aviation and fossil levies. First disbursements to SMEs through facilities (via credit unions, cooperatives, and retail/commercial banks).
- **2027:** First disbursements to SMEs through blended vehicles.
- **2028–2030:** Scaling across Global South regions and other countries; integration into the NCQG/Baku–Belém Roadmap.

Governance & Oversight

- **Steering Committee** under GSLTF with representation from contributing and beneficiary countries, civil society, and SMEs.

- **Advisory Panels** with local asset managers, pension funds, cooperatives, impact investors, credit unions, and SME representatives.
- **Independent Audit Board** reviews flows and outcomes.

Transparency & Reporting

- Quarterly publication of allocations, leverage ratios, and impact metrics.
- Beneficiary SMEs are required to disclose job creation, emissions reduced, and resilience benefits, supported by light-touch reporting.

3. Financial Considerations

- **Budget & Costs:** Overheads capped at 5–7%, with local financial intermediaries managing funds through existing systems.
- **Disbursement Models:**

BLENDING VEHICLE:

- **Structure:** A pooled financing vehicle established in each country to receive a portion of levy proceeds.
- **Management & Coordination:** Led by a local country manager (a financial institution or NGO with proven financial expertise) responsible for coordination. The manager brings in other local financial institutions as capital providers, sets the tranches of the capital structure, monitors impact metrics, and controls disbursement and use of funds under equitable terms.
- **Functions:**
 - Provides another level of coordination beyond a traditional fund, ensuring alignment between multiple capital providers.
 - Offers technical assistance (TA) to support SME due diligence, investor readiness, and pipeline development.
 - Ensures scalability, allowing the vehicle to be replicated in other countries as levy proceeds grow.
- **Instruments:** First-loss equity/debt, off-balance sheet guarantees, in-kind contributions, concessional loans, and results-based contracts tailored to SME realities (e.g., local currency financing, step-down mechanisms).
- **Leverage:** Levy proceeds serve as concessional or guarantee capital, attracting additional investment (pension funds, sovereign wealth funds, and international impact investors) and enabling risk-sharing across multiple capital providers.
- **Deployment:** Proceeds are allocated through a coordinated mechanism led by the country manager, ensuring strategic allocation, pipeline development, and alignment with national SME priorities.

FACILITY MODEL:

- **Structure:** A financing facility that distributes levy proceeds for direct investment.
- **Management:** Operated by local financial intermediaries — credit unions, cooperatives, retail and commercial banks — ensuring proximity to SMEs.

- **Instruments:** Guarantees, concessional credit lines, and results-based finance tailored to SME realities (e.g., revenue-backed contracts, milestone-based disbursements) to expand SME lending.
 - **Leverage:** The facility enables local lenders to expand SME lending and strengthen their balance sheets, while also providing credit enhancement that allows them to attract additional deposits, domestic savings, and private investment.
 - **Deployment:** Proceeds flow through existing financial intermediaries with direct reach to SMEs, ensuring context-specific allocation and rapid deployment.
- **Speed of Disbursement:** Leveraging existing local financial networks ensures **6–12 month** disbursement timelines, significantly faster than traditional multilateral climate funds.

4. Impact and Accountability Measures

Equitable Distribution

- Allocation formula: weighted by vulnerability (e.g., SIDS, LDCs), population, and mitigation potential.
- Equity safeguard: minimum allocation floor for SIDS and low-capacity countries, and a dedicated minimum allocation for SMEs to guarantee resources reach climate innovators on the ground.

Impact Metrics

- Volume of levy proceeds disbursed to finance SMEs.
- Leverage ratio of private capital mobilized.
- Jobs created, emissions avoided/reduced, resilience benefits.
- Growth in locally led lenders and asset managers.

Accountability

- Annual independent evaluation, feeding into COP Global Stocktake cycles.
- Civil society observer status in governance bodies.

5. Feedback on Draft High-Level Principles

We endorse the proposed principles on the use of revenues, and recommend:

1. **Equity as a baseline** – principles should guarantee a minimum share for LDCs, SIDS, and vulnerable middle-income countries.

2. **SME implementation** – revenues should explicitly prioritize channels that reach SME-led climate solutions, as they deliver scalable, locally grounded impact.
3. **Transparency through accessibility** – reporting systems must be SME-friendly, avoiding excessive compliance burdens.
4. **Incentive alignment** – principles should recognize that countries adopting domestic levies are eligible for step-down sustainability-linked financing.

The Solidarity Levy SME Financing Instruments offer a feasible, transparent, and equitable mechanism to redistribute levy proceeds. Whether structured as a blended vehicle or a facility model, they ensure that revenues flow through locally led financial institutions to directly finance SME-led climate mitigation and resilience solutions, while leveraging private capital at scale, strengthening locally grounded financial ecosystems, and delivering accountable outcomes.

GCFF welcomes enquiries and offers of collaboration. These can be directed to the Secretariat at info@globalclimatefinanceforum.com.