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Taskforce on Access to Climate Finance

Draft Concept Note

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Taskforce on Access to Climate Finance: Draft Concept Note

While the amount of available climate finance is increasing, barriers to access, constraints on delivery and insufficient coherence in donors' offers have left developing countries unable to access or utilise the support they need to deliver on climate action and sustainable development.

At the Climate and Development Ministerial on 31 March 2021, participants recognised the need to streamline access to climate finance, with greater individual and collective action required both before and following COP26. The Chair's summary reflected the call for a Taskforce on Access to Climate Finance to address the urgent need for coherent and effective support for developing countries' efforts to decarbonise their economies, adapt to climate change and establish green growth pathways.

The UK and Fiji have committed to working with partners to launch the first stage of this new Taskforce: to develop an initial draft concept note. This draft concept note sets out a proposed approach and strategy in the run up to COP26 and beyond. We will now consult other partners on taking forward our proposals.

The aim is to deliver a step change in access to finance for climate action by delivering a new, programmatic approach to support for partners' climate action plans: work under the Taskforce will include pilot implementation of the proposed approach in five selected pioneer countries, and development of proposals for scaling successful approaches.

Timeline

- As a next step, we will invite interested partners (donors, interested vulnerable and developing countries, finance providers, existing initiatives, stakeholders) to provide their feedback on this draft concept note, and help establish a working group with a small steering committee to lead efforts on the further development of the Taskforce (by the end of May).
- That group will help to further develop the concept and plans for implementation, with a revised concept note and principles for the selection of pilots agreed by end June in consultation with the wider group of partners.
- Work to develop the Taskforce's approach, agree a set of principles on access to climate finance, and the development of the 'in country' approach by key partners would be taken forward from July-September.
- We would aim to formally launch the Taskforce at a major international meeting in September-October.
- The five initial country pilots would be launched by COP26 in November.

Objectives of the Taskforce

Current arrangements for access to climate finance need to be improved. They are often complex, slow and resource intensive, placing an additional burden on institutions in developing countries that are already stretched and often lacking in capacity. In many cases, these arrangements entrench distinctions between climate and development planning and programming which are not meaningful at country level and fail to support integration with national budget processes or investment plans. Piecemeal, project-based financing will not deliver scale and impact, and will weaken efforts to develop an integrated, economy-wide approach to climate, development and green growth that delivers transformative climate action on the basis of developing countries' own national plans and priorities.

The Taskforce on Access to Climate Finance aims to address this situation by developing a new approach to climate financing, which will:

- align support behind the national climate action plans of developing country partners, in full integration with broader national economic planning.
- be based on developing existing plans and communications (e.g. development plans, NDCs, adaptation communications and NAPs), rather than a new planning process.
- Match to those commitments a coordinated offer from bilateral and multilateral partners, aligned also with domestic funding, which catalyses a more coherent programmatic approach that reduces fragmentation and transaction costs.

- engage with the wide variety of finance flows available for climate related investment – including the hundreds of billions in ODA and development finance flows as well as the climate specific funds (c. \$3-4bn p/a).

While promoting an integrated approach to development in which climate actions inform and underpin the overall development efforts, the Taskforce could also include a focus on the catalytic potential of climate funds through the piloting and ‘de-risking’ of new technologies and approaches.

Proposed approach

The Taskforce approach is based on four main principles, which are essential to delivering more effective access to finance for climate action.

National ownership and coordination:

National priorities for climate action are at the centre of this approach, as expressed in coherent and ambitious national climate plans. To provide the most effective framework for finance, these plans should act as integrated investment tools covering the mitigation and adaptation priorities of the developing country partner, setting out a ‘whole of government’ approach that is fully integrated with broader national development and growth plans and medium-term fiscal frameworks.

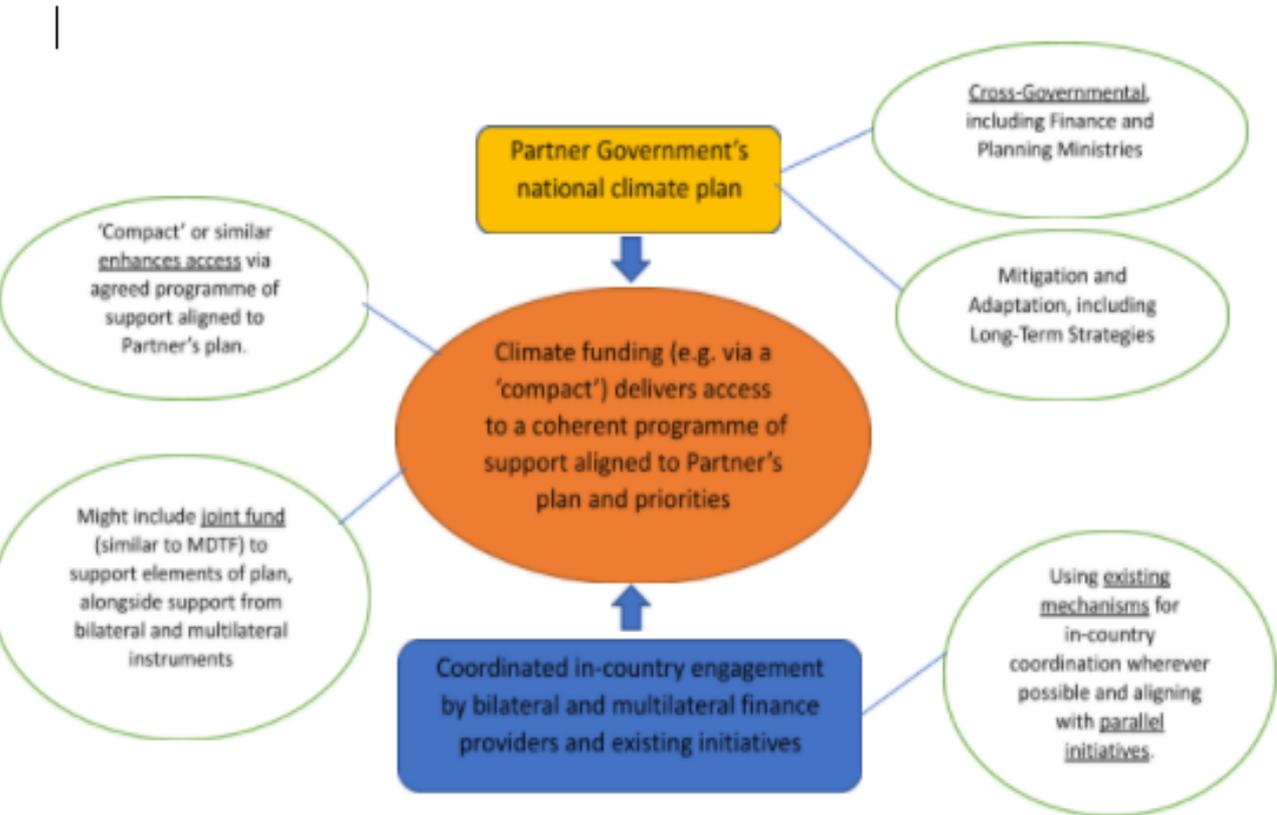
Development partners should support partner countries’ capacity to develop these plans as required, noting the key role played by existing initiatives including the NDC Partnership, NAP Global Network, and the LDC Initiative for Effective Adaptation and Resilience (LIFE AR).

An aligned, coordinated and programmatic response by donors:

Development partners will commit to aligning their finance behind a country’s climate priorities. They will respond to the ambition set out in the plan with a coherent programme of support, underpinned by effective engagement in country-led coordination.

The Taskforce will explore how best to support this on a country-specific basis (building on previous experience), bringing together different sources of bilateral and multilateral support into a coherent package linked to the key components in the national plan (e.g. via a ‘compact’ approach), and with links to regional initiatives where helpful. This approach aims to facilitate access, moving beyond the current model’s burdensome and fragmented reliance on project-based engagement with multiple financiers, establishing norms for longer periods of financing, and helping ensure greater transparency of climate finance to build trust among partner countries. Provision of support might include a bespoke multi-donor fund at country level to provide funding for key elements of the plan, channelling funding from multiple donors as a means of simplifying access to funding. This approach will maintain rigour in the design and delivery of actions while delivering a coherent and more comprehensive programme of funding in line with the country partner’s needs. A number of different approaches might be tested in the initial pilots: a ‘one-size-fits-all’ approach is unlikely to be appropriate.

Additionally, under this objective, the Taskforce, working with the climate funds, could consider ways in which accreditation, direct access pathways and appraisal processes could be enhanced and coordinated in support of greater alignment.



Pragmatism and coordination with existing initiatives:

Considerable efforts are already underway to deliver on climate, environment and wider sustainable development goals. Rather than create new processes, wherever possible the Taskforce will work with and build on these existing initiatives. A pragmatic coordinated approach will be vital to managing demands on country capacity and supporting and amplifying efforts already underway. We intend to work within existing national or multilateral coordination structures wherever possible, and to involve all relevant initiatives as part of in-country coordination. This includes working alongside current efforts to strengthen the institutional capacities of partner countries to develop and implement effective climate action plans; given the extensive work already underway in this area, we do not propose that the Taskforce directly engages in capacity building unless support essential to delivering on the Taskforce's objectives is not available from partner initiatives.

Inclusivity:

Participants at the Climate and Development Ministerial highlighted the need to increase the proportion of finance that reaches the local level, and that new mechanisms were needed to empower and improve access for the most vulnerable countries and communities. This includes ensuring access for women, indigenous peoples and rural communities who are in the front line of climate change, drawing on the principles for locally led adaptation. The Taskforce could also consider how intermediaries can mentor country institutions to facilitate direct access. These will be important considerations for partner governments, finance providers and Civil Society partners as we work towards enhanced access in support of coherent national plans.

Participants

The Taskforce will bring together interested vulnerable and developing countries, bilateral and multilateral finance providers, and existing initiatives in order to create an innovative, effective and coherent approach aligned with partners' climate ambitions.

The Taskforce will necessarily be a shared endeavour. A working group of developing and developed country partners, multilaterals and linked initiatives, led by a small steering committee, will further develop the concept and work plan.

While there is a clear need for an initiative of this kind, which delivers a coordinated approach to access across mitigation, adaptation and long-term strategies integrated with broader national development and growth efforts, we recognise the need to work in lockstep with other initiatives already supporting the development and delivery of ambitious climate plans. That includes international initiatives such as the NDC Partnership and LIFE-AR, as well as parallel regional initiatives including the AU Green Recovery Action Plan and the Process for Improved Aid Impacts for SIDS. Effective coordination with those initiatives can and should be 'win-win', helping avoid duplication, and making pragmatic use of extant structures to deliver shared, time-bound goals with a clear focus on results.

Implementation arrangements leading to COP26

The first stage of implementation – the inception phase – will be led by the steering committee with input from a wider working group. This will involve further developing the concepts set out in this concept note into a more substantial plan for the work of the Taskforce, including the proposed 'compact' instrument for providing more coordinated support. The aim will be to develop the concept in time to formally launch the Taskforce at a milestone pre-COP event in September-October.

Following the inception phase and the launch of the Taskforce, the intention is to launch initial pilots with five developing and vulnerable country partners at the COP26 meetings in Glasgow, United Kingdom on 1 - 12 November. The aim is to include a range of developing country partners in these pilots, including one or more African countries and at least one member of the SIDS group. While all climate vulnerable countries face challenges in accessing public and private finance whatever their level of income, we propose that the

initial group of pilot countries should include LDCs and those who have recently graduated from LDC status.

These pilots are intended to provide the foundation for the further development and expansion of the Taskforce initiative to a wider set of partner countries, building on the lessons learned from the initial pilots and the overall level of success of the initiative, with the aim of transforming access to climate funding globally.