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IN PARTNERSHIP WITH ITALY

# **Taskforce on Access to Climate Finance Revised Concept Note**



UK Government



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# Introduction

While the amount of available climate finance is increasing, current mechanisms for accessing climate finance are often slow, complex, resource intensive, uncertain, and highly projectized, presenting significant barriers to access and constraints on delivery. Insufficient coherence in donors' offers also leaves developing countries unable to access or utilise the support they need on climate action and sustainable development, offering a piecemeal response to partner countries' needs.

In many cases, current arrangements also prevent a fully integrated approach to climate, development and green growth, entrenching distinctions between climate and development which are not meaningful at country level.

At the Climate and Development Ministerial, convened by the UK COP26 Presidency on 31 March 2021, participants recognised the urgent need to streamline access to climate finance, with greater individual and collective action required both before and following COP26. The Taskforce on Access to Climate Finance was announced in response to calls for coherent and effective support for developing countries' efforts to adapt to climate change and establish green growth pathways.

As the initial co-chairs, the UK and Fiji have committed to working with partners to launch the Taskforce. Following the publication of our Draft Concept Note in May, feedback from a wide range of partners and stakeholders, and agreement of the scope of the Taskforce's work by the Steering Committee, we have developed this revised Concept Note. This Concept Note will act as the key Terms of Reference for the Taskforce, setting out our approach and strategy in the run up to COP 26 and beyond as we work to deliver a transformation in access to finance through a new, country-led approach.

## Objectives and Proposed Approach

Our overarching objective is to transform the current system of climate finance through a new, programmatic approach based on partners' own national climate action plans and priorities, supported by coherent, programmatic finance from multilateral and bilateral partners<sup>1</sup>. The Taskforce will initially focus on public finance, with the inclusion of private finance proposed for future phases.

This approach should enable partner countries to access longer-term, predictable funding with which to implement their national climate, growth/development and investment plans, while ensuring climate action is mainstreamed into these other national strategies and budgeting/fiscal frameworks.

Our objective is ambitious, but we are also mindful of the need for urgency. While the work of the Taskforce will continue beyond COP26, it will be important to demonstrate concrete progress by November's meetings. In the first (initiation) phase of the Taskforce – up to COP26 – our aim is to start to bring about a transformation in access through the following key deliverables:

1. A practical **new approach to public climate finance**, in which finance is:
  - a. Aligned behind the national climate plans of countries, with those plans fully integrated into national planning and budgeting processes, factoring in the impacts of climate change and alignment to Paris goals, and linked to regional and local delivery – ensuring that the deployment of climate finance is country-led and owned. In some cases, a focus on individual climate finance projects works against an integrated approach to climate, development and green growth, only partially solving local challenges and missing the opportunity to deliver transformative change.
  - b. Coordinated more effectively between the various sources of public finance for climate action (bilateral, multilateral, domestic) and existing climate finance initiatives, as well as key recipient stakeholders such as national and local governments, delivery and implementing partners and civil society. A coordinated offer from bilateral and multilateral partners, aligned also with domestic funding, will catalyse a more coherent programmatic approach that reduces fragmentation, uncertainty, and transaction costs.
  - c. Programmatic in nature, with climate finance focused on longer-term, coherent, country-led programmes rather than piecemeal, project-based support. This will improve the predictability of financial flows and enable the delivery of longer-term climate action plans. That support should be allocated according to partners'

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<sup>1</sup> While our scale of ambition on access to climate finance is new, the Taskforce takes its lead from previous efforts, including Germany and the World Bank's approach to climate finance in Cote D'Ivoire, as well as broader approaches to aid effectiveness for development beyond climate finance as per the Paris Aid Effectiveness Principles, the Busan Partnership for Effective Development Co-operation, and the Addis Ababa Action Agenda for implementation of the Sustainable Development Goals.

national climate action plans or priorities in order to enhance access and stimulate transformational investment. This programmatic approach will be further developed by the Taskforce as an integral part of its work, both during the pre-COP initiation phase, and through the pioneer phase of implementation.

Where possible, this new approach will utilise or build on country partners' existing national plans (e.g. NDCs, National Adaptation Plans and adaptation communications, long-term strategies and national development plans), as well as other key initiatives (e.g. the World Bank's new Climate Change and Development Reports), setting out how to leverage climate finance to deliver systematic change both in terms of both traditional targets (e.g. improved resilience/mitigation outcomes), as well as the broader policy and institutional changes which are necessary in order for partners to achieve their environmental and development objectives.

The details of this approach will vary from country to country, depending on national priorities and context. It may range from financial aid in support of partners' development-linked climate policies, to a more specific, coherent set of investable activities jointly funded by bilateral and multilateral donors.

In all cases this approach will facilitate access on the basis of a coherent, country-led programmatic vision, ensuring climate finance is integrated with wider national planning, supports partners' broader policy and institutional reforms, for example improvements in public financial management standards. This approach should also help ensure a longer-term perspective in support for national priorities, and include a larger focus on adaptation – balanced with mitigation and green growth – given the emphasis placed on adaptation in vulnerable country partners' own planning and synergies which can be realised by aligning adaptation and mitigation flows.

2. A set of **Principles and Recommendations on Access to Climate Finance** will be developed and published by the Taskforce by COP26; these will:
  - a. Underpin and guide the new approach to climate finance and provide the basis for country partners and finance providers to trial the new approach in five initial pioneer countries.
  - b. Set out recommendations to partner countries on the sorts of integrated, investable planning processes that are needed to deliver effective access to climate finance linked to broader national planning, including how to improve access at the local level through links to the Principles for Locally Led Adaptation<sup>2</sup>.
  - c. Set out recommendations to funding providers (including the dedicated climate funds, bilateral and multilateral donors) on wider institutional reforms to the current climate finance system. These recommendations may address issues such as the need for increased technical assistance and capacity building for partner countries, or the need for longer-term financial commitments, as well as recommendations on

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<sup>2</sup> This element will be developed in close coordination with the parallel Principles for Locally Led Adaptation and the work of the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR), the Adaptation Action Coalition (AAC), and other initiatives.

improving access through, for example, harmonisation of fund requirements, accreditation pathways and direct access. Reporting and accountability mechanisms may also be explored.

3. Agreement by **five pioneer countries** to trial the new approach in cooperation with providers of climate finance. These initial, country- and demand-led trials will see partner countries and finance providers test, model and champion new methods for accessing climate finance.

The methods tested in each country will vary depending on need and country context (for example, different approaches to funding coordination, different sets of finance partners, and support for different climate plans and priorities). The intention would be to learn from the experience of a varied set of pioneer countries in order to quickly build the foundation both for the expansion of the new approach to other partner countries and climate finance providers in subsequent phases, and for delivering a wider systemic change in access on the basis of the pioneer countries' experience. This is also likely to include recommendations for financial institutions (climate funds and multilateral development banks) and donors to streamline finance access and coordinate in-country efforts and relevant regional and international initiatives. Pioneer countries and Taskforce members will play an important role in championing these recommendations.

4. **Input into related access discussions in other forums.** We will also explore ways for the Taskforce to engage with other ongoing efforts to improve access to climate finance prior to COP26, including inputting into discussions on access at the Boards of the dedicated climate funds, or on the efforts of the OECD Development Assistance Committee on improving the transparency of climate finance reporting. The Taskforce may also work with the OECD to explore ways to adopt more common approaches to reporting.

This input may also cover areas including eligibility requirements of different finance providers, and whether the most in need and most vulnerable countries are able to access the funds required to implement their adaptation and mitigation plans<sup>3</sup>.

### **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 coordinate closely with and amplify the efforts of existing initiatives by exploiting synergies as we develop and implement the new approach, Principles and Recommendations, and the initial pioneer country trials.

Wherever possible, the Taskforce intends to work within existing national or multilateral coordination structures (e.g., the NDC Partnership, the LDC Initiative for Effective Adaptation and Resilience (LIFE-AR), as well as the World Bank's new Climate Change and Development Reports, and regional initiatives such as the AU Green Recovery Action

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<sup>3</sup> This will take particular consideration of, but not be exclusive to, LDCs and SIDS, two groups which face particularly entrenched access challenges.

Plan and the Process for Improved Aid Impacts for SIDS), involving all relevant initiatives as part of in-country coordination.

We propose to build on and synergise with others' efforts on technical assistance, capacity building, in-country coordination, as well as on (sub-national) locally led action. Conversely, it will be essential to engage these parallel initiatives in the development of the Taskforce deliverables, ensuring their experience helps shape our approach.

In the Taskforce's initial phase, it will be particularly important to work closely with parallel initiatives to ensure that the five pioneer countries are able to bring forward or develop investable national climate plans on the basis of their own priorities, encompassing adaptation, mitigation, and longer-term strategies for green growth. Looking ahead, we will also need to consider how sufficient support can best be provided to a wider range of countries to enable the anticipated scale up of the Taskforce approach in future phases.

Effective coordination with parallel 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.

### **Inclusivity**

Participants at the Climate and Development Ministerial highlighted the need to increase the proportion of finance that is locally led, and that new mechanisms were needed to improve access by and empower the most vulnerable countries and communities. This includes ensuring access for women, indigenous peoples and rural communities who are on the front line of climate change impacts.

These will be important considerations for partner governments, finance providers and Civil Society partners as we work towards a new, programmatic approach to finance. They will form part of the Taskforce's work on Principles and Recommendations on access to climate finance, as well as their initial implementation in partnership with the pioneer countries. This element will be developed in close coordination with the parallel Principles for Locally Led Adaptation and the work of LIFE-AR, the Adaptation Action Coalition (AAC), and other initiatives. More broadly, a gender perspective will be integral throughout the Taskforce's approach.

### **Private finance and innovation**

While we recognise the vital role that will need to be played by private finance in delivering global climate action, the coordination of bilateral and multilateral public flows will be the main area of focus for the Taskforce's first phase.

During this initial phase, including initial implementation efforts with the five pioneer countries, the focus of the Taskforce will be on the coordination and alignment of the range of bilateral and multilateral flows of Overseas Development Assistance (ODA), including development finance flows available for climate related investment as well as the climate specific funds (c. \$3-4bn p/a).

Although the initial scope of the Taskforce will not include private finance per se, it will consider how public finance and policy support can help create an enabling environment to support private investment and other flows of private finance as appropriate, including in relation to pioneer countries' national priorities.

Once the new, programmatic approach is established, the Taskforce will consider how its scope might be broadened in later phases to engage flows of private finance more generally, including broadening the scope of action in the initial pioneer countries.

More broadly, while promoting an integrated approach to development in which climate actions inform and underpin overall national development and growth, the work of the Taskforce may also include a focus on the catalytic potential of climate finance through the piloting and 'de-risking' of new technologies and approaches.

### **Beyond COP26**

While this Concept Note focuses primarily on the first (initiation) phase, the work of the Taskforce will extend beyond COP26. It will build on the lessons learned with the five pioneer countries to iterate the Principles and Recommendations and new approach, and then extend this approach to a wider set of countries, while continuing to engage partner institutions and initiatives, to deliver system-wide change.

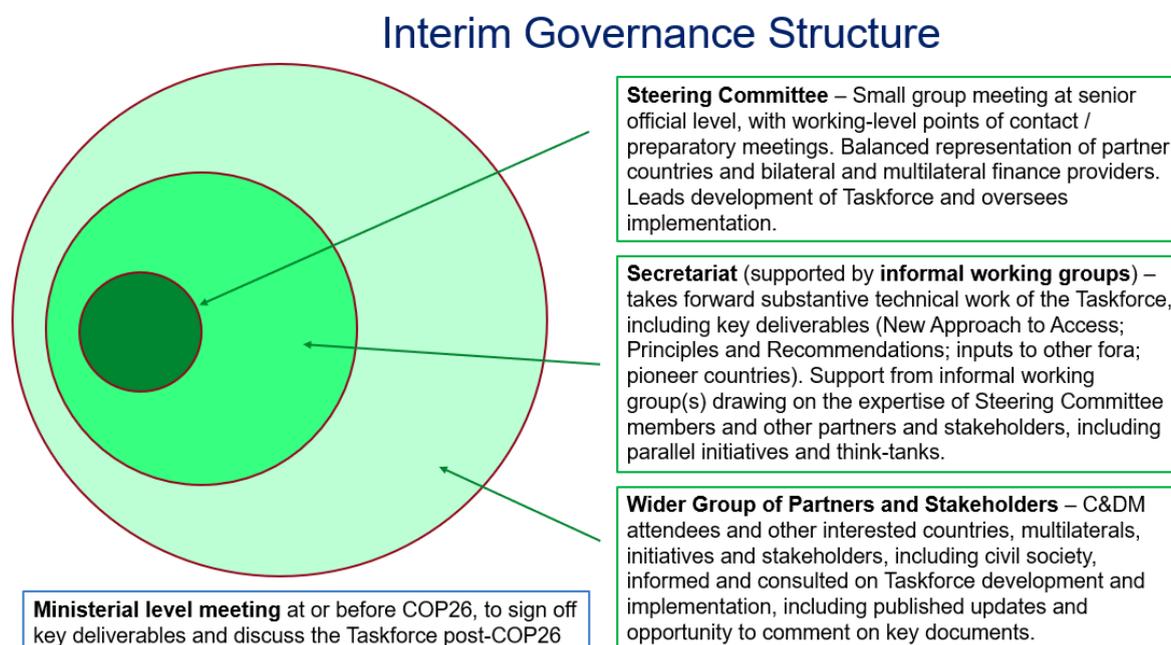
## Governance and Engagement

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

In the first phase of the Taskforce (up to COP26), we have established an interim governance structure, that will allow for an agile and flexible approach to the development of the Taskforce's activities, while enabling inputs and support from a range of partners and stakeholders.

During this initial phase, the work of the Taskforce will be led by a 12-member **Steering Committee**, co-chaired by Fiji and the UK, and composed of senior representatives from key partner governments and institutions, with participation agreed at Ministerial level. Prior to COP26, this Steering Committee will meet (approximately) monthly, with updates on progress circulated to the wider group of partners and stakeholders following each meeting.<sup>4</sup>

**Figure 1: Interim Governance Structure of the Taskforce**



As co-chairs, the UK and Fiji will provide an **interim secretariat function** during the Taskforce's initiation phase, working with the Steering Committee to ensure progress on the substantive work of the Taskforce (including development of the new method,

<sup>4</sup> Alongside the principal Steering Committee members, it is also foreseen that a small number of countries and/or organisations may join future Steering Committee meetings as observers. This would allow for the participation of additional Least Developed / Climate Vulnerable Countries who are less able to resource full Steering Committee participation or have less experience with the current climate finance system.

Principles and Recommendations, pioneer countries, and input into other forums), and coordinating engagement with the Taskforce's partners and stakeholders (i.e. the wider group of interested countries and finance providers, parallel climate finance initiatives, and civil society organisations).

Supporting and commissioned by the secretariat, **informal working group(s)** will assist with the development of the technical aspects of the Taskforce's work during the initiation phase, including the development and articulation of the new method and its initial implementation in the pioneer countries, as well as the development of the proposed Principles and Recommendations on access to climate finance and input into other forums.

The informal working groups will draw on technical and working level representatives from the Steering Committee members. They will be expected to provide technical input to the Taskforce's workstreams, for instance, the drafting of the Principles and Recommendations and the approaches to be trialled in the pioneer countries. We expect colleagues to provide technical inputs via email predominantly, with virtual meetings arranged only when substantive discussion is required. Nominated representatives are not fixed and can change depending on availability. The Secretariat will aim to give the informal working group colleagues advance notice of when inputs will be requested and provide at least one week for comments.

This work will be overseen by the Steering Committee and will draw upon technical expertise from the co-chairs and other Steering Committee members, as well as other key partners, including those climate finance providers, parallel initiatives, think tanks and civil society organisations best placed to help develop this technical work.

We are also mindful of the need to maintain the involvement of this **wider group of partners and stakeholders**, including (but not limited to) those represented at the Climate & Development Ministerial in March. This broader constituency may also include a wider set of country partners (not least those who may participate either as pioneer countries, or in the future scale up of the new approach, as well as those with a broader interest in the Principles and Recommendations).

We intend to maintain communication, engagement and transparency with this wider group of partners and stakeholders on the Taskforce's key work-strands – including progress on the technical aspects of the Taskforce's work – between now and COP26, including through:

- Publication of **summaries of progress and minutes** following Steering Committee meetings, via a Taskforce webpage and/or email circulation.
- Wider circulation of **draft and final documents**, including seeking input from the broader constituency to inform Steering Committee discussions and decision-making (as per the approach taken on circulation of and feedback on the Draft Concept Note in May-June).

- Presentation and discussion of the Taskforce's work at **key regional and international meetings** in the months ahead of COP26, e.g., at the UN Regional Climate Weeks, UNGA and/or the Annual Meetings.

It is important that the work of the Taskforce has a **Ministerial-level mandate**. It is anticipated that Ministers will meet once before or at COP26 to sign off on key deliverables and deliberate on how to take the Taskforce forward following COP26.

During the initiation phase, the Steering Committee will also deliberate on the **longer-term governance structure** required to support the pioneer countries and keep momentum up on the new approach and Principles and Recommendations, including the possible establishment and resourcing of a more formal secretariat to underpin the work of the Taskforce beyond COP26.

The decision making process taken by the Taskforce is intended to build consensus for change, political commitment to a new approach, and an alignment of efforts. The focus on tangible and real-world delivery stands the Taskforce apart from other initiatives. The aim to achieve wider and sustained change in access to finance will be supported by sharing evidence from the five pioneer countries with a broader range of stakeholders and countries. The aim is for this to achieve wider institutional and policy reform.

### **Timeline up to COP26**

By COP26, the Taskforce will launch its proposed new approach and its guiding Principles and Recommendations.

We also intend to launch implementation of the Taskforce approach in five initial pioneer countries. Given the level of change likely to be involved in this new way of working for both funding providers and for partner countries – as well as the need to test efficacy, provide proof of concept and learn lessons before scaling up – we believe starting with a small, but geographically and economically varied group of countries is the most feasible approach. While all climate vulnerable countries face challenges in accessing public and private finance whatever their level of income, we consider it important that the initial group of pioneer countries should include LDCs and those who have recently graduated from LDC status.

The launch of these in-country trials by the time of COP26 is very much the start of the Taskforce's work. Our aim will be to learn lessons quickly from the pioneer countries, iterate the Principles and approach as required, and (presuming our initial efforts are successful) move to broaden out the Taskforce approach to a wider set of countries, linked to parallel efforts by partner initiatives to support the development of investable national plans.

## Timeline for the first phase of the Taskforce

May 2021	<ul style="list-style-type: none"> <li>● Draft Concept Note published and circulated</li> <li>● Initial feedback received from partners and stakeholders</li> </ul>
June 2021	<ul style="list-style-type: none"> <li>● Commenced technical work to further thinking on 'mainstreamed' national climate planning and alignment of funding instruments.</li> </ul>
July 2021	<ul style="list-style-type: none"> <li>● Formed Steering Committee (with UK/Fiji as co-chairs, alongside key country partners and multilaterals)</li> <li>● First meeting of Steering Committee held to agree scope, governance, engagement and workplan of Taskforce.</li> <li>● Convened external policy and research organisations to support work on the programmatic approach; Principles and Recommendations; and implementation in pioneer countries (including draft criteria for selection of pioneer countries). To continue in August.</li> </ul>
August 2021	<ul style="list-style-type: none"> <li>● Informal working group representatives nominated.</li> <li>● Preparation of Revised Concept Note based on feedback received from partners and stakeholders, and steer from the Steering Committee</li> <li>● Second meeting of Steering Committee endorses the revised concept note, takes stock of progress on technical work, and discusses criteria for selection of pioneer countries.</li> <li>● Update to wider group of partners and stakeholders (following Steering Committee meeting).</li> <li>● Publication of Revised Concept Note based on feedback received from partners and stakeholders, following endorsement by Steering Committee.</li> <li>● Technical work continues on development of: (i) Taskforce's programmatic approach; (ii) Principles and Recommendations on access to climate finance; and (iii) implementation in pioneer countries.</li> </ul>
September 2021	<ul style="list-style-type: none"> <li>● Publication of draft criteria for selection of pioneer countries for feedback from wider group of partners and stakeholders.</li> <li>● Third meeting of Steering Committee reviews interim outputs from technical work on: (i) Taskforce's new approach to climate finance; (ii) Principles and Recommendations on access to climate finance, and; (iii) progress on selection of pioneer countries.</li> <li>● Update to wider group of partners and stakeholders (following Steering Committee meeting).</li> </ul>

	<ul style="list-style-type: none"> <li>● Informal working group provide input to the development of: (i) Taskforce's new approach to climate finance; (ii) Principles and Recommendations on access to climate finance; and (iii) how to implement in pioneer countries.</li> <li>● Outreach at country level with potential pioneer countries and key in-country partners.</li> <li>● Share a summary of our approach and methodology for the Principles and Recommendations on Access to Climate Finance for feedback from wider group of partners and stakeholders at UNGA.</li> </ul>
October 2021	<ul style="list-style-type: none"> <li>● Technical work led by secretariat with input from informal working group to finalise development of: (i) Taskforce's new approach to climate finance; (ii) Principles on access to climate finance; and (iii) approach on pioneer countries, following feedback from wider partner and stakeholder group.</li> <li>● Fourth meeting of Steering Committee reviews proposed final outline documents on global approach of Taskforce and finalises the list of pioneer countries prior to launch.</li> <li>● Ministerial meeting prior to or at COP26 agrees final outline documents on Taskforce approach and sets out the way forward for the Taskforce post-COP26.</li> <li>● An update on the Principles and Recommendations is presented at the World Bank Annual Meetings.</li> <li>● Formal launch event for the Taskforce on Access to Climate Finance at major international meeting (TBC).</li> <li>● Remaining documents finalised and published online as needed.</li> </ul>
November 2021	<ul style="list-style-type: none"> <li>● Taskforce event at COP26 Finance Day (TBC)</li> <li>● Announcement of five pioneer countries at COP26 (unless announced previously).</li> <li>● Principles and Recommendations published at COP26</li> </ul>
January - February 2022 (tentative)	<ul style="list-style-type: none"> <li>● Steering Committee to reconvene in late January or February 2022 to take stock of progress and plan for the next phase of the Taskforce, building on steer from Ministerial discussions prior to and/or at COP26.</li> </ul>

*N.B. Timeline remains indicative and subject to change.*

## Annex 1: Steering Committee Members

Belize  
The Kingdom of Bhutan  
The Republic of Fiji  
The Federal Republic of Germany  
Green Climate Fund  
The Republic of Malawi  
The Republic of Rwanda  
The Republic of Senegal  
The Kingdom of Sweden  
The United Kingdom of Great Britain and Northern Ireland  
The United States of America  
World Bank Group

