



2021 Climate and Development Agenda Stocktake

Civil society analysis of progress and next steps on the climate & development agenda discussed at the 31 March Climate & Development Ministerial

Introduction

This stocktake report comprises analysis undertaken by a large group of civil society organisations during London Climate Action Week (June 2021) and further follow-up analysis by E3G, the International Institute for Environment and Development (IIED), Red Cross Red Crescent Climate Centre and World Resources Institute (WRI).

It assesses progress on the climate and development agenda discussed at the UK-hosted Climate & Development Ministerial in March 2021 and recommends key processes and milestones to deliver on the agenda before COP26, particularly where progress can be delivered around September's UN General Assembly meetings.

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2. Stocktake: Analysing progress against the four themes, pages 4-12
3. Unlocking further progress: Political and technical processes, pages 13-14

1. Background: Climate and Development Ministerial

Hosted virtually by the UK Government as incoming COP26 President

Held on 31 March 2021; 45+ Ministers, heads of multilateral organisations; [See Chair's Summary](#)

Aim: to identify practical steps that countries can take, together with key multilateral organisations, to support the delivery of the Paris Agreement and Agenda 2030 for Sustainable Development in the world's most climate vulnerable countries and communities.

Four themes

1. Access to climate finance
2. Responding to climate impacts
3. Quantity, quality and composition of climate finance
4. Fiscal space and debt sustainability.

E3G, IIED, Red Cross Red Crescent Climate Centre and WRI gathered civil society perspectives ahead of the ministerial and [provided briefing support](#) to countries for their engagement; **climate vulnerable countries provided clear solutions against each theme.**

Overall, the Ministerial sparked momentum and called for progress before COP26 and beyond.

2. Stocktake: Analysing progress against the four themes

The following slides analyse the progress made in the six months since the March 2021 Climate and Development Ministerial.

The analysis is structured against the four themes from the Ministerial.

Four themes

1. Access to climate finance
2. Responding to climate impacts
3. Quantity, quality and composition of climate finance
4. Fiscal space and debt sustainability.

The following slides outline what solutions were agreed under each theme, the state of play in terms of progress made against those agreed solutions and include further detail for how this assessment was reached.

The analysis was conducted by E3G, IIED, Red Cross Red Crescent Climate Centre and WRI and was tested and refined at a civil society workshop at London Climate Action Week at the end of June. This report is published ahead of the UK government's own 6-month stocktake meeting in September 2021.

Theme 1 Stocktake: Access to climate finance

Agreed solutions - Theme 1: Access to climate finance

1. **Establish new Taskforce on Access to Climate Finance.**
2. **Define new political landing grounds & timelines on:**
 - **Functional definition of climate finance**, with new success criteria and risk appetite
 - **Increasing transparency** and rigorous agreed-upon reporting rules, harmonized taxonomies
 - **Institutional reform to harmonize, simplify and streamline procedures** across funds & sources of finance
3. **Support** countries to increase collaboration, support scale-up, **longer-term and programmatic approaches** - implement pilot projects in 3 countries in 2021
4. Gather political commitments to **longer-term finance commitments (5-10 years)** to improve predictability

Six-month progress is here ▶



Theme 1 Stocktake: Access to climate finance

- **Clear and early progress was made to establish a draft terms of reference for the Taskforce**, with the UK working with Fiji to design and release a Draft Concept Note. There are broad concerns that the Taskforce in its current framing will not facilitate the delivery of or progress towards the solutions identified at the ministerial meeting to give better access to climate finance for vulnerable countries. Twenty-three government and civil society representatives largely from climate vulnerable countries submitted joint feedback to the UK government in June 2011 to highlight their concerns and ways to strengthen the Draft Concept Note. **A revised Concept Note is expected to be agreed by the Steering Committee of the Taskforce in September 2021, and a set of 'Principles for Access' are in development for release and sign-ons in late 2021.**
- **Aside from the progress made to establish the Taskforce itself, there has been no progress made against the other solutions in this theme.** Once set up, there are high expectations that the Taskforce will address these more explicitly. Vulnerable countries and civil society are aware that transformational change will take longer than the usual life of a taskforce but have expressed a keen desire to see strong progress as soon as possible and by COP26 in order to maintain trust in this process.
- **Key steps for UNGA:** the September UN General Assembly Meetings will be a key moment to deliver further progress on this agenda and should be seen as a deadline moment for presenting an updated concept note and draft set of principles from the Access Taskforce.

Theme 2 Stocktake: Responding to climate impacts

Agreed solutions - Theme 2: Responding to climate impacts

1. **Scale up early action/** disaster risk instruments and establish contingency or emergency funds
2. Grow donor/funder commitment for **50% of finance to adaptation**
3. **Prioritize locally led adaptation** and swing political momentum and donor commitment behind the Locally Led Adaptation principles to enhance direct access to adaptation finance
4. **Progress UNFCCC discussions on the global goal on adaptation** to land a process and agenda at COP26 **and on loss and damage** to land operationalisation of the Santiago Network
5. **Grow political acknowledgement of Loss and Damage** as an existential threat to vulnerable countries and explore innovative sources of finance
6. Ensure that greater climate risk disclosure does **not lead to capital flight** from vulnerable countries

Six-month progress is here



STATE
OF PLAY

Systemic
Change

Political
Progress

Process
Progress

Stalled

Theme 2 Stocktake: Responding to climate impacts

- To protect lives and tackle loss and damage caused by climate change, at G7, **the United Kingdom and Germany committed £120 million and €125 million** of new financing respectively to deliver pre-arranged disaster risk finance for vulnerable communities through regional risk pools, contributing to REAP and InsuResilience Global Partnership protection targets. How the funding will be spent exactly remains to be seen.
- **Informal meetings on the Santiago Network have been held though little consensus has been reached** on the form and function of the Network. A follow up consultation took place on 28 June 2021 and conversations are ongoing. The Chair's Summary of the July Climate Ministerial reported constructive discussion on loss and damage and adaptation and how they can be addressed at COP26.
- **Key steps for UNGA:** as well as an opportunity to pledge new funds to disaster risk and adaptation finance mechanisms and sign ups to the locally led adaptation principles, dialogues in the sidelines of the UN General Assembly should be used to discuss defining the global goal on adaptation and measurement approaches. UNGA is a prime moment for the appointment of a Special Envoy on Loss and Damage.

Theme 3 analysis: Quantity, quality and composition of climate finance

Agreed solutions - Theme 3: Quantity, quality and composition of climate finance

1. Gather political pledges to provide more public finance & leveraged finance to **give confidence that the \$100bn goal is being met**
2. Gather political pledges to **increase quality of finance**, particularly increasing **grant component** of climate finance pledges with priority on grant proportions for adaptation for SIDS and LDCs
3. Build **political consensus** on the \$100bn per year commitment as a floor and the need **for a pathway beyond \$100bn**
4. **Progress mandate on post-2025 finance goal** through UNFCCC
5. **Accelerate Paris-alignment of public finance** from countries and institutions to increase the overall quantum of climate finance and cut harmful investment
6. **Engage with the private sector on roadmap to scale up finance for adaptation and nature** including through the use of innovative sources of like green and blue bonds

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Six-month
progress is here



Theme 3 Stocktake: Quantity, quality and composition of climate finance

- Amid an uneven COVID-19 recovery and, for the most vulnerable countries, debt distress, the gaping hole in climate finance pledges for developing countries remains a major hurdle. **The global climate finance target of \$100 billion to be delivered annually from 2020 is currently off track** despite new hope for progress from new pledges by Germany and Canada to increase their finance, including on adaptation, and from Japan on re-alignment of their funding portfolio.
- At the July Climate Ministerial it was announced that **Canada and Germany will coordinate with donor countries to agree a delivery plan** to meet the \$100bn goal before COP26. On transparency, progress through the adoption of more detailed, transparent standardized table by COP26 will be important, together with the review of the “needs assessment” report and synthesis of finance mobilization strategies by developed countries.
- **Key steps for UNGA:** as well as a prime moment to profile new climate finance pledges to close the gaps to \$100bn per year, UNGA should be a moment for Germany and Canada to gather donor country agreement to an ambitious delivery plan. To answer the calls from the Climate and Development Ministerial, the plan should aim to surpass the \$100bn per year between 2020-2025 which should be recognised as a floor rather than a ceiling.

Theme 4 Stocktake: Fiscal space and debt sustainability

Agreed solutions - Theme 4: Fiscal space and debt sustainability

1. Drive political consensus on immediate liquidity support via **issuance and reallocation of SDRs**
2. **Develop medium and long-term debt solutions** including strategic and improved nature-debt swaps, and launch of IMF-WB platform on debt-nature climate linkages
3. **Capitalise and stretch the balance sheet of MDBs**; MDBs are asked to make full use of their available financial instruments - including grants for middle income and small island states
4. Identify ways to **expand access to concessional finance** based on metrics beyond just levels of income.

Six-month progress is here ▶



Theme 4 Stocktake: Addressing Wider Fiscal Space & Debt Sustainability

- **Special Drawing Rights (SDRs) issuance has been agreed and took place in August**, whilst discussion on reallocation mechanism is still on-going. However, there seems to be a consensus around \$100bn to be reallocated; the mechanisms being discussed for reallocation are the Poverty Reduction and Growth Trust (PRGT) and a new Resilience and Sustainability Trust Fund, and there are political indications that more might be announced around the Venice Climate Conference.
- **On debt, the Debt Service Suspension Initiative (DSSI) was extended, but to the end of December 2021, and it is only applicable to Low Income Countries (LIC)**. Progress on the IMF-World Bank debt platform has stalled, and it is unclear how much progress this platform will make by COP26.
- There is **no clarity as to where the short to medium term finance will come from**, and there is yet to be a genuine political solution for comprehensive financial support to developing countries that matches the severity of the crisis and acknowledges the economic and social interlinkages at the global level. Much needs to be done in this area, particularly around the certainty of the financing in the medium term to open the space for both recovery and climate action. The Build Back Better for the World global infrastructure financing initiative and Africa investment initiatives discussed by the G7 in June could be key contributors.
- **Key steps for UNGA:** a key moment for the G7 to deliver detail on the global finance mobilisation they proposed during their June meetings and to engage non-G7 countries for greater impact.

3. Unlocking further progress: Political and technical processes

As the analysis in Part 2 shows, some progress has been made but there is still some way to go to act on the solutions agreed to at the Climate and Development Ministerial.

In order to achieve this, there are a number of political and technical processes that can help to unlock progress in the second half of 2021.

The following slides map these processes and propose key delivery milestones across a timeline that of political decision-making moments on the road to COP26.

2021 Political & Technical Processes that could unlock action on this agenda

Taskforce on Access to finance

UNFCCC negotiations & dialogues on finance modalities

Adaptation Action Coalition + InsuResilience + REAP + Race to Resilience

Locally Led Adaptation Principles + African Adaptation Initiative + LIFE-AR

UNFCCC negotiations & dialogues on adaptation, loss & damage, Santiago Network

UN General Assembly + UN Secretary General convenings

G20 meetings & further G7 meetings

UNFCCC negotiations & dialogues on post-2025 climate finance goal

MDB/DFI annual meetings and Finance in Common

Financing for Development + UN ECOSOC processes

IMF & WB meetings

2021 C&D Agenda

1. Improved access to climate finance & transparency

2. More support to respond to climate impacts

3. Pledges >100bn, pathway beyond + for post-2025 goal

4. Debt & liquidity support + med-long term concessional finance

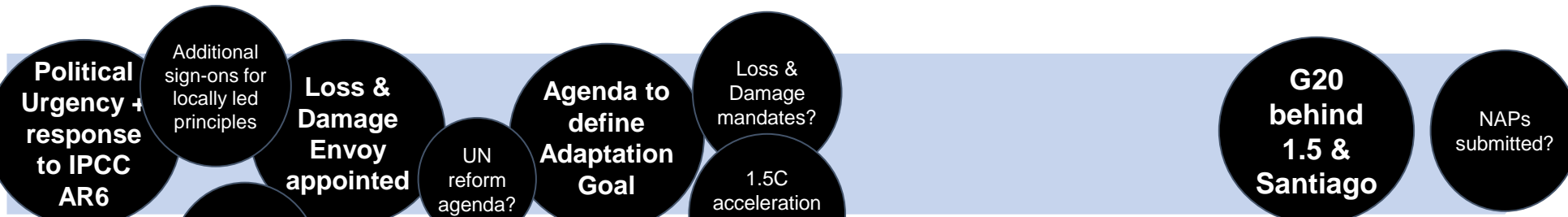
Major Milestones

September				October				Nov
UNGA	UNFCCC & Coalition Ministerials	UNSC	Pre-COP	CBD	IMF/WB	Finance in Common	G20	COP26

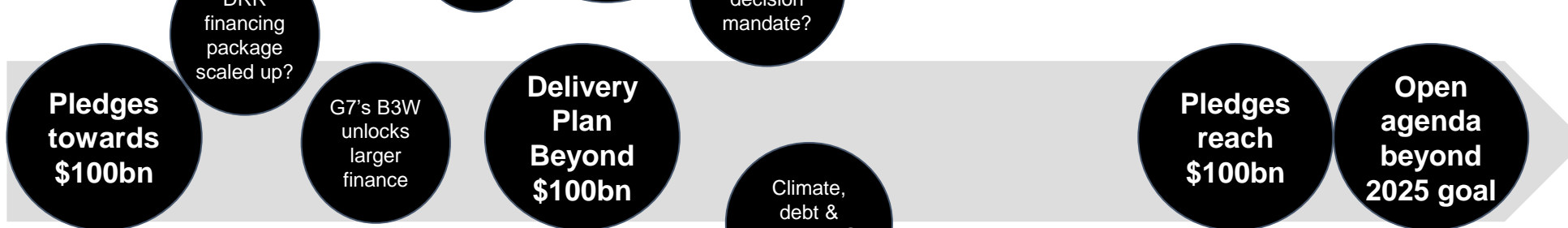
2021 outcomes



Finance Access
 \$100bn + Concessional Finance + Access + IMF Trust



Responding to Impacts
 Global Adaptation Goal + Local Principles + LIFE-AR



Finance Quantity
 Pathway beyond 100bn + commitments to improve quality



Debt Sustainability
 SDRs + Debt swaps + Long term plan to integrate risk & resilience into macro governance

Summary

The Climate and Development Ministerial was held at an important moment in a critical year. It helped to set the foundations to unlock critical issues on climate change, and to build trust and solidarity between wealthy countries, climate finance institutions and climate vulnerable countries – critical for delivering good outcomes at COP26 in November 2021.

As this analysis shows, six months on and some progress has been made which is encouraging. But more is needed. And while the transformation needed will take years to come, there are clear priorities that need to be delivered this year to show true and genuine progress towards unlocking these challenges and addressing the agreed solutions.

Having sparked new political attention on the interlinked climate and development issues, commitments from participating ministers to continue the Climate and Development Ministerial conversation as a semi-formal process would help regularly take stock and unlock progress on priority solutions.

If you would like more information on the topics outlined in this report or would like to contribute to future revisions of this stocktake, then please contact:

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