# Climate and Development Ministerial Forward Plan

## Transforming Climate and Development Delivery

1. Reforming global financial architecture
2. Platforms enabling speedier finance
3. Innovating for scale and composition of climate finance

# Background and objectives

This forward plan arose from calls at the Second Climate and Development Ministerial (C&DM), held on the sidelines of the 77th UN General Assembly 20 September 2022, for a pathway towards transformational shifts in how climate and development goals are coherently resourced at global, national and local levels. It was developed by a group of independent experts who have been facilitating the C&DM process.[1]

The Governments of Rwanda and the UK convened the second C&DM to discuss progress made since the first ministerial (March 2021), and the further actions needed across access to finance, responses to climate impacts, climate finance quantity and composition, and fiscal space and debt sustainability. Ministers and senior representatives of finance institutions recognised the need for climate and development planning and finance to be integrated at all levels, clearly led by countries and their priorities, leveraging more and larger sources of finance whilst improving the sustainability of debt levels. They concluded three transformational shifts were needed:

**Shift 1:** reforming the global finance architecture to better manage risk,
**Shift 2:** towards national platforms for speedier access to better quality finance, and
**Shift 3:** innovating to improve the scale and composition of climate finance.

This document aims to summarise the opportunities and outcomes that can be taken collectively to work towards these transformational shifts. Pages 4–5 map out some of the moments over the next 2 years where decisions can be taken to deliver on the transformational shifts needed. Pages 6–11 outline the outcomes that could be achieved and the major actions that could get us there.

The forward plan reflects the strong steer of the first and second C&DMs on the need to see actions on climate and development finance as complementary. The focus of the ministerial was on proposals for measures to be taken to ensure access, affordability and availability for countries to be able to increase investment to achieve their development and climate goals. Much attention was given to actions around climate finance, and ministers acknowledged that more attention must also be paid to systemic considerations in the intersection between the climate and development policy spaces, particularly in the context of the current polycrisis.[2] Coherence and alignment of climate and development resourcing would amplify the impacts of resources available and deliver better results across the board.

[1] The independent group of experts includes representatives from the International Institute for Environment and Development, E3G, the International Centre for Climate Change and Development, Red Cross Red Crescent Climate Centre, South South North, AOSIS advisors, Enda Energie, LDC Elders, IED Afrique, WRI and ACT2025, Centre de Suivi Ecologique, Centro para la Autonomía y Desarollo de los Pueblos Indígena, Caribbean Natural Resources Institute, Prakrati Resources Centre, and Fundecooperacion. The group were supported by funding from the Climate Emergency Collaboration Group and The Bill & Melinda Gates Foundation.
[2] Multiple challenges of the pandemic, food and energy security, inflation, poverty, nature and climate shocks.



Alongside the C&DM dialogues, leadership agendas have arisen such as the Bridgetown Initiative proposed by Barbadian Prime Minister Mia Mottley, the Vulnerable 20 Group of Finance Ministers' communique, and the Cairo Communique, all aimed at innovating the global financial architecture. Continuing the C&DM process offers an opportunity to take stock on the actions proposed to date, integrate with these leadership agendas like the Bridgetown Initiative and India's emerging G20 finance agenda, and to facilitate political discussion of outstanding questions around integrating responses to the polycrisis: How can we ensure efforts across the SDGs and climate are aligned? How can we make development finance and planning deliver for climate action and make climate finance deliver for development outcomes? What are the systemic changes required in both areas to allow the transformational shifts proposed here to take root and how can they work together towards achieving the shifts?

## Acronyms

| | |
|---|---|
| AF | Adaptation Fund |
| C&DM | Climate and Development Ministerial |
| CAF Review | Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks |
| COP | Conference of the Parties to the UNFCCC |
| GCF | Green Climate Fund |
| GEF | Global Environment Facility |
| IDA | International Development Association |
| IMF | International Monetary Fund |
| MDB | Multilateral Development Bank |
| ODA | Official Development Assistance |
| RSTF | the IMF's Resilience and Sustainability Trust Fund |
| SDGs | Sustainable Development Goals |
| SDRs | Special Drawing Rights |
| UN | United Nations |
| WB | World Bank |

Disclaimer:
This report is the product of the group of independent climate expert facilitators who supported the C&DM process and represents the broad view of the group. This does not imply agreement with every specific observation or nuance. The forward plan has been prepared as a discussion prompt for COP27 and future C&DM processes.

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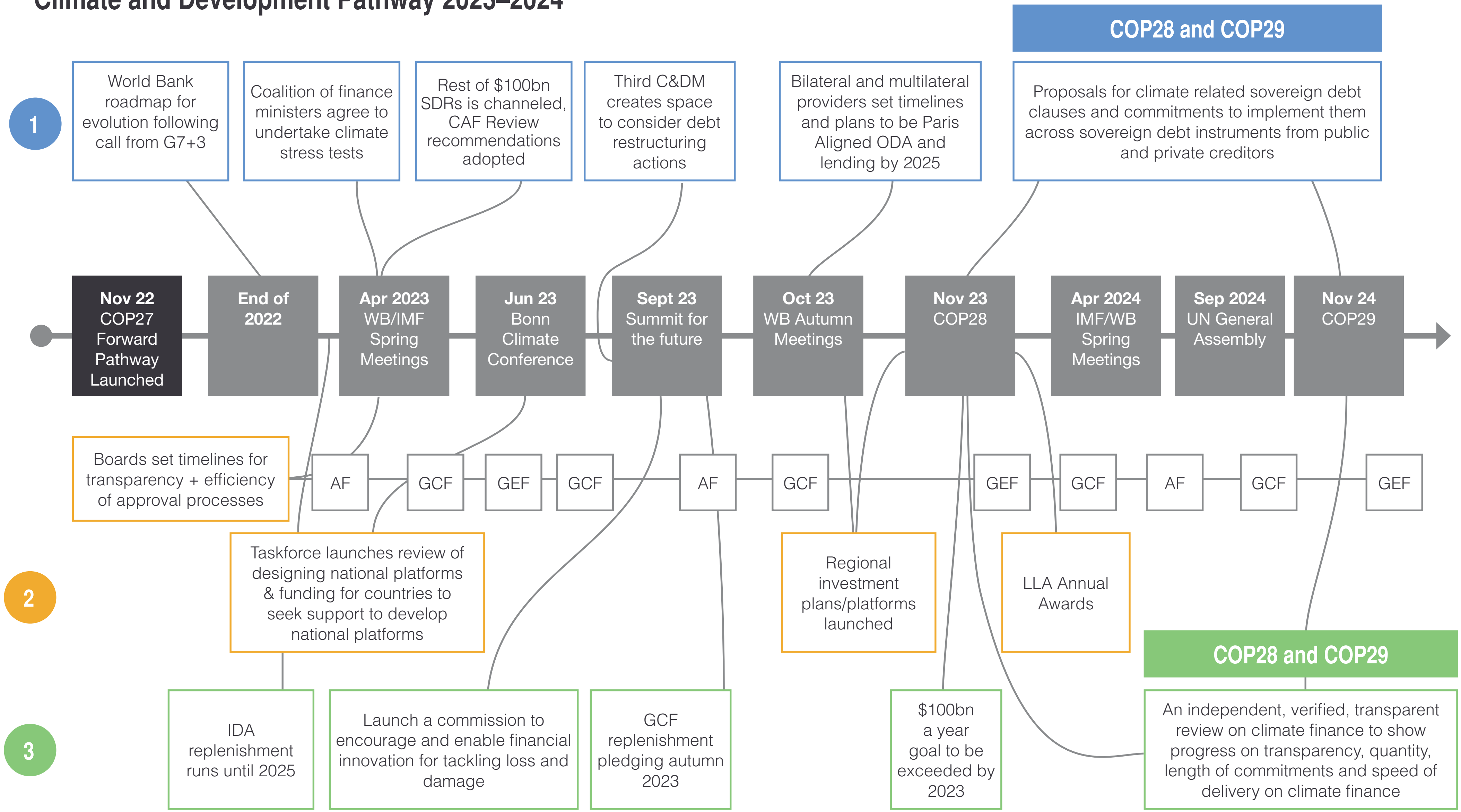
# Climate and Development Pathway 2023–2024




**Shifts:** 1) Reforming global financial architecture
2) Platforms enabling speedier finance
3) Innovating for Scale and Composition of Climate Finance

## SHIFT 1 Reforming the global financial architecture for a climate response at scale

**Why?** Overlapping crises from the pandemic to inflation and repeated climate disasters have left many countries facing unsustainable debt with no fiscal space to invest in action on the climate, nature and poverty crises. As well as restructuring current debt and enabling countries to service their financial obligations more sustainably, longer-term more ambitious action is required. The global financial architecture built in the last century needs reforms to meet the challenges of today. Fundamental innovations – starting with implementation of the practical package of recommendations in the G20 commissioned CAF Review – can ensure that much larger financial flows from public and private sources are directed to critical areas such as just transitions in energy, land restoration and forestry, as well as investments in adaptation and resilience.

### What could be achieved in 2 years?

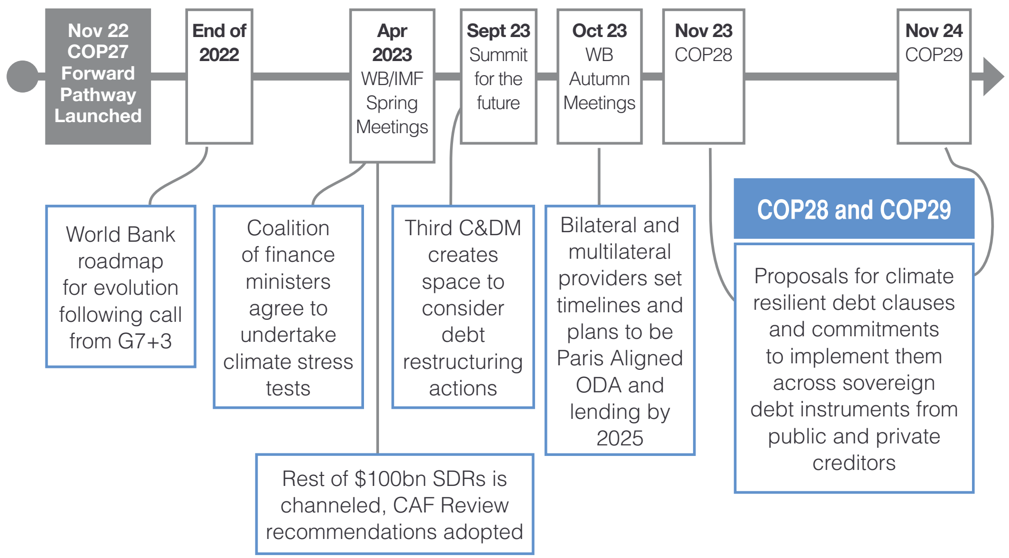
- Several hundred billion dollars in additional lending headroom, without posing a threat to MDB financial stability or AAA credit ratings
- Climate resilient debt clauses in all sovereign debt instruments enable countries to suspend debt payments when climate disasters hit, including the impacts of slow onset events
- Climate vulnerable countries, regardless of income, have access to concessional finance
- Simplified access to scaled-up Resilience and Sustainability Trust Fund provides easy access to long-term concessional finance to strengthen resilience to external shocks



## Recommended actions to deliver transformational shift

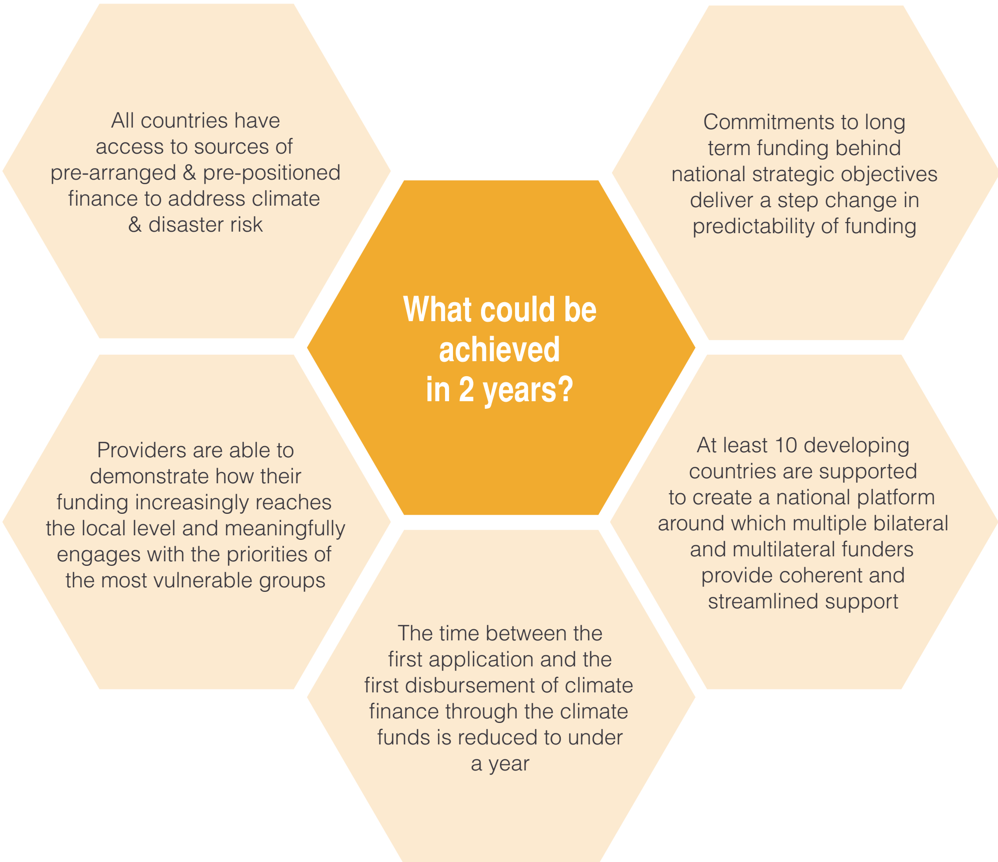
- MDBs implement recommendations from independent review of their Capital Adequacy Frameworks
- Bilateral and Multilateral providers agree to set up special windows, standalone funds, or debt-for-climate swaps to provide concessional climate finance to climate vulnerable countries that have graduated (such as 10 Small Island States) from concessional finance
- All creditors, private and public, standardise inclusion of climate related sovereign debt clauses to all borrowers to enable countries to pause repayments when climate disasters hit
- Channel around $80bn in remaining promised Special Drawing Rights (SDRs) through the RSTF and the MDBs, ensuring access to the RSTF does not require an IMF programme
- Bilateral and multilateral finance providers set the date by which all their ODA & lending will be Paris aligned
- G20 expand eligibility to the Common Framework for Debt Treatments to all heavily indebted countries and suspend debt service payments while undergoing debt treatment
- A third C&DM creates space to consider the growing calls from highly indebted countries to undergo debt restructuring linked to climate and nature commitments as a way to create more fiscal space for climate action

## Timeline of specific decisions at key moments



## SHIFT 2 Towards national platforms enabling speedier, better quality climate finance

**Why?** National platforms, designed and owned by countries, can enable a whole-of-government approach to coordinating resourcing across climate, development and nature goals and support integrating them across economic planning to find synergies and resolve trade-offs. The experiences of Rwanda, Ethiopia, Costa Rica and Antigua & Barbuda, illustrate good practice and learning which can provide the basis for others to explore platform-based approaches according to context. They can reduce high transaction costs for countries seeking finance for individual projects, and enable investment planning to attract multiple sources of finance. Alongside other actions to harmonise and improve access procedures, by investing behind national platforms finance providers can improve access, move towards anticipatory finance, and ensure finance coherently addresses national and local priorities, including across the development and humanitarian sectors.

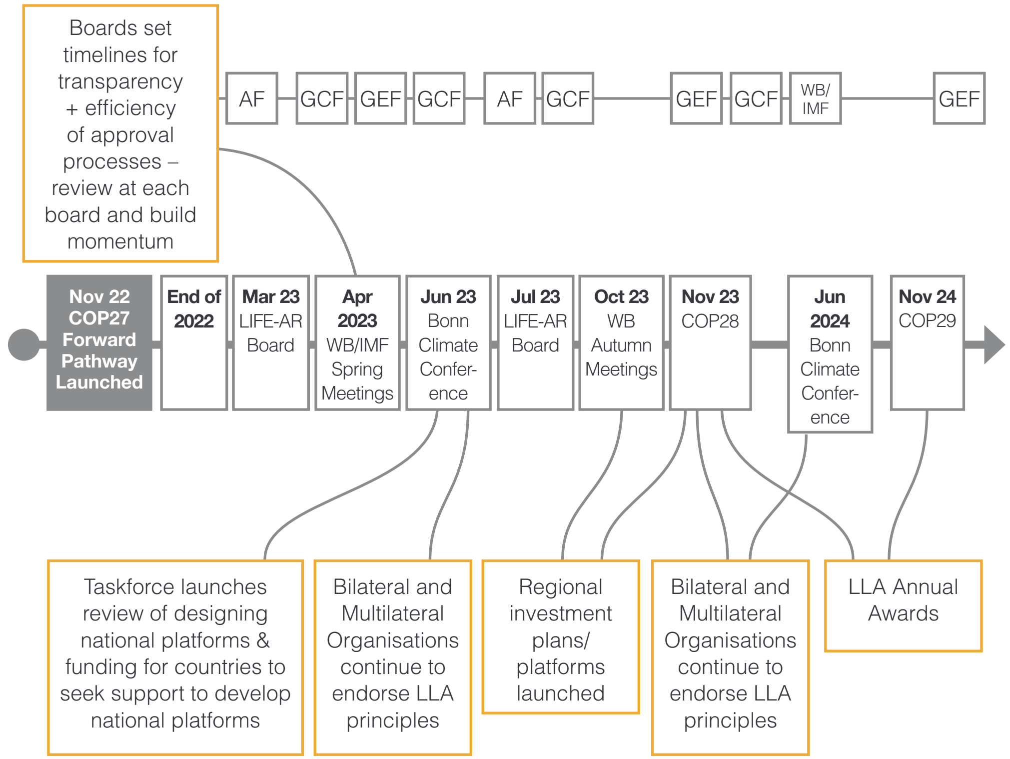





### Recommended actions to deliver transformational shift

- Taskforce on Access to Finance funds a collective review on the pros and cons of the different ways of designing a national platform, including transparent accountability mechanisms that enable rapid learning about what works
- Taskforce on Access to Finance works with other bilateral and multilateral donors to provide funding for countries to design & set up these platforms
- Taskforce on Access to Finance facilitates independent reviews on the speed of access to finance
- Bilateral and multilateral providers endorse Locally Led Adaptation principles and apply to their investments, policies and strategies
- Bilateral and multilateral finance providers increase transparency, harmonise accreditation and approval procedures, and increase the flow of finance to the local level including in hard to reach contexts, setting timelines for reducing the wait times between application and funds release

### Timeline of specific decisions at key moments



## SHIFT 3 Innovating for scale and composition of climate finance

**Why?** Current scales of adaptation finance are billions off meeting adaptation needs for climate vulnerable developing countries. Current scales of finance for climate transitions are trillions short of the investment needed to meet the Paris Agreement temperature goals. Too much adaptation finance is delivered through loans adding to climate vulnerable countries' debt burdens and resourcing for tackling loss and damage remains limited. Delivering on existing finance commitments and shifting the scale and sources of finance available, including from the private sector, could ensure finance flows better match the level of needs, improve the predictability of finance, and find new sources for responding to impacts/loss and damage.




### Recommended actions to deliver transformational shift

- Bilateral and multilateral finance providers deliver on doubling adaptation finance, tracked by a robust plan and transparent reporting
- Bilateral and multilateral finance providers agree and implement a framework for consistent reporting to improve transparency of finance flows
- Taskforce on Access to Finance works with partners to improve the quality, comparability and transparency of their climate finance reporting
- All finance providers improve the longevity and predictability of their finance commitments
- Capital investment experts support development of national and regional investment plans to facilitate collective investment to shorten the time to deliver and reducing the costs of capital and of procurement
- Finance providers invest in regional platforms to enable blended finance and guarantee-based approaches to direct private sector borrowing and other forms of non-sovereign borrowing
- Use incentives to drive innovation of financial mechanisms that identify or create new and more collaborative sources of finance to tackle loss and damage

### Timeline of specific decisions at key moments