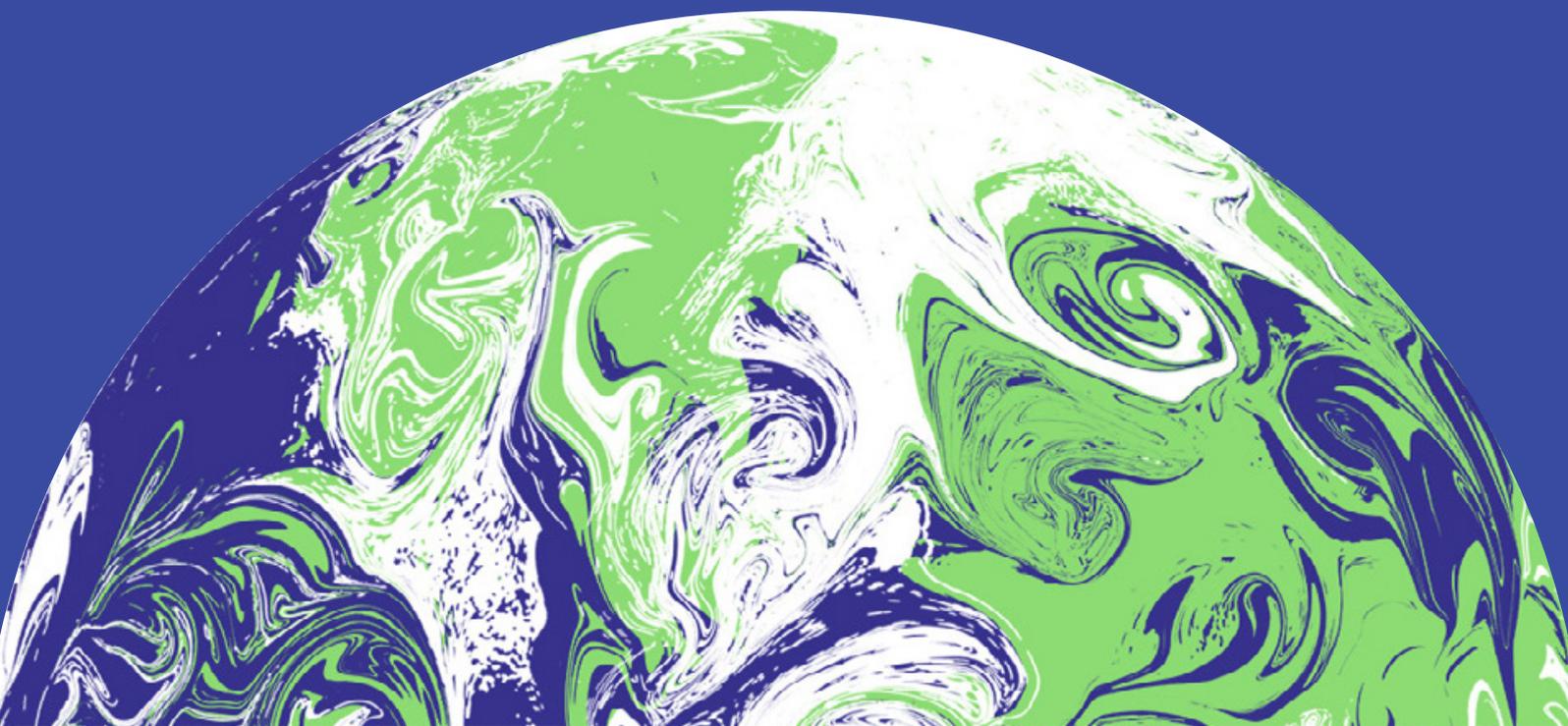




**COP26 CATALYST
FOR CLIMATE
ACTION**

Action Recommendations on
Capacity Building for
Access to Finance



**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY



Wilton Park

These recommendations were developed by the COP26 Catalyst Action Group on Capacity Building for Access to Finance, which includes representatives from the countries and organisations shown below. These institutions endorse the recommendations at the time of initial publication; we invite further organisations and countries to endorse the recommendations during and after COP26.

West Africa Alliance
On Carbon Markets And
Climate Finance



We are grateful to representatives from the following Governments and organisations who have been involved in the development of these recommendations.



Government
of Sweden



Government of
the Cook Islands



COP26 CATALYST FOR CLIMATE ACTION

Recommendations on Capacity Building for Access to Finance

Capacity building for access to finance has to be understood in the context of the current model of international climate finance provision, which is characterised by a wide range of sources and channels, with their different requirements, criteria and processes. This complexity increases the need to build capacity in developing countries to meet all of them; reducing this complexity would result in less capacity being needed to access finance. Additionally, capacity for access to finance has often focused on developing countries, while many of the barriers to access are related to the providers' existing models of provision, hinting at the need to build capacity on the providers' side to better understand the needs of those seeking finance and therefore to better design models of finance provision that do not constitute barriers to access.

In that context, capacity-building for access to finance needs to address many challenges, including a focus on the individual level, short term or one-size fits all approaches and narrowly targeted interventions that only focus on central governments. To respond to these challenges, proposed solutions have to promote long-term, country-driven, integrated, programmatic and continuous capacity building that builds on existing processes and focuses on the institutional and systemic levels. As such, these recommendations have focused on some topics that are not specific to access to finance, but that need to be addressed if access to climate finance is to be improved. A strong focus should be given to support in addressing the "brain drain" in developing countries, to ensure that capacity is sustainably created and retained.



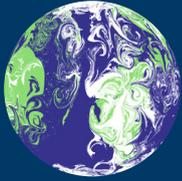
Recommendations for implementation in the short term

1. **Develop guidance to support planning and implementation of capacity-building initiatives**, to turn the principles for sustainable and transformative capacity building into actionable steps, in a non-prescriptive manner, addressed at both providers and recipients of capacity. This could build on the work of the PCCB and its Network.
2. **Improve coordination for the implementation of transformative capacity-building processes** to improve access to finance by strengthening coordination mechanisms at the international level through reviewing existing mechanisms, or, if needed, establishing coordination mechanisms at the international level (between providers, and between providers and recipient countries) as well as at the national level (whole of society approach, including coordination at the local level), while ensuring coordination and cross learning between these two levels, through dialogue and consultations. At the international level, this could build on the work of the PCCB and its Network.
3. **Develop an initiative that can identify and match the demand and supply of capacity building**, at the international level, to improve the provision of capacity by matching the needs of those seeking climate finance with the existing offer of capacity from providers. This could build and improve on the work of the PCCB and its Network.
4. **Promote the process of climate mainstreaming in MDB-financed projects, programmes and operations that is adapted to the specific contexts of developing countries**. This can be done through capacity building for, and knowledge exchange between, MDBs and government agencies in developing countries, allowing them to share tools and methodologies and adapt them to local contexts.
5. **Promote initiatives that support mainstreaming of climate into planning, budgeting and governance processes** of developing countries, by building enabling environments (policies, legal frameworks, institutional processes) and supporting the implementation of new processes, systems, etc. for mainstreaming.
6. **Organise a forum for climate and development finance providers** to start a dialogue between providers, at the level of governing bodies, and recipients of climate finance. This dialogue would address the fragmentation of the current model of climate finance provision and try to reach agreements on how to balance the priorities, objectives and needs of both providers and recipients of finance, and its implications for capacity building. It would also promote buy-in from providers and recipients for other recommendations included here.
7. **Promote peer learning for access** by strengthening existing communities of practice, particularly south-south networks, and expanding their work including through coordination between them. This work could build on the work of the PCCB Network.

Recommendations for implementation in the medium to long term

8. **Address the “brain drain” in developing countries**, through a stronger focus on the institutional and systemic levels by
 - i. Strengthening developing countries’ national institutions that can build capacity in a sustainable manner, including universities, research centres, etc., as well as regional centres;
 - ii. Strengthening the organisational capacities of relevant institutions to create, retain and transfer the knowledge acquired and created;
 - iii. Supporting the review of procurement processes and manuals, to ensure the hiring of more national experts when external services are needed;
 - iv. Addressing incentives to retain personnel;
 - v. Addressing the brain drain requires the engagement of developing countries’ governments, as well as that of the different providers of capacity building, in line with the type of support they provide.
9. **Develop approaches that focus on the local level and non-government stakeholders** to increase the levels of climate finance that reach the local level. Both providers and recipients of capacity building and finance need to work on developing these approaches, based on existing examples like Enhanced Direct Access (EDA) and other approaches that focus on devolution of decision making on funding at the most appropriate level.
10. **Build the capacity of climate finance providers** to address the gaps in their models of provision of climate finance, including elements like readiness support, simplification of processes, tailoring of financial instruments to the needs and realities of developing countries, etc. Guidance could be developed and broken down by donor type, including all bilateral and multilateral sources. This could build on the work developed in the first recommendation, as well as on an assessment of providers’ capacity gaps.





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