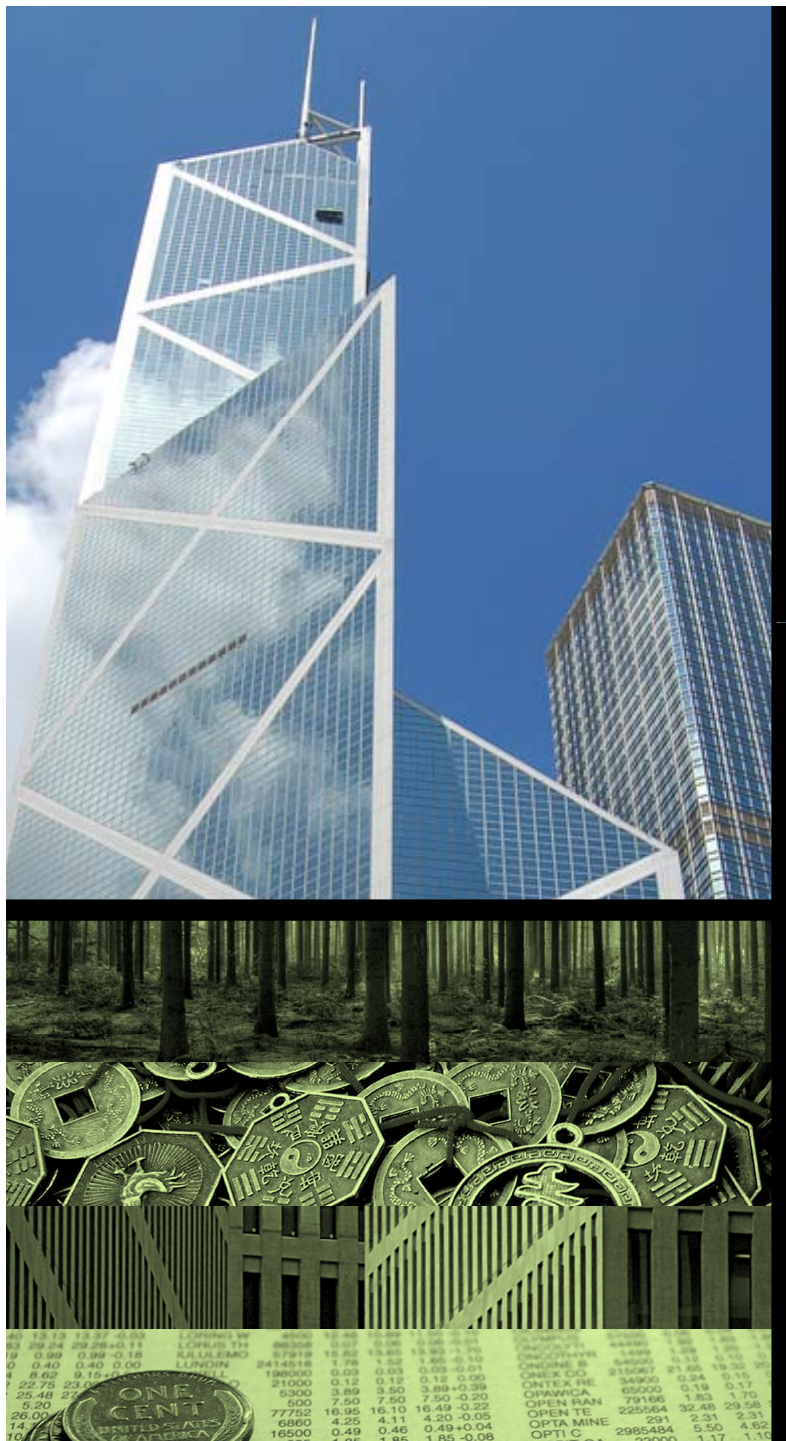


# Governance of International Climate Finance

The Role of International  
Public Financial Institutions

Clifford Polycarp

1 December 2010 | Cancun, Mexico



# Outline

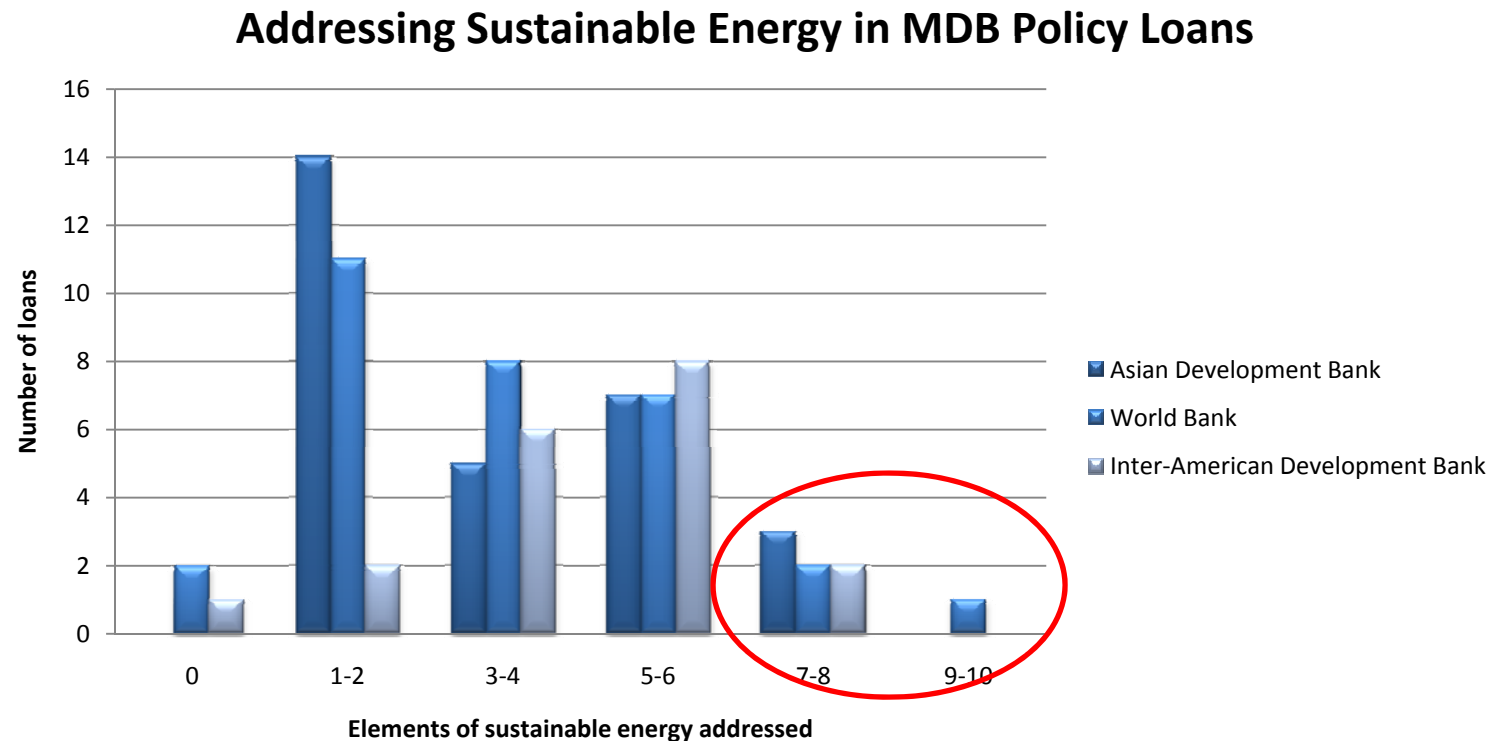


- Evolution of public international financial institutions
- Fast-start finance
- Evolving national institutions

# Evolution of Public IFIs

- Multilateral and bilateral development finance institutions
- Global Environment Facility (since 1991)
- Climate Investment Funds (2008)
- Adaptation Fund (2008)
- **The new “Climate Fund” (~2012)**

# Multilateral Development Banks



Over 2006-2008, only a few MDB projects addressed most of the elements of sustainable energy proposed in our framework

# Multilateral Development Banks



- G8 Gleneagles Summit (2005)

“...invite the MDBs... to explore opportunities within their existing and new lending portfolios to increase the volume of investments made on renewable energy and energy efficiency technologies consistent with the MDBs’ core mission of poverty reduction”

- World Bank

*\$5.5 billion in CE (2010), up 62% since 2009*

- Asian Development Bank

*\$1.7 bn in 2008, target of \$2 billion for 2013 (already surpassing in 2010)*

- Inter-American Development Bank

*\$2.1 billion for CC & RE in 2009*

# Global Environment Facility



- Innovations

- Provided for participation of *all* Parties

- Balanced representation of developed/developing countries

- Lessons

- Voice/Vote does not necessarily empower poorer countries

- Rationalize the process of allocating scarce resources

# Climate Investment Funds



- Climate Investment Funds (\$6.3 bn)

*Objective: Transformation*

*Clean Technology Fund (\$4.2 bn)*

*Strategic Climate Fund (adaptation, forests & RE/EE in poorest countries)*

- Institutional Arrangements

Governed by Trust Fund Committees (equal contributor/recipient;  
NGO, private sector voice, no vote)

Independent secretariat & World Bank as the Trustee

Funds channeled through the MDBs to cover incremental investment  
needs/costs

# Are New Institutions Required?



**Sharp disagreement between donor and recipient countries,  
between developed and developing countries**

- **Developing countries**

New climate finance institutions are necessary.

Current finance institutions are dominated by donor countries

Undermines their legitimacy and effectiveness

- **Developed countries**

Existing institutions, with appropriate reforms, more viable

Current institutions have a proven capacity to deliver finance



# “Climate Fund”



## Functions performed in the operation the Fund

- **Fund Oversight**

Strategies & Program Priorities; Eligibility Criteria; Funding Criteria

- **Resource Management**

Determining Fund's Replenishment/Capitalization;

Allocating funds; Project Selection; Financial Management

- **Project Cycle Management**

Project Proposal Preparation; Proposal Funding Review;

Project Monitoring & Evaluation

# Fast Start Finance



<http://www.wri.org/publication/summary-of-developed-country-fast-start-climate-finance-pledges>

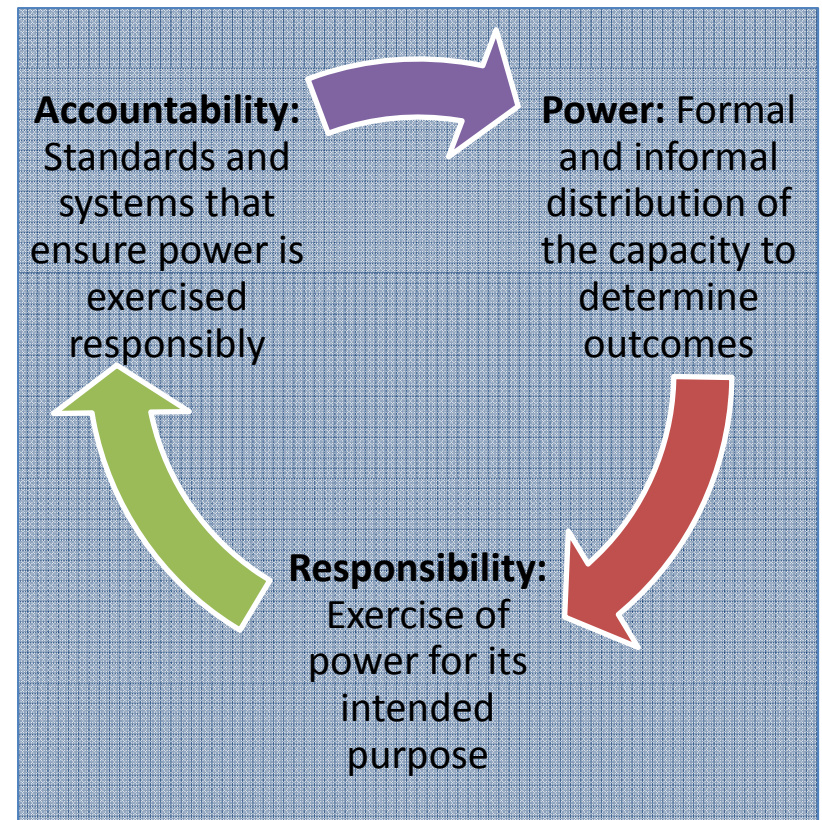
# Fast Start Finance

- Institutions for channeling FSF

A significant portion of the funds will flow through bilateral channels

Dominant multilateral channels of choice: CIFs & the GEF

The governance of the funds has implications for the effectiveness and perceived legitimacy



# Fast Start Finance



- Countries are putting forward individual fast start finance pledges, so progress being made  
But many questions still remain (balance, channels, types of finance, etc.)
- Tracking and monitoring is currently difficult  
Need greater transparency and an agreed, common accounting framework & processes

## **New national-level funds and institutions for managing public international climate finance are emerging**

- **Brazil Amazon Fund**

Brazilian National Development Bank fund to reduce deforestation (2008)

- **Bangladesh Climate Change Resilience Fund**

Multi-donor trust fund with World Bank technical support (2008)

- **Indonesia Climate Change Trust Fund**

Planning Ministry (Bappenas) fund administered by UNDP (2009)

- **Philippines National Survival Fund**

Legislation introduced to create a new fund for adaptation (~2011)

## Early lessons

- Coordination & coherence challenges
- Integration with development priorities, plans & finance at incipient stage
- Balancing integrated support with fiduciary standards present difficult choices
- Institutions for measuring results lack capacity
- Accountability to legislatures and citizens not always working effectively

# Conclusions

- Fragmented system with diverse actors
- Need to build institutions that are both legitimate and effective
- Capacity needs across all levels
- Need for coherence and harmonization at both national and international levels

Thank you!