

Climate Finance – Governance (or who controls the cash)

The figures that rich countries put forward for climate finance are critical – but it's not all that counts. For communities on the ground in developing countries, the way in which financing is governed and delivered will make all the difference. Who gets to decide on the ways in which funds will be spent? Who is the fund accountable to? How transparent will the decision-making and operations of the fund be? These and other governance and institutional issues are central to the finance negotiations in Copenhagen.

What kind of international financial governance should Copenhagen deliver?

“A mechanism for the provision of financial re-sources . . . shall function under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities, and eligibility criteria related to this Convention. The financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance.” from Article 11.1 and Article 11.2 of the UN Framework Convention on Climate Change.

A new global climate fund, designed to meet the needs of affected communities in developing countries, should be put in place in Copenhagen to help them adapt to the climate impacts and develop in a low carbon way. According to Oxfam International, the fund should have the following characteristics:

Equitable governance: to ensure that developing countries' voices are heard concerning the fund's policies and operations, it should be governed by an executive board where all countries are fairly represented.

The governance structure of the current Adaptation Fund, which was established in connection with the Kyoto Protocol to fund adaptation in developing countries, is a good example of how this could work. It provides representation for all global regions, in particular for vulnerable nations such as least developed countries and small island states, and the fund's board has a slight developing country majority. The Global Fund to Fight AIDS, Tuberculosis and Malaria is another example of a representative governance model.

Accountability: the climate funding mechanism should also be under the authority of -and accountable to- all the parties that belong to the UN Framework Convention on Climate Change (UNFCCC). This is essential to ensure that the fund acts in a way that is coherent with the outcomes from the UNFCCC negotiations. It will also guarantee that the entire range of countries – particularly the poorest and most vulnerable – have a full and equitable say in how financing is disbursed and delivered.

Specifically, the UNFCCC parties should have the authority to determine who sits on the executive board that will govern the global climate fund. The UNFCCC parties should also have the authority to set the policies, program priorities and eligibility criteria for funding and revise those as needed (all of which is laid out in Article 11 of the UN Framework Convention itself).

Coherence: a new global climate fund should have an institutional mandate to ensure coherence in international climate financing. Coherence is needed because of the recent proliferation of bilateral and multilateral funds. A new climate fund can provide more effective and efficient pooling of international resources, to allow longer term planning in affected countries. A global fund can also provide consistency of rules and operational principles to ensure that different sources of funding do not work at cross-purposes.

Accessibility and participation: resources from the climate fund need to be delivered in a way that is accessible and driven by the engagement of developing country governments and citizens. To achieve this, the fund should have simplified procedures and direct access so that developing country governments and communities do not have to go through overly cumbersome funding processes.

The global climate fund should also ensure the participation of affected communities in the design and implementation of adaptation and mitigation activities, and those communities should be able to hold the fund to account if they are not fully engaged in this process. The fund should also provide support to developing country governments to develop and carry out their own national strategies for adaptation and mitigation.

The fund must also be transparent so that citizens and affected communities can access complete information about its policies, decision-making, and operations.

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