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# Righting two wrongs

## Making a new Global Climate Fund work for poor people

Members of Cyembogo II's Women's Association cultivating the field of one of its members in the early morning. ©Ami Vitale/Oxfam


**Climate change is already negatively affecting the lives and livelihoods of poor men and women. Yet it is estimated that less than a tenth of climate funds to date have been spent on helping people in vulnerable countries adapt to the impacts of climate change. The poor are losing out twice: they are hardest hit by climate change they didn't cause, and they are being neglected by funds that should be helping them. Climate finance can and must be made to work from the bottom up, particularly for women smallholder farmers.**

**Starting with the formal establishment of a new Global Climate Fund, decisions on climate finance governance need to set a new direction for a post-2012 era. This paper presents a vision for a new Fund and broader finance system that is effective in meeting the scale of developing country financing needs, and is widely considered – by governments and civil societies – to be legitimate in its decision-making.**



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# 1 Introduction

Climate-related shocks are negatively affecting the lives of millions of poor women and men with increasing frequency and severity. The non-binding pledges made in Copenhagen put the world on track for a catastrophic temperature rise of 3-4ºC. If developed countries fail to set much more ambitious emissions targets, the cost of damages will increase dramatically. There is an urgent need to set up a proper system of finance for adaptation to help developing countries avoid the worst impacts.

Long-term climate finance remains one of the crucial elements of a global climate agreement, and is an area where progress can be made in the near term. This year, negotiations within the United Nations Framework Convention on Climate Change (UNFCCC) have focused on the critical elements of a post-2012 climate finance regime, in particular the establishment of a new Global Climate Fund to be decided at COP 16 in Cancun at the end of 2010.

Negotiations on the governance of international climate finance must be rooted in what matters to poor people in the worst hit countries. Smallholder women farmers, who produce more than half of the food in many poor countries, are on the frontline of coping with the impacts of climate change.[1] They are the key to food security for millions of people in poverty, and urgently need financial support to adapt their agricultural practices to a changing climate. Whether or not finance helps such vulnerable communities is a litmus test for the new Global Climate Fund and the way it is set up. This will depend on ensuring:

- Developing countries are adequately represented in global decision-making in the future climate finance regime;
- That allocation decisions prioritise adaptation and vulnerable countries;
- Climate funds can be easily, efficiently, and directly accessed;
- National governments are able to plan effectively and decide how climate finance is spent; and
- Women and other vulnerable groups have a say in how money is spent, both through participation at a national level and through civil society representation in global institutions.

If rich countries make good on their Copenhagen promise of providing $100bn per year in climate finance, we will see a ten-fold increase in the scale of funds flowing from North to South by 2020, compared to current flows of $10bn per year.[2] This is the same order of magnitude as current annual transfers of aid, which total around $120bn.[3]

The inequalities at the heart of human-induced climate change require a financing system that both developed and developing countries recognise as legitimate. The system for managing and disbursing these large and vital sums of climate finance must be: representative, equitable, accessible, accountable and transparent, and efficient. This is vital if we are to achieve the vision of funding adaptation and mitigation effectively and at scale, so protecting and improving the lives of millions of poor people. This will take time, but the key steps taken in Cancun must keep this goal clearly in sight.

These decisions are likely to shape how climate finance is governed for generations to come. This money, if well governed – reaching the right people, in the right places, at the right time and in the right way – has the power to make a massive difference. What is at stake is the extent to which scarce resources will be spent effectively and lives saved; or the extent to which lives and livelihoods are destroyed by the effects of climate change.

# 2 Time to break with the past

## Righting two wrongs

Current flows of finance for adaptation to vulnerable countries, those hardest hit by climate change and least able to cope, are much less than what is needed. As a result, vulnerable developing countries are wronged both by climate change impacts and by an inadequate response from those countries most responsible.

The vast majority of climate finance to date has focused on mitigation and has been directed mainly to a sub-set of large emerging economies. Those who need climate finance most are losing out.

- It is estimated that of major public funds dedicated to climate change only 7.45 per cent of disbursements to date have been for adaptation, 83.19 per cent for mitigation, 4.86 per cent for REDD-related mitigation, and 4.5 per cent multiple foci (October 2010, climatefundsupdate.org).[4] Early indications are that lack of attention to adaptation looks set to continue for Fast Start Finance.[5]
- In recent years, the 49 poorest countries have received one-eighth of the climate funding from the Global Environment Facility, while one-third has gone to just three countries (China, India, and Brazil).[6]
- Only $220m has been pledged to fund adaptation plans (known as NAPAs) in the Least Developed Countries, a fraction of the $2bn estimated total costs.[7]

Righting the imbalance in finance flows to adaptation is needed to avoid the worst climate impacts and to ensure that the most vulnerable countries receive the assistance they deserve.

## What needs to change?

### *Too many funds, too little money*

To date, the climate finance landscape has been characterised by a disparate jumble of sources, channels, institutions, and governance arrangements, and a history of unfulfilled promises and demands.[8]

There are currently over 20 dedicated climate funds, as well as a considerable number of non-climate-focused funds that fund adaptation.[9] Within this mix there is significant duplication. For developing countries, fund proliferation undermines the effectiveness of finance and reduces the amount of support they receive.[10] It increases the burden of transaction costs on countries that often have limited capacity to access funds, and fragments their ability to manage resources strategically.

Flows of finance need to be as effective as possible. What is missing is a global climate fund that can act as a 'one-stop shop' and an anchor for climate finance worldwide, reducing complexity and ensuring that the right balance – across adaptation, mitigation and countries – is achieved.

### *From donor-dominated to country-led*

Climate finance governance has largely mirrored traditional donor/recipient aid dynamics. Developing countries have weak representation in the decision-making processes of most funds, which give undue weight and influence to donors and institutions such as the World Bank (where developed countries are major shareholders). The proliferation of (vertical) funds focused on discrete objectives has also undermined the priorities of recipient governments, as has the multilateral institution practice of conditionality-heavy, tied finance.[11] The result is that financing priorities have been largely donor-led and reflected donor preferences.

While climate finance is not aid, to be effective it needs to build on the spirit and goals of existing and future reforms to the international aid system.[12] Country ownership, as enshrined in the Paris Declaration and the Accra Agenda, is critical in enabling governments to respond to their own unique needs.[13] Dictating priorities at a global level, whether through specialised funds or governance structures that do not allow developing countries sufficient say and influence, undermines developing countries' capacity and sense of responsibility to act in accordance with their national priorities and circumstances.[14]

Country ownership requires that national governments and civil societies have representation and effective voice in decision-making at the global level. But with greater power comes greater responsibility. Developing countries need to be accountable to their citizens and stakeholders by ensuring that civil society has the opportunity to participate in the development of planning, implementation, and monitoring of financial flows.

### *Invest in women*

Climate change, and mitigation and adaptation responses, affect women and men differently. Yet despite this, current climate finance institutions almost entirely ignore issues of gender.

Consider agriculture. Women are responsible for the majority of food production in many developing countries despite typically having restricted access to markets, land and credit.[15] This lack of access means they face a double whammy: they are more dependent on natural resources most threatened by climate change, but they are limited in their coping strategies. Without help, climate change will impact them disproportionately.

But to be effective, assistance must take account of the power imbalances that leave women more vulnerable. Women constitute the majority of the rural poor and often produce most of the food. Adaptation and mitigation policies that fail to consider gender will at best be inefficient, and at worse exacerbate poverty and food insecurity.

Meeting the needs of women must be at the heart of any response. Not only are they most vulnerable - as principal food producers and stewards of natural and household resources - they are also often the first line of defence and best positioned to maximise pro-poor outcomes. The finance mechanism and new Fund must include provisions to ensure that women have decision-making power with respect to how funding, in particular adaptation funding, is governed, allocated, monitored, and evaluated – globally and nationally.

### *The politics of climate finance*

The politics around which the negotiations on climate finance governance revolve are clear: developing countries are concerned that climate finance neither divert nor be treated as aid, that it be governed under the UN Climate Convention, that adaptation receive greater priority, that finance flows come without strings attached, and that the scale, predictability, and additionality of financial commitments be closely monitored. Developed countries are more concerned about extracting something in return for any finance contributions, the implications of transfers for economic competitiveness, the transaction costs associated with the creation of new institutions, and monitoring the performance of the initiatives financed.[16]

The motivations behind these positions are easy to understand, but hard to reconcile with the progress needed. Negotiations advance when parties move beyond fixed positions and build consensus around shared interests. All countries share an interest in governance priorities for the new Global Climate Fund that revolve around scale, effectiveness and legitimacy. The political dynamics of the talks will only shift once this common purpose is more widely understood and accepted.

Reaching agreement on a new Fund at Cancun is entirely possible, but it is crucial that rich countries in particular do not hold it hostage to decisions in other areas of the negotiations. A new Global Climate Fund is not a concession or a giveaway to developing countries: it will inevitably be a series of negotiated compromises in and of itself. Moreover, it is urgently needed and a necessary part of any global agreement. Treating the new Fund as a bargaining chip will only deliver deadlock.

# 3 A new generation of climate finance

Existing channels, ranging from multilateral development bank and UN led funds to government-promoted funds, are not a sound basis for scaling up climate finance and should not be the starting point.[17] Oxfam like many others wants to see a new Global Climate Fund, under the international climate change regime, that is effective in meeting the scale of developing countries' financing needs, and which governments and civil societies consider to be legitimate in its decision-making regarding the global distribution of climate resources.

### *Guiding principles*

The following characteristics should serve as guiding priorities for the financial mechanism and design of a new Fund:

- **Scale:** As a whole, the climate finance system needs to be capable of managing annual flows of hundreds of billions of dollars, and the vast majority of public finance must go through the new Fund;[18]
- **Legitimacy:** Equity and fairness in governance are critical, and are derived from accountability to the Conference of the Parties (COP) (in which each country has a say); standards of transparency; equitable representation of countries in governance bodies; country ownership; and the extent to which the gendered needs, priorities, and decision-making power of affected communities are fulfilled and supported;
- **Effectiveness:** At an international level, the access to finance provided to developing countries that have identified needs and the simplicity and efficiency of these arrangements.

### *Components of the governance system*

An effective global climate finance system requires governance functions in two separate but related domains. These domains, include:

- **Global:** The whole of global climate finance flows, including private sector and public transfers, as well as flows outside of UNFCCC channels, such as resources delivered through bilateral programmes and international financial institutions;
- **UNFCCC-specific:** Public transfers channelled through a new Global Climate Fund established under the UNFCCC; and within that thematic funding windows through which the resources are deployed to countries.

*(See Annex I for an overview of these functions)*

# Global overview body: role of the Finance Board

To ensure sufficient, equitable and accessible funding on behalf of all countries, a Finance Board, or similar body, must be established. Operating under the authority of the COP, it would oversee global finance flows, including the new Global Climate Fund and other operating entities of the financial mechanism, private sector finance, and flows outside of UNFCCC channels.[19] It would ensure over time that there are enough funds, that they are distributed appropriately, and that there is effective monitoring to ensure these two goals. While the COP must retain ultimate oversight, it meets only once a year and therefore cannot effectively maintain an overview of all relevant activities.

### *Balance and review finance needs*

One of the main purposes of the new body would be to act as a balancing mechanism to help ensure that certain countries or thematic areas are not deprived of funds, as is clearly happening now. The main way it would carry out this role would be through recommendations to the COP on allocations to the new Global Climate Fund, based on assessments of overall finance flows (see section on pre-allocation below) – effectively allowing the COP to use the Fund as a rebalancing mechanism to ensure the right allocation of finance at the global level across countries and themes.

This body would also periodically assess the adequacy of overall financial pledges in light of the best available climate science, financial estimates, the level of emissions reductions achieved, adaptation, and developing country needs.[20]

### *MRV financial support*

The body should have a central role in monitoring and reporting on compliance with climate finance-related commitments under the UNFCCC. This would include recommending rules for rigorous, robust, and transparent measurement, reporting, and verification (MRV) of climate finance, and maintaining a registry of contributions that can be counted against a country's legally binding finance commitments. An MRV mandate should explicitly include establishing and reporting against a fair, common baseline for additionality, where climate finance should not be counted as ODA and should not therefore contribute to the target of countries meeting 0.7 per cent of GNI as foreign aid. Common rules for accounting for concessional loans will also be needed, including a rule that only the grant element of any loan is counted.[21]

### *Establish internationally agreed standards for climate finance*

This body would be responsible for establishing internationally agreed standards for what should count as climate finance against UNFCCC obligations, and for overseeing whether these obligations are met.[22]

Any funds that do not meet these standards – either bilateral or multilateral flows of public finance – should not be counted as climate finance. An independent arbitration panel should be set up to investigate complaints and grievances regarding lack of adherence to these standards.[23]

*(See Annex I for a summary of Finance Board functions and how they relate to the new Global Climate Fund.)*

# A new Global Climate Fund

At Cancun (COP 16), a new Global Climate Fund should be established under the UNFCCC to govern the vast majority of long-term climate finance from 2013. Concerns about the addition of another institution to the long list of existing funds are understandable but also easily addressed.[24] First, a ceiling can be set for the allowable overhead and administration costs of the new Fund, based on average costs of existing climate funds. Second, measures to ensure direct access by developing countries can also help limit intermediary management costs – or at least ensure these are controlled by and spent in developing countries.

Third, the current spaghetti bowl of channels needs streamlining into a more integrated finance system to both reduce transaction costs and ensure that funds are allocated more efficiently and effectively. Over time existing funds will need to be rationalised, with the new Global Climate Fund acting as a 'one-stop shop'. New arrangements should replace existing ones when the new Fund is operational and can be shown to preserve or improve on both the legitimacy and effectiveness of climate finance delivery.[25]

## Pre-allocation of funding flows

A specific pre-allocation of multilateral funding is necessary to ensure that the new Global Climate Fund benefits from predictable and sustainable financial contributions at scale. This is recognised by the EU, which has expressed concerns that the Fund not be an 'empty shell' – the best way for the EU to avoid this would be a commitment to guaranteed funding. To ensure that people suffering the impacts of climate change receive the support they deserve, there also needs to be pre-allocation of funding within the Fund to adaptation, and to vulnerable countries.

### *Pre-allocation to the new Global Climate Fund*

- At least 50 per cent of public finance should be channelled through the new Fund.[26]
- In addition, all revenues from any new and innovative international instruments established to secure resources for climate purposes should be channelled through the new Fund.[27]

### Pre-allocation to adaptation

- At least 50 per cent of finance counted against UNFCCC commitments should be dedicated to adaptation.[28]
- At least 50 per cent of money channelled through the new Fund should be allocated to adaptation in vulnerable developing countries. This proportion may need to be revised subject to the recommendations of the Finance Board, which will be based on its assessment of overall financial flows and the balance between mitigation and adaptation.
- Full adaptation funding must be guaranteed for particularly vulnerable groups: least developed countries (LDCs), African countries, small island states, and other vulnerable countries, as determined by the Adaptation Thematic Fund Board.

## Governance of the new Fund

Governance of the new Fund should be carried out by the following bodies:

- A **Central Fund Board**, responsible for allocating finance between thematic areas (for example mitigation, adaptation and REDD), overseeing Thematic Funding Boards and reporting to the COP, and recommending and establishing standards and funding modalities;
- Separate **Thematic Fund Boards**, with decision-making power for disbursement of funding to countries, developing strategic priorities and policies, and identifying priority countries.

*(See Annex I for a detailed summary of functions of these Boards and relationship to the Finance Board.)*

### Central Fund Board

An overarching body with responsibility for resource allocation is necessary to counter the urge by countries to 'pick and choose' between specific funding windows, resulting in funding imbalances. One of the primary responsibilities of the Fund Board should be to allocate available resources between Thematic Fund Boards for adaptation and mitigation and to identify country priorities in order to address global imbalances. These allocations should be determined by the COP, following the recommendations of the Finance Board, the role of which is to monitor global finance flows.

### Thematic Fund Boards

Specific funding windows, with their own thematic boards, will allow for technical specialisation and more easily accommodate distinct strategies and objectives for different themes.

The scale of climate finance ultimately envisaged for the new Fund – $100 billion a year at least – makes it hard to foresee a single fund board carrying out funding decisions effectively. Doing so would be exceptional, given that other existing multilateral aid funds are either smaller or have separate funding boards for issue areas.[29]

To avoid the problems of fragmented funding, the Central Fund Board must ensure synergies across adaptation and mitigation, as well as wider development planning and delivery. Cross-cutting technical advice and support across Thematic Funding Boards will also be needed, at the same time as ensuring that the way countries access funds enables integrated implementation at a national level.

The already existing Adaptation Fund should be designated as the adaptation-specific funding window for the new Fund as soon as is practical, with the most important facets of the fund retained.[30] After years of set-up, this fund is finally up and running and needs to be strengthened and built upon.

## Relationship to the COP

It is crucial for the sake of legitimacy that governance of the financial mechanism and all its components is ultimately under the guidance of and fully accountable to the COP, to guarantee that the entire range of countries – particularly the poorest and most vulnerable – have a fair say in decision-making. In practice, and despite US and EU reluctance, this means that the COP needs to retain ultimate power to approve representatives of the various governance bodies. As it will operate as an extension of the COP, the Finance Board should be under its authority.

## Representation within governance structures

Representation of developing countries and vulnerable groups on the governing boards and committees of governance institutions is key to ensuring greater weight is given to their needs and priorities. The Adaptation Fund Board represents the state of the art in this regard and must serve as a minimum threshold for governance of any new fund.

### *Regional spread and relevant countries*

As with the current Adaptation Fund, the membership of governance bodies must represent each of the UN regional groups equally plus include representation of particularly vulnerable groups of countries.[31] In addition, bodies responsible for management of specific funding windows should include representatives of stakeholder countries specific to the relevant issue area (for example, more vulnerable developing countries for adaptation).

### *Gender equity*

The entire governance structure of the financial mechanism should reflect principles of gender equity, including the ambition of equal gender representation on its governing boards and committees, plus senior executives as well as project managers. Job descriptions or terms of reference should specify the importance of understanding and articulating development issues and climate change impacts from a gendered perspective. These measures should not be a stretch for countries to agree, yet despite claiming gender equality as common value, and recently launching a new strategy prioritising gender equality in senior positions, the EU remains dismissive of this principle.

### *Civil society*

All boards and decision-making bodies established to govern climate finance at a global level should include properly resourced provisions for civil society representatives to be involved in planning and decision-making. This would include the right to request agenda items, observe proceedings, intervene in meetings, and recommend experts to speak on specific agenda items. Civil society representatives from all recognised UNFCCC observer groups, including women's organisations, should be included in these arrangements.

# How should developing countries access funding?

The underlying principles and incentives embedded in the financial mechanism need to strengthen national institutions and empower developing country governments as agents of change.[32]

### *National-level participation and accountability*

Recipient countries should be required to establish or enhance existing national-level processes to facilitate ownership by in-country stakeholders over delivery and monitoring of finance. These processes should be fully participatory, inclusive, transparent, and accountable, and they must operate at all stakeholder levels – including community, local, regional, and national participation – and during all stages of the process, from planning to implementation to monitoring and learning.

The ability of some developing countries to carry out these processes in a fully inclusive manner may be compromised by a lack of sufficient human, institutional, or technical capacity. This should not be used as an excuse to deny such countries access to funding. Countries will need flexibility and financial support in order to put in place and carry out these processes. There needs to be an early emphasis on building the capacity of states and civil societies to respond to their roles, responsibilities, and accountabilities.

### *Direct access*

Subject to reasonable standards of fiduciary responsibility, eligibility, and national-level governance (as set out above), recipient countries should be allowed to access resources from the new Fund directly, without the need for intermediary entities. This includes access to funds by national implementing and funding entities. Direct access financing modalities should be the preferred mode over financing through multilateral development institutions such as the World Bank.

### *Integrated development planning*

At the implementation stage, climate finance should wherever possible be delivered through existing national and sub-national processes and institutions. Adaptation and mitigation policies should be fully integrated into national development and poverty reduction processes and mainstreamed through government ministries.[33]

# Summary of recommendations

### *To guarantee resources for adaptation in vulnerable countries:*

- At least 50 per cent of public finance should be channelled through the new Fund. In addition, all revenues from any new international instruments established to secure resources for climate purposes should also be channelled through the new Fund.
- At least 50 per cent of finance counted against UNFCCC commitments overall should be dedicated to adaptation. Of that, at least 50 per cent of money channelled through the new Fund should be allocated to financing adaptation.

### *To ensure equitable and accessible finance on behalf of all countries:*

- A Finance Board must be established to ensure adaptation and vulnerable countries receive the funding they need; to have a central role in MRV of financial support; and to oversee internationally agreed standards for what counts as climate finance against international obligations.

### *To provide a central global body to lead in the way climate finance is managed:*

- A new Global Climate Fund must be established at COP 16 in Cancun to operate as a 'one-stop shop' for climate finance.
- The governance structure of the new Fund must include separate Thematic Funding Boards, including one for adaptation, with responsibility for disbursing funding to countries. The Adaptation Fund should be designated as the adaptation-specific funding window.

### *To ensure developing countries and vulnerable groups are properly represented in decision-making:*

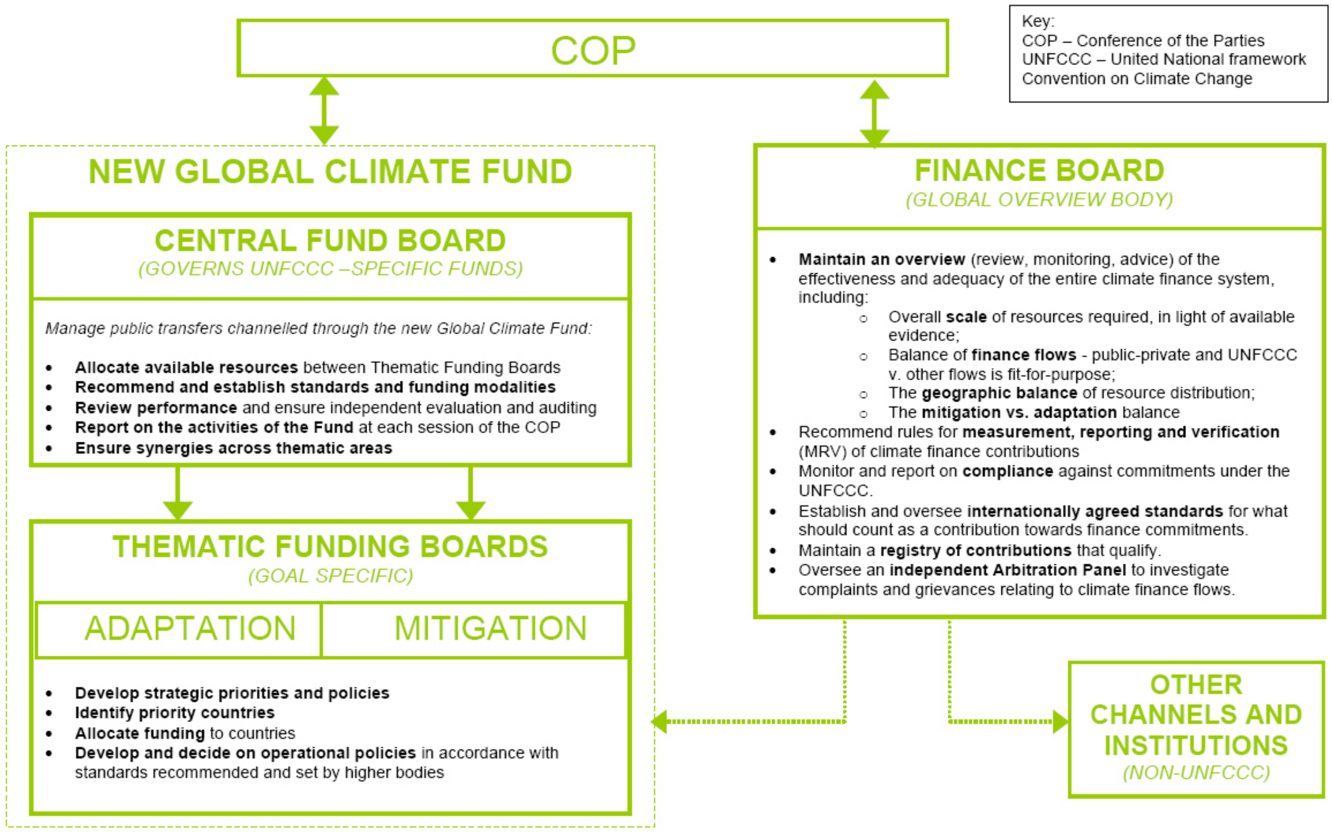
- The entire governance structure of the finance system should reflect principles of gender equity, including the ambition of equal gender representation on its governing boards and committees.
- The membership of governance bodies must represent each of the UN regional groups equally plus include representation of particularly vulnerable groups of countries, and civil society.

### *To strengthen country ownership:*

- Recipient countries should be required to establish inclusive national decision-making processes. Flexibility and financial support will be needed for countries that lack sufficient human, institutional, or technical capacity.
- Recipient countries should be allowed to access resources from the new Fund directly, without the need for intermediary entities. Direct access should be the preferred mode.

# Annex 1

*Summary of Finance Board, Central Fund Board and Thematic Fund Board functions and relationship to the COP*



# Notes

[1] In many societies women supply most of the labour needed to produce food crops. World Bank (2009) Gender in Agriculture Sourcebook, p15.

[2] A total of $30bn in Fast Start Finance between 2010–12 was pledged in the Copenhagen Accord.

[3] http://www.oecd.org/dataoecd/17/39/44285701.gif

[4] ODI and Heinrich Böll Stiftung, ClimateFundsUpdate.org (2010) http://www.climatefundsupdate.org/graphs-statistics/areas-of-focus (accessed 4 October 2010). This estimate includes all disbursements reported at the time of writing (including project and administrative disbursements by fund) of all major climate dedicated funds (as listed here: http://www.climatefundsupdate.org/listing) channelled through the major multilateral development banks, UN, and government-promoted funds. At the time of writing total funds disbursed were estimated to be $7.16bn, of which $5.32bn were from the Hatoyama Initiative. The Global Energy Efficiency and Renewable Energy Fund (GEEREF) is not included in the calculation, because data on disbursements is not available. For the Hatoyama Initiative, the breakdown of disbursed funds by focus is unknown. Therefore, the figure has been extrapolated based on the percentage allocated for Hatoyama's committed funds (93% for mitigation, 3% for REDD, and 4% for adaptation).

[5] See for example the EU Fast Start Finance Interim report, June 2010, which states that 19 EU Member states and the European Commission – at that time representing 64% of confirmed EU pledges for 2010 – have so far allocated 63% to mitigation and 37% to adaptation.

[6] Oxfam analysis of GEF data on climate financing through the GEF Trust Funds, and the Least Developed Countries Fund and Special Climate Change Facility (each administered by the GEF) over the period 1991 to 2010. The 49 LDCs received just under $450m in project grants out of a total of nearly $3,520m, whereas China, India and Brazil received over $1,169m between them.

[7] National Adaptation Programmes of Action (NAPA). 44 NAPAs have been submitted to date. Total costs of NAPAs for LDCs are estimated to be approximately $2bn, but only $224m has been pledged (as of June 2010) http://www.thegef.org/gef/LDCF. This, despite the commitment on establishment of the LDC Fund in 2001 to “fully fund” the NAPAs. A breakdown of amounts pledged can be found here: http://www.climatefundsupdate.org/listing/least-developed-countries-fund. Costs of the 44 NAPAs submitted to date can be found here: http://unfccc.int/cooperation_support/least_developed_countries_portal/napa_priorities_database/items/4583.php

[8] A high number of funds has not translated into a high volume of funding. Many funds have been woefully underfunded, while resource allocation and disbursement has tended to be slow and unpredictable. See Arunabha Ghosh (2010) Harnessing the Power Shift: Governance Options for International Climate Financing (October, 2010).

[9] See 22 entries listed here, for example (there are many bilateral programmes to add to this number): http://www.climatefundsupdate.org/listing. The UNFCCC lists 24 funding options available for adaptation (accessed September 2010): http://unfccc.int/adaptation/implementing_adaptation/adaptation_funding_interface/items/4638.php

[10] W. Greene (2004) ‘Aid Fragmentation and Proliferation: Can Donors Improve the Delivery of Climate Finance?’ IDS Bulletin, 35: pp. 66–75.

[11] For example, an important issue is the capacity of countries to access grants for climate adaptation, without in turn being tied to co-financing (in the form of loans for example): "although funding through the GEF is not formally conditional, requirements attached to funding include burdensome reporting and co-financing criteria.... [T]he LDCF and SCCF will only meet the costs of additional adaptation needs [...] while the costs associated with baseline development activities (that would occur anyway in the absence of climate change) must be supported by co-financiers". Mayers and Huq (2008) Supporting Adaptation to Climate Change: What role for Official Development Assistance? http://www.iied.org

[12] Climate finance is not aid: it is an entitlement of vulnerable citizens and less developed countries to financial support in order to cope with the impacts of climate change and to develop in a carbon-constrained world. While country ownership is an element of best practice in aid, for climate finance it is a fundamental principle, which underpins the financing obligations of developed countries under the UNFCCC.

[13] Country ownership, defined as the degree of control that recipient governments are able to exercise over policy design and implementation, is enshrined in both the Paris Declaration and Accra Agenda for Action. http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00.html

[14] It also makes it extremely difficult to integrate implementation through national development processes.

[15] In many societies women supply most of the labour needed to produce food crops. World Bank (2009) Gender in Agriculture Sourcebook, p. 15.

[16] This summary is necessarily an oversimplification of the positions of developed versus developing countries as groups. Small island developing states and least developed countries have expressed greater concern about priority access to adaptation funding than many emerging economies. Like many developed countries, some developing countries harbour concerns about adding unnecessarily to the existing multilateral bureaucracy. Still, current expressions of each of these positions can be found in the official and private communications of key players in the climate talks. For example, on the ‘no free lunch’ position, one insider source describing US

Special Climate Change Envoy Todd Stern's July 2010 visit to Chile, Ecuador, and Peru said, "The message was clear: no MRV [for mitigation], no finance". For a fuller discussion of these positions and interests see Arunabha Ghosh (2010), Harnessing the Power Shift: Governance Options for International Climate Financing, Oxfam Research Report, October 2010.

[17] See Arunabha Ghosh (2010) Harnessing the Power Shift: Governance Options for International Climate Financing, October, 2010, which sets out why existing channels are not a sound basis for scaling up future finance, to a large extent because they are considered illegitimate by developing countries.

[18] $100bn per year by 2020 was pledged by developed countries in the Copenhagen Accord, in both public and private finance. Oxfam estimates that $200bn per year in public finance is the real level of need. See Oxfam (2010) Climate finance post-Copenhagen: the $100 billion questions, May 2010. The mitigation share of this will need to leverage a considerable multiple of private finance.

[19] Such as resources through bilateral channels and international financial institutions.

[20] It is important that assessment of financial needs is not politicised, which means that the Finance Board will need independent advice and analysis to carry out this function effectively.

[21] Developed countries must only receive credit under the UNFCCC for the grant element of any concessional lending.

[22] Standards would need to include: additionality of finance (climate finance should not be counted as ODA and should therefore be new and additional to commitments to meet 0.7 per cent GNI); whether funding is allocated and disbursed with balanced governance principles; social and environmental safeguards; inappropriate use of loans; and whether democratic participation, transparency, and accountability are supported at a national level.

[23] Examples of such mechanisms include the complaints procedure with the UN Special Rapporteur on the Right to Food and the World Bank's Inspection Panel, which has looked increasingly into charges of violations of environmental and social safeguards.

[24] Ultimately, there is no way to achieve a massive increase in the scale of climate finance needed without also increasing the associated administrative and overhead costs. Efforts to enhance effectiveness, efficiency, policy coherence, and reduce fragmentation are still important. Indeed, these efforts have now become standard practice: All of the leading multilateral aid agencies now have specific reform programmes targeting improvements in these areas See OECD (2010), "2010 DAC Report on Multilateral Aid," DCD/DAC(2010)32/FINAL, September 2010, p. 70.

[25] The Pilot Programme for Climate Resilience (PPCR) should be wound up on completion of the first round of focus country funding, with lessons learned transferred to the new Global Climate Fund. This is in line with the sunset clause established when the funds were set up.

[26] This covers public finance from assessed contributions counted towards meeting finance commitments under the UNFCCC. See Oxfam (2010) Climate Finance Post Copenhagen: $100 billion questions, May 2010.

[27] For example, taxes, levies, or fees on global financial transactions, transport, or emissions trading, which it is expected would be counted as public sources of finance. This combined with at least 50% of public finance, would mean that in total the vast majority of finance would be channelled through the Fund.

[28] Finance for adaptation should be public finance in the form of grants, not loans.

[29] Overseas development assistance (ODA) reported to the OECD Development Assistance Committee as contributions to multilateral agencies totalled just $35 billion in 2008, and was channelled through more than 200 agencies. In no case do flows through a single multilateral agency – let alone a single trust fund or funding window – exceed $4 billion per year. See OECD (2010), "2010 DAC Report on Multilateral Aid," DCD/DAC(2010)32/FINAL, September 2010

[30] This includes ensuring a developing country majority on its board and the provision of direct access options in financing modalities.

[31] Such as Least Developed Countries (LDCs) and Small Island States (SIDs).

[32] There is now a robust consensus that, "The ideal climate fund model will provide flexible external resources to support intrinsically integrated interventions anchored in a country's climate or national development strategy." OECD (2010), "2010 DAC Report on Multilateral Aid," DCD/DAC(2010)32/FINAL, September 2010, p. 17.

[33] The potential for agriculture, for example, to benefit from a holistic approach to sustainable development, incorporating both adaptation and mitigation, is particularly profound. Oxfam (2009) 'Beyond Aid', September 2009.

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