

New Funds for Climate Change Need Harmonization, as well as GEF and World Bank Reforms

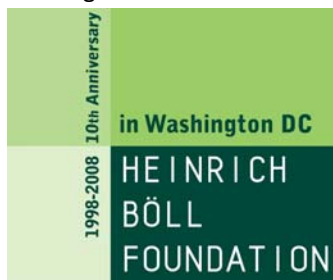
***Summary of the presentation of a Böll-WWF study and expert panel discussion on new
multilateral and bilateral finance initiatives for climate change and environment***

WASHINGTON, DC, July 17, 2008 --- With a convergence of crisis in the world today – food, energy, economic, climate and environmental ones – the dysfunction of the global architecture of governance structures to deal with these crisis has become glaringly apparent. Nowhere is this more pronounced than on the issue of climate change. Only a bare skeleton of institutional responses for global actions and coordination exists. With a series of new climate funding proposals, the last 18 months, however, have seen a flurry of global activities. Some major decisions on the future of global environmental finance have been made just within the last few months. These new funds and a new climate funding structure were recently confirmed by the major economic powers of the world at the G8 Summit at Hokkaido, Japan, when the G8 together pledged more than US\$ 6 billion for them.

A new joint report released by the Heinrich Böll Foundation and the World Wildlife Fund on ***New Finance for Climate Change and the Environment*** takes a look at the more than a dozen bilateral and multilateral climate funds that have sprung up in recent months and examines the implications of these funds for a fair, efficient, equitable and

coordinated global response to the pressing financial needs for climate mitigation and adaption efforts worldwide. An expert panel with representatives from the Global Environment Facility (GEF), the World Bank, the Chinese government, and grassroots indigenous communities voiced some of the hopes for, but also concerns about these most recent developments in climate funding at a recent event in Washington, DC on July 16th at which the Böll-WWF study was presented and discussed.

For the study authors, including a team of experts from the London-based Overseas Development Institute (ODI), **Gareth Porter** (independent consultant) outlined the creation of some 14 new environmental funds over the past 18 years as a reaction to currently insufficient climate funding levels. Pushed by the G8 countries funding them, their goal is it to significantly scale up efforts that had been undertaken for years, f.ex. by the GEF in its capacity as financial arm of the UN climate negotiations. Porter questioned the haste with which a set of multilateral climate investment funds (CIFs) housed at the World Bank and to be administered by all the multilateral development banks (MDBs) was developed. He worried that these developments will result in depriving the GEF potentially of its funds, and undoubtedly in diminishing its stature and influence in a global climate funding architecture in the future. While the new multilateral funds have the potential to go beyond the project-by-project approach that so far has hamstrung the GEF by allowing for sector-wide



At an expert panel discussion on new finance for climate change spoke (from left to right): Trevor Stevenson, Amazon Alliance; Aimin Ma, Chinese Embassy; Gareth Porter, study co-author; David Reed, WWFUS; Andrea Kutter, GEF; and Rohit Khanna, World Bank.

Photos: Monika Kuban

approaches, the study authors warned the World Bank, being now independently funded to do climate work, will no longer rely on and take advantage of the catalytic and expert role of the GEF in climate projects. Particularly with respect to the governance of the new CIFs, the study found plenty within the current function of the GEF secretariat that should be replicated, not superseded by the CIFs new processes. It pointed out that the GEF secretariat represents a hard-won North-South compromise between donor and recipient countries (based on the understanding of their common but differentiated responsibilities for climate change); however, such a compromise which will be necessary to ensure a global climate deal post-Kyoto. Thus, the study – while acknowledging that the CIFs are here to stay and that the World Bank will be a significant pillar of the global finance structure for climate change and development – urged a set of reforms for both the GEF and the World Bank in order to facilitate cooperation and coordination in the future. Likewise for the disparate bilateral funds as well harmonization and coordination efforts have to begin now in order to avoid, competition, diverging goals and to foster complementarities and synergies.

Speaking on behalf of the GEF, **Andrea Kutter**, pointed out that as the financing mechanism for the UNFCCC, the GEF in its climate change-related activities follows the guidance giving by its Conference of Parties (COP). Kutter regretted that these funds – not well – are to operate outside the UNFCCC, and urged the global community to “keep a lid on these funds to have a more collaborative effect on climate finance.” She indicated some worries that the G8 commitments for the CIFs might have a negative effect on the next upcoming replenishment of the GEF. She underlined the willingness of the GEF to work as an active and attractive partner with other organizations and funds. To that effect the GEF is currently undergoing some significant reforms, such as moving away from project-based to program-based approaches, reaching out to the private sector and streamlining some of its cumbersome procedures to access funding. The process of harmonization of these various funds has



to start now, but with the active involvement of developing countries in the negotiation process, which Kutter called “hard but necessary.”

As World Bank officer in charge of the development of the CIF operations, **Rohit Khanna** joined the calls of previous speakers for better coordination and harmonization of the new and existing climate funds. And he urged, as the study has, for additionality of funding, in order to avoid that pledges to the CIFs be diverted from other legitimate uses of ODA, including existing climate funding obligations and previous commitments. Addressing the critical questions on the governance of the CIFs as a “step back in governance” from the GEF experience, Khanna pointed to the fact that within the CIFs’ trust fund committee (where donor and recipient countries are to have equal representation) the World Bank would have neither the ability to block consensus nor to impose “conditionalities” such as a country having to have an official low-carbon growth strategy as prerequisite for assessing the CIFs. He scoffed at remarks suspecting that the World Bank might be looking at the climate funds and their administration as a way to shore up World Bank balance sheets. He also defended the World Bank’s energy portfolio, pointing to shifts in the past 20 years in energy investments favoring low-carbon energy (including large hydro power) with a diminishing importance of investments in fossil fuels (oil, coal, gas) in its energy portfolio. As to the GEF-World Bank relationship with respect to climate funding, With respect to the “division, Khanna stressed the CIFs are “a testament to the success of the GEF”. The intention of the World Bank is it with the help of the CIFs to propel “early phase actions” piloted by the GEF to a scaled up “market take-off”. Nevertheless, the GEF in this view is to remain the primary source of grant financing for climate-related investments in developing countries.

The importance of climate finance decisions for developing countries was outlined by **Aimin Ma** from the Chinese Embassy in Washington, DC. Mitigation efforts in developing countries are no different from those in the industrialized world in their contributing to the global public good, he maintained, but are often more cost-effective,

especially when developing countries can use funds according to climate- and energy priorities they identify and set. With competing demands for resources for development and climate mitigation, developing countries need the extra monies climate funds promise to avoid building new facilities with outdated but cheap technologies. According to Ma and a view widely held by developing countries, developed countries with their history as the primary polluters have a responsibility to provide such funding to help developing countries mitigate and adapt to climate change according to the UNFCCC .

While the contributions of previous speakers had centered primarily on countries and global governance with respect to climate change issues, **Trevor Stevenson** from the Amazon Alliance, speaking on behalf of hundreds of grassroots groups of indigenous communities in South America,



highlighted the impact of climate change on the most vulnerable people globally and the need to respect their rights and opinions in the development of these new climate funds. Calling it a matter of equally

moral, legal as well as practical imperative, Stevenson pointed out that in the rush to set up these new funds mistakes of the past have been repeated, especially with respect to insufficient consultation and a disregard for the international legal standard of “free, prior and informed consent” of indigenous peoples. Legally, indigenous peoples are not represented by national governments, who, however are the negotiating parties in global climate negotiations as well as in ongoing discussions about the administration and uses of the various new climate funds. However, in recent efforts by the World Bank to garner input globally on its new Strategic Framework on Climate Change and Development and the CIFs, indigenous peoples – as well as similarly affected communities around the world – were not involved in the design stages of these processes and might at best expect to get some consultation about their implementation.

Of the various questions posed to the panelists – f.ex. regarding the possibility of civil society and

private sector participation in the CIFs, or on whether these new funds will facilitate or complicate a global deal on climate change action between developing and industrialized countries – one main question remained unanswered: what agency, existing or new, should be the one in charge of harmonizing and coordinating all these new climate funds? That such a harmonization was necessary and desirable was a statement all participants in the discussion could agree on. However, as **David Reed** from WWF, who had moderated the discussion, acknowledged, all of the agencies currently involved in climate finance “have a dog in the fight” and are therefore no neutral parties to this discussion. The more important are therefore efforts such as the Boell-WWF study in not only mapping and listing the various climate funds, but also in raising and revealing their respective institutional interests and stakes.

Liane Schalatek

Heinrich Böll Foundation North America

liane@boell.org