

Strengthening International Climate Finance

With climate finance needs in developing countries projected to grow significantly in coming decades, governments are considering steps under the UN Framework Convention on Climate Change (UNFCCC) to strengthen international climate finance. Key steps include: establishing a new multilateral climate fund with an independent board under the guidance of the UNFCCC Conference of the Parties (COP); a new UNFCCC finance body to advise the COP and promote coordination among funding institutions; a registry mechanism to link finance to mitigation actions; and stronger procedures for reporting and verifying flows.

A major aim of the international climate change effort is to provide finance to help developing countries undertake low-carbon development and adapt to climate impacts. Developed countries committed in the United Nations Framework Convention on Climate Change (UNFCCC) to provide financial resources for these efforts, and support flows through a variety of bilateral and multilateral channels. With finance needs projected to grow substantially in coming decades, parties are now considering ways to significantly strengthen the multilateral climate finance system.

Both the 2007 Bali Action Plan and the 2009 Copenhagen Accord call for scaled-up climate finance as a critical component of a stronger overall climate effort. The Bali Action Plan says developing countries are to undertake “nationally appropriate mitigation actions...supported and enabled by technology, financing and capacity-building....” The Copenhagen Accord envisions a new multilateral climate fund; commits developed countries to collectively provide \$30 billion in fast-start finance in 2010-2012; and sets a goal of mobilizing \$100 billion a year in public and private finance by 2020, “in the context of meaningful mitigation actions and transparency on implementation.”

This brief summarizes existing financial mechanisms and flows, as well as projected finance needs for mitigation and adaptation in developing countries. It then outlines key policy issues, including: establishment of a new climate fund; improved coordination among finance

channels; matching finance with mitigation actions; and improved reporting and verification of finance. Drawing on examples from other multilateral funds, the brief suggests ways forward in strengthening the international climate finance architecture.

Current Mechanisms and Flows

Climate finance to developing countries from both public and private sources currently amounts to about \$10 billion¹ a year, with roughly 80 percent going to mitigation and the balance to adaptation. Of the \$8 billion a year in mitigation finance, about 40 percent is public finance delivered through a variety of multilateral channels. (In 2006-08, developed countries also reported an average of \$6 billion a year in mitigation-related official development assistance (ODA).)² The remaining 60 percent of mitigation finance is generated through the sale of emission credits created under the Clean Development Mechanism (CDM).³ Adaptation funding is primarily through public sources of funding and a levy on CDM projects.

Multilateral funding under the UNFCCC flows through three funds administered by the Global Environmental Facility (GEF), which serves as the operating entity of the Convention’s financial mechanism (See Figure 1). Since 1991, the GEF has provided over \$2.9 billion for climate-related activities, leveraging about \$18 billion in other public and private investment. The three funds are:

- **GEF Trust Fund**—Climate change is one of the focal areas of the Trust Fund, which also supports other activities in developing countries addressing global climate issues. The fund supports adaptation and mitigation activities, including preparation of national communications, sustainable transportation, energy efficiency, and renewable energies. Donor countries have pledged about \$1.4 billion for climate change mitigation for 2010–2014.
- **Least Developed Countries Fund (LDCF)**—Established in 2001, and with cumulative pledges of \$292 million, the LDCF supports preparation of national adaptation plans for actions (or NAPAs) by least developed countries. As of June 2010, 48 LDCs had received funding 44 had completed their NAPAs.
- **Special Climate Change Fund (SCCF)**—Established in 2001, and with cumulative pledges of \$169 million, this fund supports adaptation, technology transfer, and other mitigation activities.

A fourth fund within the climate regime is the Adaptation Fund established under the Kyoto Protocol, which funds adaptation projects in developing countries. Unlike the other funds, which rely exclusively on donor country pledges, the Adaptation Fund draws most of its revenue from a 2 percent levy on CDM projects. As of July 2010, it had received \$112 million from the CDM levy and an additional \$60 million in voluntary contributions from developed countries.

In 2008, a group of developed and developing countries and multilateral development banks established a set of Climate Investment Funds (CIFs) outside the UNFCCC, with initial pledges of over \$6 billion from developed countries. They are:

- **Clean Technology Fund (CTF)**—The CTF supports the deployment of mitigation technologies capable of achieving significant emissions savings. The 13 country investment plans endorsed thus far will provide about \$4.3 billion concessional financing, which is projected to leverage \$36 billion in co-financing.
- **Strategic Climate Fund (SCF)**—The SCF is an overarching fund consisting of the Forest Investment Program

(FIP), which supports efforts to reduce emissions from deforestation and degradation (REDD); the Pilot Program for Climate Resilience (PPCR), which supports pilot projects to strengthen climate resilience and reduce climate risk; and the Program for Scaling-up Renewable Energy for Low-income Countries (SREP).

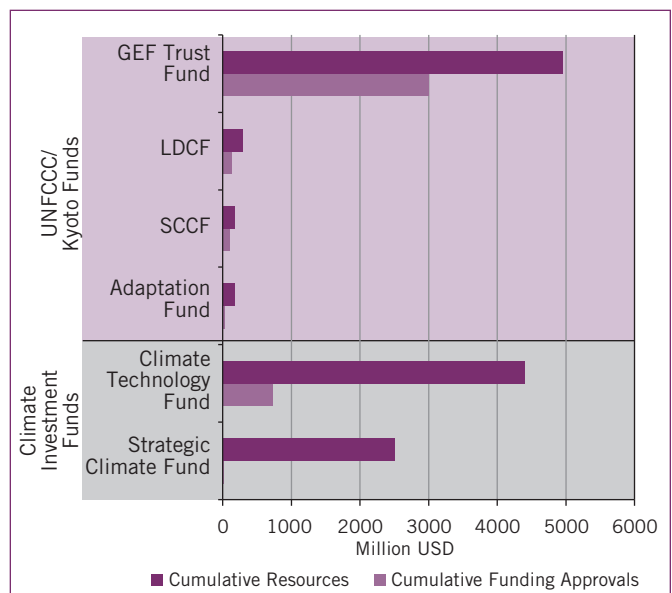
To address concerns that the CIFs’ launch could prejudice the ongoing finance negotiations under the UNFCCC, a “sunset clause” specifies that the CIFs will close once a new UNFCCC fund has been established.

Other funds established to supplement the UNFCCC funds include two housed at the World Bank: the Forest Carbon Partnership Facility (FCPF), which supports REDD-related capacity-building; and the Carbon Partnership Facility, which finances large-scale emission reduction projects that may face carbon market-associated risks after 2012.

Projected Finance Needs

Climate investment needs are expected to grow rapidly in developing countries, both to ensure that fast-growing countries adopt low-carbon development pathways, and to help the poor countries most vulnerable to climate impacts, particularly African and small island states, pursue adaptation strategies.

Figure 1. Key Multilateral Climate Funds⁴



Notes: “Cumulative resources” represents funds pledged (for GEF Trust Fund, amounts allocated to climate change through 2014; for Adaptation Fund, also includes proceeds from CDM levy). “Cumulative funding approvals” represents project-related funding decisions.

This brief was prepared by Pew Center International Fellow Namrata Patodia Rastogi

Studies have produced a wide range of estimates of climate finance needs in developing countries over the coming decades (**Figure 2**). For mitigation purposes, estimates range from \$100 billion to \$175 billion a year in 2030. Estimates for adaptation needs range from \$15 billion to \$100 billion a year in the same timeframe. (The adaptation estimates vary widely because the underlying analyses focus on different sectors or countries.)

Figure 2. Financing needs for mitigation and adaptation in developing countries⁵

	Estimate in 2030 (billion USD)
Mitigation costs*	
UNFCCC	100–105
McKinsey and Company	175
Pacific Northwest National Laboratory	139
Adaptation costs	
UNFCCC	28–67
Project Catalyst	15–37
World Bank (Economics of Adaptation to Climate Change)	75–100

Notes: The UNFCCC estimates assume a 25 percent reduction in global GHG emission from 2000 levels. All other studies estimate financial needs based on stabilizing atmospheric concentrations at 450 ppm by 2020.
*The incremental costs of a low-carbon project over its lifetime.

Key Policy Challenges

In strengthening the climate finance architecture to ensure stronger and more reliable flows, parties face a number of policy challenges. These include: deciding the nature and governance of a new climate fund; achieving greater consistency and coordination among the broad range of climate finance channels; facilitating the matching of finance with mitigation actions; and improving the measurement, reporting and verification (MRV) of climate finance.

A New Climate Fund

Parties have agreed generally on the need for a new multilateral climate fund as a primary vehicle for delivering enhanced climate finance. Most expect that the fund will include multiple “windows” to provide finance for mitigation and adaptation and, possibly, specific types of activities (e.g., forestry, technology and capacity-building). Other key issues in designing a fund include its governance, potential sources of finance, and modes of access by developing countries.

Governance

Key governance issues include: the fund’s relation to the UNFCCC Conference of Parties (COP); the composition and decision-making procedures of the fund’s governing board; the designation of the fund’s trustee and secretariat.

Broadly speaking, a multilateral fund could operate “under the authority” or “under the guidance” of the relevant multilateral regime and its governing body. The difference is a matter of the degree of control exercised by the regime body. The Kyoto Protocol’s Adaptation Fund operates under the *authority* of the Kyoto Meeting of the Parties (CMP). The CMP not only sets the fund’s policy direction, but directly appoints its board, which is “fully accountable” to the parties.⁶ Similarly, the multilateral fund under the Montreal Protocol operates under the authority of the Montreal Protocol parties (**See Figure 3** for a comparison of the multilateral funds).

By contrast, existing funds under the UNFCCC, such as the Special Climate Change Fund and the Least Developed Countries Fund, are operated by the Global Environment Facility (GEF) under the *guidance* of the COP: the COP decides the funds’ policies, programs and eligibility criteria,⁷ and receives regular reports from the GEF; but it does not appoint the GEF Council, which is independently constituted. This type of arrangement is probably better suited to a new large-scale climate fund, striking an appropriate balance between efficiency and accountability. It would enable the COP to provide broad direction and maintain oversight, while allowing the fund’s board to perform its responsibilities with less risk of political interference or procedural delay.

The composition of the fund’s board and its decision-making procedures are critical to its legitimacy in the eyes of both donor and recipient countries. In the case of the GEF-operated climate funds, the governing councils have balanced representation from developed and developing countries. Similarly, the trust fund committees of the non-UNFCCC Climate Investment Funds (CIFs) have balanced representation from contributor and recipient countries. By contrast, developing countries hold a majority on the Adaptation Fund Board owing to the fund’s unique nature—most of its proceeds are generated through a levy on emissions-reducing Clean Development Mechanism (CDM) projects in developing countries. In the case of a new climate fund, the type of balanced representation seen in the other funds appears the most politically viable option.

Figure 3. Key Features of Selected Multilateral Funds

	Adaptation Fund	UNFCCC Funds: Special Climate Change Fund (SCCF) and Least Developed Countries Fund (LDCF)	Multilateral Fund for the Implementation of the Montreal Protocol	Climate Investment Funds: Clean Technology Fund (CTF) and Strategic Climate Fund (SCF)
Activities funded	Adaptation projects and programs	SCCF—Mitigation and adaptation, with adaptation identified as a priority LDCF—Adaptation, focused on needs of LDCs, including preparing and implementing NAPAs	Country programs and activities to phase out ozone-depleting substances	CTF—Mitigation SCF—Adaptation and mitigation; focused on forests, climate resilience and scaling up renewable energy
Source of funding	Financed with 2% of CERs issued for CDM projects	Annex I pledges	Contributions from developed countries based on UN scale of assessment. Other Parties are encouraged to contribute.	Country pledges
Relationship with respective regime	Established by the Parties to the Kyoto Protocol of the UNFCCC under the authority and guidance of the CMP	Established by the Parties to the UNFCCC. GEF, as the operating entity of the financial mechanism, operates the funds under the guidance of and accountable to the COP	Established by Meeting of the Parties to the Montreal Protocol as an interim mechanism in 1991 and granted permanent status in 1993. Operates under the authority of the Parties to the Montreal Protocol.	Independent Sunset clause calls for CIFs to cease operations, or to continue with modifications, depending on outcome of UNFCCC negotiations
Governance				
• Body	Adaptation Fund Board	GEF Council, meeting as the Council of the LDCF/SCCF	Executive Committee	Separate Trust Fund Committees for CTF and SCF
• Composition	16 members elected by the CMP: two representatives from each of the five UN regional groups; one representative each from the SIDs and LDCs; two other representatives from Annex I Parties; and two other representatives from non-Annex I parties	32 members appointed by constituencies of GEF member countries: 14 from developed countries, 16 from developing countries, and 2 from economies in transition. (Any GEF Council member can participate or observe the meetings.)	14 members, seven from developed and seven from developing countries, selected each year by the respective groups and endorsed by the MOP	Each Trust Fund Committee has 16 voting members (eight from contributor countries, eight from eligible recipient countries) and 2 non-voting members (one each from the World Bank and a second MDB). SCF has separate, similarly balanced Sub-Committees for each of its targeted programs (FIP, PPCR and SREP)
• Decision-making	Decisions taken by consensus. In absence of consensus, decisions taken by a two-thirds majority of the members present	Decisions ordinarily taken by consensus. In absence of consensus, approval requires a double weighted majority (60% of GEF participants represented on the LDCF/SCCF Council, and 60% of cumulative contributions to the fund).	Decisions taken by two-thirds majorities of developed country and developing country representatives	Decisions taken by consensus of the voting members. In absence of consensus, a proposed decision is postponed or withdrawn.
Trustee	World Bank, on an interim basis	World Bank	UNEP/Barclays	World Bank's IBRD
Secretariat	GEF, on an interim basis	GEF	Fund Secretariat, independent secretariat based in Montreal	CIF Administrative Unit, an independent secretariat
Modes of access	Grants accessed through national and regional implementing entities (direct access) and multilateral implementing entities.	Grants accessed through 10 multilateral implementing agencies: UNDP, UNEP, World Bank, AfDB, ADB, EBRD, IDB, IFAD, FAO and UNIDO.	Grants and concessional loans accessed through UNEP, UNDP, UNIDO and World Bank.	Grants, concessional loans, guarantees, or other instruments as appropriate, accessed through the World Bank Group, AfDB, ADB, IDB and EBRD.

Generally, decision-making is by consensus where possible. In the absence of consensus, most funds have prescribed voting procedures. For instance, decisions in the Adaptation Fund require a two-thirds majority of board members present. A number of other funds require a double majority—in the case of the Montreal Protocol fund, for example, a two-thirds majority of both developed and developing country representatives. The CIFs, on the other hand, have no established procedures; if there is no consensus, a proposed decision is postponed or withdrawn. Decision-making by

consensus should likewise be the aim within a new climate fund, but clear and balanced default procedures such as double-majority voting are needed to ensure that decisions can be reached even in the absence of full consensus.

Beyond its governing body, the major operational components of a fund are its trustee and its secretariat. The trustee has fiduciary responsibility for managing the financial resources of a fund. It is entrusted with the capacity to receive contributions from donors and transfer funds to recipients based on agreed guidelines. The World

Bank serves as trustee for all of the existing funds under the UNFCCC and the Kyoto Protocol. Some parties feel that the Bank has been unresponsive to recipient country concerns across a range of issues, and as a result, object to it assuming a strong role in a new climate fund. However, given the urgency of operationalizing the new fund, and the Bank's strong fiduciary qualifications, it should be designated trustee at least on an interim basis, with a periodic review by parties.

The secretariat serves as a fund's administrative arm, reviewing funding proposals, preparing projects for board consideration, and monitoring their implementation. The GEF serves as the secretariat for both the UNFCCC funds and the Adaptation Fund, the latter on an interim basis. The CIFs and the Montreal Protocol fund have independent secretariats. A new climate fund should be supported by its own secretariat. In order to scale up operations quickly, and take full advantage of existing capacities and expertise, parties should explore seconding personnel from the World Bank and other multilateral funding institutions to staff the new secretariat.

Sources of Finance

To date, the multilateral climate funds have relied almost exclusively on voluntary pledges by developed countries. The exception is the Adaptation Fund, which draws most of its proceeds from a 2 percent levy on CDM projects. To provide a more stable source of funding, parties have proposed a variety of revenue-generating mechanisms, such as carbon levies, that would operate at the international level to generate direct flows to the new climate fund. In its recent report, the Secretary General's High-Level Advisory Group on Climate Change Financing assessed a number of these potential mechanisms (see Box 1). In many cases, however, establishing such a mechanism would effectively require contributing countries to acquiesce to some form of international taxation, which many national treasuries strongly resist on sovereignty grounds. As such, there appears little prospect of near-term agreement on an internationally administered revenue-generating mechanism.

Alternatively, at least on an interim basis, parties could establish a more regularized system of financial pledging. An indicative scale of assessment could be agreed upon, setting each donor countries' relative share of overall contributions, with specific funding levels determined on a rolling basis through periodic pledging, perhaps every three to five years. Countries would retain full discretion as to the means of generating their respective contributions. Under the Montreal

Protocol fund, for instance, developed countries contribute according to the U.N. scale of assessment. Some parties have proposed negotiating a scale of assessment for a new climate fund that would apply factors such as emissions, gross domestic product (GDP) and population on a differentiated basis to generate contributions from both developed and developing countries. While this might not be politically feasible in the near term, any agreed scale of assessment should either incorporate criteria, or be periodically revised, to adjust to evolving circumstances.

It may be possible to couple a pledging system with an agreement among parties to establish certain types of revenue-generating mechanisms on a domestic, rather than an international, basis. For instance, parties might agree to apply a levy on air travel, with each administering it individually within its own borders, rather than granting that authority to an international body. This would allow parties to collectively tap an agreed source while minimizing sovereignty and competitiveness concerns. Ideally, any such sources would be derived from greenhouse gas-generating activities, thereby helping to correct market failures contributing to climate change. Such candidates include charges on international shipping and aviation, and reductions in fossil fuel subsidies.

Access

Historically, developing countries have accessed climate finance through a multilateral implementing entity (MIE), a multilateral or regional development institution designated to serve as a project's implementing agency. MIEs provide essential capacity in many cases, and funds have also favored their use to help ensure that fiduciary standards are met. The GEF's implementing agencies include United Nations Development Programme, United Nations Environment Programme, Food and Agriculture Organization, and the World Bank and other agencies. For the CIFs, the implementing entities are the World Bank Group and a number of regional development banks.

In recent years, developing countries have shown an increased interest in "direct access" to finance as a way to take ownership and build capacities within their own borders. The Adaptation Fund is unique among the climate funds in allowing funds to go directly to national implementing agencies meeting its fiduciary standards and requirements for transparency, monitoring and evaluation. The Adaptation Fund Board recently

Box 1. Sources of Financing

The recent *Report of the Secretary-General's High-level Advisory Group on Climate Change Financing* evaluates potential sources of funding to meet the goal of generating \$100 billion per year by 2020 to address climate change in developing countries. The report examines potential sources of public finance, as well as private sources such as carbon markets. As this brief focuses on issues concerning public finance, only those options are summarized below.

Auctioning of emission allowances

Auctioning some portion of allowances in an international emissions trading system or in domestic emissions trading systems can generate \$8 billion to \$38 billion per year,⁸ assuming that up to 10 percent of the revenue is allocated to climate purposes. Auctioning is considered an economically efficient means of generating new and additional resources. However, issues regarding governance of an international auction, or allocation of resources from domestic trading systems would need to be resolved.

Levy on carbon market transactions

A levy of up to 10 percent on carbon market transactions could generate from \$1 billion to \$5 billion a year. This approach is already being implemented in the case of the CDM, where a 2 percent levy on CDM transactions generates resources for the Adaptation Fund. This source would have high reliability, assuming growth of the carbon markets, but in creating a disincentive against the use of market mechanisms, can raise overall mitigation costs.

Direct budgetary contributions

Proposals by UNFCCC parties for developed countries to contribute 0.5 percent to 1 percent of their GDP would generate an estimated \$200 billion to \$400 billion a year. While many governments might prefer to continue direct budgetary contributions, long the major source of public climate finance, major increases face significant political obstacles in light of the current financial crisis.

Revenues from international aviation and maritime

Options such as a levy on fuels, a passenger ticket tax, and sectoral emissions trading systems could mobilize between \$4 billion to \$9 billion a year from international aviation, and \$2 billion to \$3 billion from international shipping. Although these options could also help reduce greenhouse gas emissions from international transportation, they could raise the cost of global trade by 0.25 percent. They also raise significant distributional issues between developed and developing countries.

Other domestic carbon-related revenues

Other carbon-related revenue sources that could be administered domestically in developed countries include: a carbon tax of \$1 per ton (about \$10 billion a year); removal of fossil fuel subsidies (\$3 billion to \$8 billion a year); reducing fossil fuel royalties (about \$10 billion a year); and a “wires” charge on electricity generation (up to \$5 billion a year). While such options give countries flexibility to choose their own instruments, their tax and budgetary impacts pose political obstacles.

Financial Transaction Tax

A tax on foreign exchange currency transactions (known as Tobin Tax) could raise between \$2 billion and \$27 billion a year. While these resources would be new and additional, a uniform tax raises distributional issues between developed and developing countries, and there is little political appetite for this approach.

Special drawing rights

Some have proposed using special drawing rights (SDRs), an international reserve asset created by the International Monetary Fund, to generate funding for climate-related activities. The AGF concluded that this approach would require the support of the larger IMF membership and has limited political acceptability.

To access the full report go to: http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF_Final_Report.pdf

accredited three national implementing entities—government agencies in Jamaica and Uruguay, and an association of public utilities in Senegal. The Global Fund to Fight AIDs, Tuberculosis and Malaria similarly allows for the designation of “Principal Recipients” as a means of direct access.

An important objective of the new climate fund must be improved access, including support to developing countries to build the capacities necessary for direct access to climate finance.

Coordination of Climate Finance

Public finance for climate will continue to flow through multiple channels, including bilateral assistance and new and existing multilateral funds. By encouraging multiple avenues

for donors and recipients to connect, this disaggregated structure can help encourage higher overall flows. At the same time, it can result in a burdensome, duplicative, and uncoordinated system. With the scaling up of climate finance, new mechanisms are required to promote greater coordination and consistency among funding institutions.

Through better coordination, parties could:

- Set broad funding priorities to guide the allocation decisions of multilateral funds and bilateral donors;
- Continually assess finance needs and progress toward meeting finance objectives;
- Review the performance of multilateral climate funds; and

- Promote greater consistency in fund procedures to improve access and efficiency.

Options proposed to improve coordination include strengthening existing institutions, establishing a forum among donor entities to discuss common issues, and establishing a new UNFCCC body. A new advisory body appointed by the COP offers the best means of achieving better coordination across the full range of finance issues. Its role should be to advise the COP on the issues identified above, and on any COP guidance to UNFCCC funds. It could, in addition, develop guidance to parties and funders for the reporting and verification of climate finance. The body's composition should provide for a balanced representation of parties, as well as independent experts in finance and development.

Matching Finance and Mitigation Actions

Another important function of an enhanced climate finance architecture is the matching of finance with nationally appropriate mitigation actions (NAMAs) proposed by developing countries. With multiple sources of funding, both funders and developing countries would benefit from a mechanism that helps link proposed NAMAs with appropriate funding sources. A number of parties have proposed, and the Copenhagen Accord envisions, some form of “registry” to help facilitate this matching.

In its most simplistic form, a registry could serve as a “bulletin board” where developing countries post NAMAs for which they are seeking support, and funders could post information on funding sources and criteria. In this model, the matching of NAMAs with finance would be left to the initiative of individual parties and funders. Alternatively, the registry could play a more active role in matching, much as a mortgage broker links lenders and borrowers. In this model, the registry could be staffed by a small team of financial and development experts to help advise developing countries on funding sources and the best ways of accessing them. Listing a NAMA in the registry could be a required first step in seeking support. But to avoid creating a new bottleneck, use of its matching services should be voluntary on an as-needed basis. This will ensure that the registry is not an additional hurdle, but rather a useful service for developing countries.

As confidence in the registry grows, it could take on the additional role of assisting in the reporting and verification of financial support. In this role, it could serve as a centralized database for

the recording of all supported NAMAs, with regular updates on the delivery of support and the implementation of supported actions.

Measurement, Reporting and Verification of Finance

The Bali Action Plan calls for the measurement, reporting and verification of finance (as well as technology and capacity-building support) for developing country NAMAs. Effective MRV of finance will require significant strengthening of existing reporting and review procedures within the climate regime.

Defining Climate Finance

One fundamental issue is defining what qualifies as “climate finance.” While this could be readily determined in the context of a discrete project, the question is much more complicated when it comes to track overall flows. A broad definition could include the entire gamut ranging from public sources of finance, including multilateral and bilateral channels, to private finance in the form of carbon markets, foreign direct investment or climate-related philanthropic activities. Bilateral sources could include climate-related contributions, official development assistance with a climate co-benefit, or purchases of emission credits through bilateral arrangements.

At a minimum, parties should agree on broad parameters or categories of climate finance, leaving donor countries some discretion to decide how their contributions fit within them. This is one area where the COP could issue guidance to parties with advice from a newly formed finance body.

Reporting and Verification

Presently, all Annex II parties to the UNFCCC (developed countries and economies in transition) are required to report their bilateral, regional, and multilateral contributions in their national communications. This information is reviewed by expert review teams as part of the national communications review process. However, in the absence of clear guidelines, parties apply different definitions of climate finance and the information reported is neither consistent nor comparable. At the same time, reporting by developing countries of funding received remains voluntary. Key first steps in improving the MRV of financial flows include strengthening the Annex II reporting guidelines to ensure transparency and comparability of data, and requiring developing countries to report on finance received

in mandatory national communications. Parties also should be required to report on finance delivered and received in new biennial implementation reports (which also would provide information on implementation of mitigation actions).

The MRV framework also could incorporate information from other institutions. As a major portion of the funding is channeled through multilateral development banks, these institutions should be encouraged or required to report regularly to the UNFCCC on their climate-related flows. Similarly, the Organization for Economic Co-operation and Development (OECD), which compiles information of climate-related ODA contributions by member countries through its Rio Policy Markers process, could report this information to the UNFCCC. As noted earlier, a UNFCCC registry mechanism could serve as a centralized database for such information.

Verification of flows could be performed in part by parties and in part through UNFCCC processes. In the case of a discrete supported project, receipt of finance could be confirmed by the recipient party, and reported in its national communication. In addition, finance data reported by a donor country could be reviewed by the UNFCCC expert team reviewing its national communications, drawing on additional information from recipient countries, multilateral institutions, and the UNFCCC registry.

Summary

An effective international climate change regime requires a strengthened financial architecture capable of efficiently generating and delivering significantly scaled-up finance for mitigation and adaptation in developing countries. Key steps at this stage in the regime's evolution include: establishing a new multilateral climate fund with an independent governing body under the guidance of the UNFCCC COP; establishing a new UNFCCC body to promote coordination and coherence

among funding channels; establishing a registry to assist in matching actions and support; and strengthening procedures for reporting and verifying climate finance.

Notes

- ¹ World Bank, 2010. World Development Report 2010: Development and Climate Change. Available at <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTWDRS/EXTWDR2010/0,,menuPK:5287748~pagePK:64167702~piPK:64167676~theSitePK:5287741,00.html>
- ² Data includes only climate mitigation activities; adaptation figures are not available until 2011. It does not include any contributions from the United States, which does not report using the Rio Markers. For more details, see OECD, 2010. Tracking Aid in support of climate change mitigation and adaptation in developing countries. Available at <http://www.oecd.org/dataoecd/33/60/45906157.pdf>
- ³ Does not count investments leveraged by CDM, estimated at \$25 billion, about 50 percent of it in-country; or FDI or other in-country private investment
- ⁴ GEF, 2010. Status Report on the Least Developed Countries Fund and the Special Climate Change Fund. GEF/LDCF.SCCF.9/Inf.2/Rev.1, October 8, 2010; Adaptation Fund Board, 2010. Financial Status of the Adaptation Trust Fund (as at July 31, 2010). AFB/EFC.2/5, August 13, 2010; Adaptation Fund, 2010. Adaptation Fund Board approves financing for projects, operationalizes direct access modality. Available at <http://www.adaptation-fund.org/node/794>; Climate Investment Funds, 2010. Trustee Report of Financial Status of the CTF. CTF/TFC.6/4, October 28, 2010; and Climate Investment Funds, 2010. Trustee Report on the Financial Status of the SCF. SCF/TFC.6/4, October 27, 2010.
- ⁵ The table has been adapted from World Bank, 2010. World Development Report 2010: Development and Climate Change, Table 6.2, and includes mitigation financing estimates from UNFCCC, 2008. Investment and Financial Flows to address climate change: an update. Available at <http://unfccc.int/resource/docs/2008/tp/07.pdf>.
- ⁶ Decision 1/CMP.3
- ⁷ Article 11.1 of the Convention
- ⁸ The report has three scenarios based on a low carbon price (\$10–\$15 per ton), medium carbon price (\$20–\$25 per ton) and high carbon price (\$50 per ton). In our summary we use the medium carbon price scenario, one that is consistent with the Copenhagen Accord.

This is one in a series of policy briefs examining post-2012 international climate policy. The Pew Center on Global Climate Change was established by the Pew Charitable Trust to bring a new cooperative approach and critical scientific, economic, and technological expertise to the global climate change debate. We inform this debate through wide-ranging analyses that add new facts and perspectives in four areas: policy (domestic and international), economics, environment, and solutions.



Pew Center on Global Climate Change
2101 Wilson Boulevard
Suite 550
Arlington, VA 22201 USA
Phone: 703.516.4146
www.pewclimate.org