WORLD RESOURCES INSTITUTE

EXECUTIVE SUMMARY

POWER, RESPONSIBILITY, AND ACCOUNTABILITY

Re-Thinking the Legitimacy of Institutions for Climate Finance

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Contents

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Foreword

Preparing for the inevitable impacts of global warming and avoiding even more dangerous levels of greenhouse gas emissions will require an unprecedented mobilization of financial resources. Much of this investment will need to take place in the developing world, to meet growing energy demands with low carbon alternatives, and to enable poorer countries to build resilience to the effects of rising temperatures.

In Copenhagen, in 2009, as part of an effort to reach a new global deal to combat climate change, wealthier countries agreed to ramp up their support dramatically for poorer countries and pledged to mobilize as much as USD 100 billion a year in public and private climate finance by 2020.

The programming of these resources will need to be entrusted to one or more financial mechanisms. While a number of institutions including the World Bank, through its Climate Investment Funds (CIFs), the Global Environment Facility (GEF), and the Kyoto Protocol, through its Adaptation Fund, are already playing a role in climate finance, none has yet won the confidence of both contributor and recipient countries. Governments are therefore in the process of designing something new.

What kind of institution can attract and program finance at the scale necessary to drive profound transformations in developing countries while at the same time securing the ownership and support of their governments, the private sector and civil society? *Power, Responsibility, and Accountability* seeks answers in the successes, failures, and ongoing experiments revealed through case studies of 10 international and national institutions already channeling finance to projects to address climate change.

The authors conclude that the success of future climate finance will depend on finding a new balance of power, responsibility, and accountability in the relationship between contributor and recipient countries and the financial institutions they create and operate. In particular, as developing countries gain more formal and informal power in the governance structures of these institutions, they must also embrace a greater responsibility for investing in long term emission reductions. Investments must be driven by high social and environmental standards shaped and owned by a partnership between developed and developing countries. Accountability mechanisms must be put in place that enable the communities affected by climate investments to set priorities and benefit from the outcomes of these investments. Climate finance managed by international institutions must be invested in the capacity of national institutions to design and implement ambitious but home grown climate policies.

This is a formidable challenge, and reaching consensus on the design and operation of climate finance will strain the capacity of institutions from the global to the local level. A great deal depends on ensuring that these institutions are robust enough to withstand that pressure and that the process and outcomes are widely perceived as legitimate. The stakes are high, with global efforts to reduce emissions dependent in large part on effective delivery of climate finance.

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The 2009 Copenhagen Climate Summit left unresolved major questions about how to fund low-carbon development in developing countries.[1] In a high-level political declaration—the "Copenhagen Accord"—developed countries agreed to "provide new and additional resources . . . approaching USD 30 billion for the period 2010–2012" and to a goal of jointly mobilizing USD 100 billion a year by 2020 from both public and private sources, to address the needs of developing countries.[2] As the negotiations on a global climate deal continue, disagreement remains on how much of these funds will come from public or private sources and whether these billions should be delivered through new or existing institutions. There is also heated debate over whether a single centralized institution or a decentralized approach that coordinates international, regional, and national institutions would be more effective.

Although there are many variations in government positions, broadly speaking, developed countries favor a substantial role for existing institutions, such as the multilateral development banks (MDBs) that they have funded and led for the past 60 years. Developing countries prefer new institutions, arguing that existing ones favor the interests of contributor countries and have failed to deliver on promises to support poverty alleviation and sustainable development. The ongoing negotiations on a global climate deal reflect this "north-south" gulf. Despite these differences, one thing is clear: if the institutional arrangements entrusted with managing new flows of climate finance are to succeed in raising the required resources and in investing these resources effectively, they will need to be perceived as legitimate by both contributors and recipients.

Institutional Arrangements for Climate Finance: Power, Responsibility, and Accountability

The full report seeks to ground the debate on the future of climate finance in an objective analysis of existing efforts to finance climate mitigation and adaptation in developing countries. The authors step back from the question of *which institutions* should be entrusted with new flows of climate finance to examine instead *how governments can design a climate financial mechanism in a way that is widely perceived as legitimate*. We identify three crucial dimensions of legitimacy: power, responsibility, and accountability (see Box A). While these three dimensions interrelate and overlap, we have found them to provide a useful analytical framework to analyze and guide choices in institutional design.

Box A. DIMENSIONS OF POWER, RESPONSIBILITY, AND ACCOUNTABILITY IN THE DESIGN OF A CLIMATE FINANCIAL MECHANISM

POWER:
The capacity—both formal and informal—to determine outcomes

- How will the financial mechanism's governance structure distribute voice and vote between and among contributors and recipients?
- What role will the United Nations Framework Convention on Climate Change's (UNFCCC) institutions, including the Conference of the Parties, play in guiding the financial mechanism?
- To what extent will contributors be able to determine funding priorities by placing conditions on the resource mobilization and allocation process?
- How influential will the secretariat and management staff of the financial mechanism be in determining project design and selection?
- Will advisory groups, civil society observers, and local communities play a role in determining how the financial mechanism operates?

RESPONSIBILITY:
The exercise of power for its intended purpose

- Are the financial mechanism's standards, program priorities, and eligibility criteria strong enough to ensure its resources are invested fairly and effectively?
- How do cost-sharing formulas (e.g., incremental, marginal, transformative costs) allocate responsibilities between contributor and recipient countries, and between the financial mechanisms and recipient countries?
- To what extent are national institutions and local civil society entrusted with ensuring the effective design and implementation of investments?

ACCOUNTABILITY:
The standards and systems that ensure power is exercised responsibly

- How does the financial mechanism measure, evaluate, and incentivize results?
- Are effective environmental and social safeguards in place to ensure the investments do no harm?
- How are fiduciary duties and financial management standards supported and enforced?
- Are grievance and inspection mechanisms in place to ensure that standards are followed?

We review the governance structures, operational procedures, and records to date of 10 international and national financial mechanisms, with reference to these core dimensions of legitimacy, to draw lessons for future institutional arrangements (see Box B). We place special emphasis on the experiences with the Global Environment Facility (GEF), which, in operation since 1994, is the longest serving operating entity of the United Nations Framework Covention on Climate Change (UNFCCC) financial mechanism. In addition to the GEF, we review experiences from the Multilateral Fund for the Implementation of the Montreal Protocol, in operation since 1990, which is often referred to as a model for future funds. The remaining funds reviewed are much newer and yield more insights with regard to design, rather than operation.

We recognize that perceptions of the legitimacy of a financial mechanism are inherently subjective and that this subjectivity is revealed in the very different preferences expressed by contributor and recipient countries. We believe, however, that if governments were to discuss the dimensions of legitimacy more explicitly, the stakes and the trade-offs would become more apparent, and a more shared understanding on how to design a legitimate financial mechanism would emerge. We believe that the failure, thus far, to address the distribution of power, responsibility, and accountability more explicitly has led to a proliferation of financial mechanisms that are underfunded, which in turn leads to calls to create new mechanisms.

We recognize that perceptions of a financial mechanism's legitimacy will also depend upon an institution's performance—its demonstrated capacity to commit funding to investments that reduce greenhouse gas emissions and build resilience to climate change. Most of the climate financial mechanisms studied have not been operating at a scale or for a time period that would allow a full assessment of their performance. We nonetheless seek to make recommendations that could improve the design and the performance of new and existing climate financial mechanisms.

We conclude that a new global deal on climate finance is likely to significantly redistribute power, responsibility, and accountability between traditional contributor and recipient countries. Most significantly, the power of emerging economies to control climate finance mechanisms will grow, as will their responsibility and accountability for the performance of these institutions. In light of the dramatic changes in global politics and the global economy in past decades, this redistribution seems both long overdue and necessary to provide the basis for a successful global partnership on climate finance.

Box B. FINANCIAL INSTITUTIONS REVIEWED

GLOBAL ENVIRONMENT FACILITY: *The interim financial mechanism of the UNFCCC (since 1994)*

MONTREAL PROTOCOL FUND: *The multilateral fund to phase out ozone depleting substances (since 1990)*

ADAPTATION FUND: *Created under the Kyoto Protocol, financed by a two percent levy on Clean Development Mechanism transactions and voluntary donor contributions (since 2008)*

FOREST CARBON PARTNERSHIP FACILITY: *World Bank carbon financing pilot for forest emissions (since 2007)*

CLIMATE INVESTMENT FUNDS: *World Bank and MDB pilot funds (since 2008)* [a]

- CLEAN TECHNOLOGY FUND: *Financing for clean technology deployment that significantly reduces greenhouse gases*
- PILOT PROGRAM ON CLIMATE RESILIENCE: *Funding for adaptation to climate change*
- FOREST INVESTMENT PROGRAM: *Financing to address the role of forests in climate change*

BRAZIL AMAZON FUND: *Brazilian National Development Bank fund to reduce deforestation (since 2008)*

BANGLADESH CLIMATE CHANGE RESILIENCE FUND: *National climate change fund, administered by the World Bank (since 2008)* [b]

INDONESIA CLIMATE CHANGE TRUST FUND: *Planning Ministry (BAPPENAS) fund, administered by the U.N. Development Programme (since 2009)*

Notes

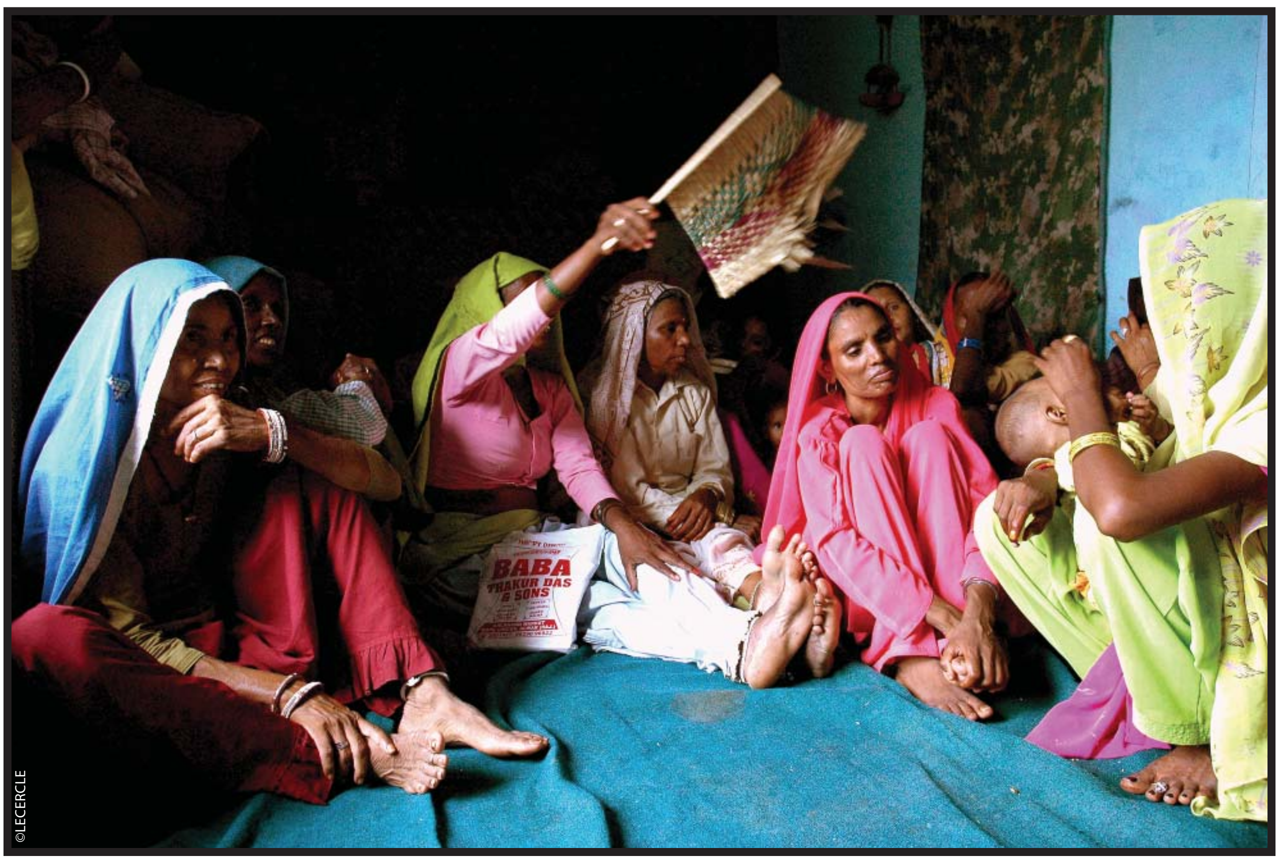
a. The Climate Investment Funds also include Scaling-Up Renewable Energy Program in Low Income Countries (SREP), which will fund scaled-up development of renewable energy in low-income countries. The SREP was not reviewed for this Report.

b. The Bangladesh Climate Change Resilience Fund was previously called the Bangladesh Multi-Donor Trust Fund

Conclusions and Recommendations

This is a dynamic time for climate finance, as the international community struggles to craft mechanisms that are perceived to be legitimate by all UNFCCC Parties and that are capable of funding climate-related activities efficiently and at scale. Our analysis of established and new climate financial mechanisms and the current UNFCCC negotiations leads us to conclude the following:

- *Change is coming.* A new global deal on climate finance will likely reinterpret the principles that in the past have guided the design of climate finance mechanisms in a way that significantly redistributes power, responsibility, and accountability between traditional contributor and recipient countries.
- *A new balance of power, responsibility, and accountability could enhance recipient country ownership.* Greater representation of developing countries on the governing bodies of international financial institutions more generally, and climate finance mechanisms more specifically, should help ensure greater emphasis on the national and local "ownership"—and thus the effectiveness—of climate finance investments.
- *A new understanding of how to balance national interests with global responsibility and accountability is required.* This will require assurance that nationally driven investments contribute to global benefits in the form of net emission reductions and that investments protect the most vulnerable countries and communities.
- *New financial mechanisms—at both the global and the national level—are necessary.* If the international community raises the scale of public finance necessary to move developing countries onto a low-carbon, climate-resilient pathway, the capacity and the creativity to spend these resources well will necessitate the creation of one or more new financial mechanisms at the global level and multiple national-level institutions.
- *Existing institutions must also be reformed.* The scale of the climate change challenge and of the scale of the funding necessary to respond to that challenge will also necessitate the reform of existing financial institutions, many of which have been supporting fossil fuel–led growth and have yet to mainstream concerns about the impacts of climate change into their strategies.



- *Current negotiating positions reflect deep historical and ideological divisions—particularly between developed and developing countries—that will need to be overcome by building trust and experimenting with new kinds of relationships.*[3] Developed countries have been keen to build on existing financial institutions they have shaped and traditionally controlled. Developing countries are wary of these same institutions, which they see as historically having advanced contributor interests and theories of development, through both the formal and informal exercise of donor power.

- *At the international level, the choice between reforming traditional development agencies, such as the GEF, U.N. Development Programme (UNDP), the U.N. Environment Programme (UNEP), and MDBs, and creating new financial mechanisms will raise issues of institutional economy and effectiveness.* In order to generate a greater sense of trust and ownership, backers of existing agencies may have to accept a degree of duplication of existing capacity through the creation of new mechanisms—particularly where significant gaps in capacity are identified—and to accept strengthened lines of accountability of climate finance mechanisms to the UNFCCC Conference of the Parties (COP). On the other hand, those calling for the creation of new institutions may need to concede that it may waste precious resources to replicate the staff and services provided by existing agencies.

- *Balancing the roles of international and national institutions will also involve trade-offs.* Traditional development agencies have gained the trust of contributors by putting in place systems to both measure and manage impacts of their investments. Developing country recipients, however, have been frustrated by the bureaucracy and the focus on generic rather than country-specific concerns that these systems can generate. Many developing countries will likely struggle to convince contributors that their national institutions have the capacity to manage large-scale development finance without the support of development agencies. Notably, a number of developing countries are taking steps to build and strengthen this capacity and will need support to do so.

- *Delivering climate finance at scale, at least in the short term, will likely involve multiple mechanisms, both new and reformed.* This is true because of the complex politics of the international negotiations and the differing views of legitimacy held by contributors and donors. The urgency and complexity of delivering funds at scale argues for moving forward, at least in the near term, with the institutions that we have, and investing in the strength and quality of COP guidance and national planning processes to ensure coordination and coherence. This experience should then guide the design and operation of the new institutions that will become necessary as the scale of resources grows.

- *Low-carbon, climate-resilient development is an unexplored frontier for all countries and has potential risks as well as benefits.* While high standards will have to be developed and maintained to ensure emissions fall and the vulnerable are protected, climate finance will necessarily entail experiments with new policies and technologies that will need to be watched closely for unintended environmental and social impacts.

- *Policymakers must agree on ways to diversify the sources of climate finance and to de-link them from the levers of informal power.* If existing institutions are to meet evolving standards of legitimacy, then their fundamental governance structures, as well as their operational procedures, will need to be reformed to give greater voice to developing country recipients. If formal grants of power are to lead to the effective exercise of that power, the international community must also make greater efforts to identify sources of revenue, such as new levies or long-term commitments, that are independent from the discretion of contributor governments.

- *It is necessary to build the capacity of non-state actors and civil society to monitor climate finance governance.* Civil society groups at all levels can and are playing an important role in monitoring and influencing decision-making within climate finance funds. But they need to occupy such spaces more effectively than they have to date by monitoring and engaging in more inclusive decision-making processes with technical rigor and authority. However, "representation" of non-state actors can be a very difficult issue—civil society is diverse with widely differing views.

- *Near- and medium-term climate finance should focus on strengthening national institutions*. A next generation of climate investments should promote the responsibility of recipient countries by strengthening the national institutions that will implement mitigation and adaptation activities and by ensuring their transparency and accountability to citizens within countries, as well as to the international community. While it is important that development agencies provide technical support to national institutions, they should work in closer partnership with national stakeholders. It will be particularly important to engage with stakeholders outside of government, including the private sector, independent research institutions, and civil society. Such collaborations can help ensure climate finance proposals more appropriately reflect national circumstances and priorities.

- *It is important to draw from the lessons learned from decades of development finance to build national institutions that reflect universally accepted principles of good governance*. Traditional finance and development institutions have decades of experience—both good and bad—in translating internationally agreed upon agendas into national and local investments. National institutions should draw from these experiences and be designed and supported to operate in accordance with universal principles of good governance. Strong provisions for accountability should be put in place, including sound fiduciary management, anti-corruption measures, and grievance mechanisms and inspection procedures that ensure compliance with environmental and social standards and safeguards.

APPENDIX. CLIMATE FUNDS REVIEWED[4]

		ADAPTATION FUND (AF)[5]	MONTREAL PROTOCOL[6]	GLOBAL ENVIRONMENT FACILITY (GEF)[7]
OVERVIEW	FUNDING	• Total of 2 percent of Certified Emissions Reductions (CERs) for Clean Development Mechanism (CDM) activity; USD 38.7 million from the sale of 5 million CERs as of January 2010 • USD 71 million in donor contributions received in 2010 • Total available funding: USD 99.7 million (USD 109.7 million less USD 7.28 million already attributed for AF administrative budget and reimbursement to UNEP, UK, and Australia)	• Since 1990, contributions total USD 2.7 billion (as of July 2010) • Promissory notes for 2009–11 replenishment total USD 28.3 million at a minimum	• Total resources after GEF-5 Replenishment USD 15.9 billion (Pilot Program Funds: USD 0.8 billion, GEF-1: USD 2 billion, GEF-2: USD 2.75 billion, GEF-3: USD 3 billion, GEF-4: USD 3.13 billion, GEF-5: USD 4.2 billion) • In 2010, the GEF has funded USD 8.7 billion in projects through the Trust Fund and the Least Developed Country Fund (LDCF) and Special Climate Change Fund (SCCF) • Leveraged approximately USD 33 billion in co-financing
OVERVIEW	DONORS	• Partly financed by CDM revenues: USD 38.7 million from CER sales proceeds; USD 28.7 million available in grants and reimbursable loans after deduction of cumulative funding decisions • Voluntary contributions by Spain (USD 58 million) and Germany (USD 13 million)	• All "non-Article 5" Parties contribute to Fund replenishment in accordance with agreed schedule	• 25 developed and 7 developing countries contributed to the GEF-4 Replenishment; the GEF-5 Replenishment additionally targets 32 corporate donors
POWER	VOICE & VOTE	• Adaptation Fund Board (AFB): 16 members + 16 alternates—two from each of five U.N. Regional Groups, one from a Small Island Developing States (SIDS), one from Least Developed Country (LDC), two from Annex I Parties, and two from non-Annex I Parties; majority constituted by non-Annex I countries; the Board determines funding criteria and takes funding decisions after screening by Secretariat and reviewing by Project and Program Review Committee • Chair and Co-Chair of Board to be members of Annex I and non-Annex I Parties • GEF Secretariat serves as the interim Secretariat • Board decision-making by consensus when possible, otherwise two-thirds majority • Meetings open for attendance by observers	• Meeting of the Parties (MoP) is governing body • Executive Committee oversees operations, includes seven Article 5 and seven non-Article 5 members • Decisions reached by two-thirds majority vote • Secretariat headed by CEO, accountable to Executive Committee • Four Implementing Agencies: UNEP, UNDP, UNIDO, and the World Bank • UNEP and Secretariat provide treasury functions • NGOs can participate without right to vote	• Assembly: representatives of member countries (182 countries) reviews general policies, operation, membership, and considers amendments; meets every 3–4 years (last meeting in May 2010) • Council: functions like a board of directors with 32 members: 16 from developing countries, 14 from developed, 2 from Economies in Transition (EITs); responsible for developing, adopting, and evaluating GEF programs; meets twice every year; the Council works with the Scientific and Technical Panel (STAP) and the Evaluation Office, which report to the Council • Secretariat: headed by CEO, coordinates activity implementation, reports to Assembly and Council • Decision-making: funding decisions taken by the Council and by consensus, double majority vote if no consensus attainable; approved work programs must then be endorsed by CEO • NGOs: members of the GEF accredited NGOs (GEF NGO Network, over 700 institutions) can make interventions as observers
POWER	EXPERTS & NGOs	• Board can establish committees/panels/ working groups to provide expert advice	• Independent technical advisory group supports research to adapt technology to local circumstances	• STAP provides advice • Six members who are experts in GEF focal areas; GEF NGO network also provides input
POWER	ALLOCATION	• Based on: vulnerability, urgency, equitable access to fund, lesson-learning, regional co-benefits, maximizing multi- or cross-sectoral benefits, and adaptive capacity • Countries can requests funding for small (<USD 1 million) or larger (>USD 1 million) projects/programs	• Projects that result in the elimination of the maximum amount of ODS should be given priority • Prioritize projects based on: cost-effective and efficient emission reduction; geographic balance; ease of replication and technology transfer; and highest potential reduction of controlled substances	• Resource Allocation Framework (RAF) ranks recipients according to (1) their potential to generate global environmental benefits in a focal area ("GEF Benefits Index"), and (2) their capacity, policies, and practices relevant for successful implementation ("GEF Performance Index")
POWER	CONFEREENCE OF PARTIES (COP)	• Accountable to the UNFCCC COPs	• Accountable to all Parties to the Protocol	• Loosely accountable to the COPs as established in Memorandum of Understanding (MOU)

APPENDIX. CLIMATE FUNDS REVIEWED

		ADAPTATION FUND (AF)[5]	MONTREAL PROTOCOL[6]	GLOBAL ENVIRONMENT FACILITY (GEF)[7]
RESPONSIBILITY	PURPOSE	• Support adaptation activities that reduce adverse impacts of and risks posed by communities, countries, and sectors that face risks of climate change • Provide for full adaptation costs and to finance country-driven adaptation projects and programs	• Assist developing countries to meet their obligations under the Montreal Protocol on Substances that Deplete the Ozone Layer • Meet all agreed incremental costs of Article 5 Parties to phase out the use of Ozone Depleting Substances (ODS), with grants for financial and technical assistance	• Address global environmental issues and support sustainable development in six focal areas: climate change, biodiversity, international waters, ozone layer, land degradation, and persistent organic pollutants • Fund the incremental or additional costs associated with transforming a project with national benefits into one with global environmental benefits
	BASIS FOR FUNDING	• Project proponent submits proposal document • Secretariat screens all proposals, provides technical summary, then forwards to Projects and Programs Review Committee, which makes recommendation to the Board four times/year • Board can approve or reject a proposal with a clear explanation	• Secretariat receives proposals from Article 5 countries and sends them to the designated Implementing Agency • Implementing Agency works with the country to elaborate project documentation and approach • Executive Committee makes final approval decision according to the agreed committee priorities	• Full-sized projects (>USD 1 million): respond to both national priorities and GEF focal area strategies and operational programs • Medium-sized projects (<USD 1 million): expedited approval process • Enabling activities: for inventories, strategies, action plans, reports • Programmatic approaches: increase integration of global environmental issues • Small grants program: community-based
	ACCESS TO FUNDS	• Developing country Parties to the Kyoto Protocol vulnerable to climate change impacts can directly access funds through nominated National Implementing Agencies (NIEs) or through Multi-lateral Implementing Agencies (MIEs)	• Article 5 countries are eligible for support • Executive Committee approves project proposals with incremental costs >USD 500,000 • Implementing Agencies approve project proposals with incremental costs <USD 500,000 with an approved work program	• Any government agency, NGO, or private sector entity may propose a project • Project proposals must be: within an eligible country; consistent with the GEF operational strategy and national priorities; endorsed by government(s); address 1+ GEF focal areas; improve the global environment; and involve the public
ACCOUNTABILITY	REPORTING	• Projects and programs submit annual status reports to Secretariat • Projects and programs subject to terminal evaluation by an independent evaluator upon completion • Terminal evaluation reports submitted to Board	• Executive Committee develops and monitors implementation of specific operational policies, guidelines, and administrative arrangements; reviews performance reports; monitors and evaluates expenditures; and reports annually to the Meeting of the Parties	• Council approves an annual report on activities of GEF which is transmitted to the COPs and includes all GEF activities, a list of project ideas submitted for consideration, and a review of project activities funded by GEF and their outcomes
	PERFORMANCE	• AFB can carry out independent reviews or evaluations and provides strategic oversight • Regular reports required from NIEs and MIEs • Projects and Programs Review Committee monitors and reviews performance	• The Multilateral Fund Evaluations assess the continued relevance of Fund support, the efficiency of project implementation, the effectiveness of projects in achieving objectives, and lessons that guide future policy and practice	• The GEF Evaluation Office evaluates effectiveness of GEF projects/programs; establishes monitoring and evaluation standards; and provides quality control for monitoring and evaluation by Implementing and Executing Agencies
	SAFEGUARDS	• Subject to strategic priorities, policies, and guidelines of AF	• Safeguard policies of respective Implementing Agencies apply	• Safeguard policies of respective Implementing Agencies apply

APPENDIX. CLIMATE FUNDS REVIEWED

		FOREST CARBON PARTNERSHIP FACILITY (FCPF)[8]	CLEAN TECHNOLOGY FUND (CTF)[9]	STRATEGIC CLIMATE FUND (SCF)[10]		
				FOREST INVESTMENT PROGRAM (FIP)	PILOT PROGRAM ON CLIMATE RESILIENCE (PPCR)	SCALING-UP RENEWABLE ENERGY PROGRAM FOR DEVELOPING COUNTRIES (SREP)
OVERVIEW	FUNDING	• USD 115 million pledged to the Readiness Fund as of June 2009, which has a target of USD 185 million • USD 55 million pledged to Carbon Fund as of June 2009, which has a target of USD 200 million • Grant financing for the Readiness Mechanism (RM); contributions to the Carbon Finance Mechanism (CFM) will purchase emission reductions • Minimum contribution of USD 5 million	• USD 4.91 billion pledged to the CTF as of 2009 • USD 2.05 billion received as of July 2010 • Grants, concessional loans, and guarantees: contributors can provide concessional loans, capital, and grants	• Intended capitalization of USD 500 million • USD 558 million pledged as of January 2010 • Grants and concessional loans • Exact terms of financing to be decided after finalization of design document	• USD 967 million pledged as of January 2010 • Grants and concessional loans • Technical assistance to integrate resilience into national development plans/sectoral strategies	• USD 292 million pledged as of January 2010 • Grants and concessional loans • Financing for use of proven "new" renewable energy technologies • Countries that receive SREP financing are expected to not receive CTF financing
	DONORS	• Australia, UK, U.S., Norway, France, Netherlands, Japan, Spain, Switzerland, Norway, Germany, European Community, Nature Conservancy	• France, Germany, Spain, UK, U.S., Japan, Sweden, and Australia	• Norway, Australia, Japan, UK, and U.S.	• Australia, Canada, Denmark, Germany, Japan, Norway, UK, and U.S.	• Japan, Netherlands, Norway, Switzerland, UK, and U.S.
POWER	VOICE & VOTE	• Participant Committee: 10 donor country and 10 recipient country participants • World Bank serves as Trustee • Non-voting observers include one representative of forest-dependent indigenous peoples and forest dwellers, one private sector representative, and one civil society representative • The UNFCCC Secretariat, UN-REDD, and the GEF are also observers	• Trust Fund Committee (TFC): eight donor and eight developing country governments • World Bank, IFC, and the MDBs (Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, and Inter-American Development Bank) represented on committee but do not weigh in on funding • Decisions by consensus • Observers include: representative of the UNFCCC Secretariat, GEF, UNEP, and UNDP, plus four civil society and two private sector actors	• SCF Trust Fund Committee: eight representatives of contributor countries plus eight recipient countries • Active observers: four civil society reps, two private sector reps, and international organizations (UNFCCC, GEF, UNEP, and UNDP) • All CIF committees and sub-committees have two co-chairs: one donor and one recipient		
				FIP	PPCR	SREP
				• Up to six donors, equal recipients • Observers: representatives of intergovernmental organizations plus four civil society; four indigenous peoples; four private sector • Decision-making by consensus	• Up to six donor countries and equal potential recipient countries selected on regional basis • GEF, UNDP, UNEP, UNFCCC, PPCR experts, civil society, and private sector observers	• Up to six donor countries (at least one should be a member of the SCF Trust Fund Committee), with equal number of recipient countries (at least one should be a member of the SCF Trust Fund Committee) • A representative from the Energy for the Poor Initiative to be an observer
	EXPERTS & NGOS	• Technical Advisory Panels: Readiness Plan Idea Notes (R-PINs) and Readiness Preparation Proposals (R-PPs) before Participant Committee consideration	• No formal role for technical experts • NGO and private sector observers not included in investment plan discussions	• Expert Group will be established by FIP sub-committees to inform selection of country or regional pilot programs	• An eight member Expert Group selected by sub-committee will help select pilot PPCR countries	• Technical assistance to be provided during all stages of project development and implementation
	ALLOCATION	• Countries admitted to the RM apply for a USD 200,000 R-PP preparation grant, and for up to USD 5 million for R-PP implementation • May proceed with R-PP when R-PIN accepted	• Countries develop clean technology investment plan based on detailed guidelines • Financing based on Investment Criteria for Public Sector Operations and Operational Guidelines for the Private Sector • No more than 10 percent of funds go to one country	• Criteria include: significant mitigation potential; target drivers of deforestation and forest degradation while avoiding perverse incentives; partner with the private sector; seek and ensure economic and financial viability; build local capacity	• Criteria for program selection: transparent vulnerability criteria; country preparedness and ability to move toward climate-resilient development plans, taking into account efforts to date and willingness to move to a strategic approach; regional distribution	• Criteria include: transformative impact; economic, social, and environmental development impact; economic and financial viability; leveraging of additional resources; implementation capacity of public and private sectors; "critical mass" for implementation

<table>
<tr><th colspan="7">APPENDIX. CLIMATE FUNDS REVIEWED</th></tr>
<tr><th colspan="2"></th><th>FOREST CARBON PARTNERSHIP FACILITY (FCPF)[8]</th><th>CLEAN TECHNOLOGY FUND (CTF)[9]</th><th colspan="3">STRATEGIC CLIMATE FUND (SCF)[10]</th></tr>
<tr><th>POWER</th><th>COP</th><td>• No direct accountability to bodies outside of the World Bank Group
• Intergovernmental organizations and multilateral bodies are observers</td><td>• Programs subject to MDB board approval
• UNFCCC Secretariat observes Fund
• Sunset clause to conclude operations once UNFCCC financing negotiated</td><td colspan="3">• Intergovernmental organizations and multilateral bodies are observers to the FIP and SCF, but there is no direct accountability
• Sunset clause to conclude operations once UNFCCC financial architecture is negotiated</td></tr>
<tr><th rowspan="6">RESPONSIBILITY</th><th rowspan="2">PURPOSE</th><td rowspan="2">• Demonstrate REDD activities
• Provide incentives per ton of CO_2 reduced</td><td rowspan="2">• Support deployment of clean energy technologies and transformative reductions in GHG emission trajectories in developing countries</td><th>FOREST INVESTMENT PROGRAM (FIP)</th><th>PILOT PROGRAM ON CLIMATE RESILIENCE (PPCR)</th><th>SCALING-UP RENEWABLE ENERGY PROGRAM FOR DEVELOPING COUNTRIES (SREP)</th></tr>
<tr><td>• Mobilize funds to reduce deforestation and forest degradation and promote sustainable forest management</td><td>• Demonstrate integrating climate risk and resilience into development planning</td><td>• Promote transformational change toward low-carbon energy pathways</td></tr>
<tr><th>BASIS FOR FUNDING</th><td>• Countries develop R-PINs, followed by R-PPs
• Readiness supports countries to: (1) prepare REDD strategy, (2) set forest emission reference scenarios, and (3) establish MRV systems</td><td>• World Bank and the regional development banks (RDBs) organize joint missions to engage government, private sector, and other stakeholders
• Clean technology investment plan identifies major GHG emission sources and mitigation opportunities</td><td>• FIP Sub-Committee selects pilot countries and regional programs
• Countries must be official development assistance eligible
• Governments develop projects/programs</td><td>• PPCR Sub-Committee selects pilot countries
• MDBs and U.N. agencies conduct joint mission to enhance climate resilience of national development plans, strategies financing
• Proposals prepared by country and MDBs</td><td>• MDBs and governments conduct joint missions to engage U.N. agencies, civil society, indigenous peoples, private sector, and other stakeholders on how the program can assist the government to enhance renewable energy investments</td></tr>
<tr><th rowspan="3">ACCESS TO FUNDS</th><td rowspan="3">• Only sovereign governments can access the FCPF
• Governments access funds via World Bank; funds cover World Bank costs of operation</td><td rowspan="3">• Governments access funds via MDBs
• Private companies can access funds through International Finance Corporation (IFC) and private sector arms of RDB
• Up to USD 1 million available to prepare programs</td><td colspan="3">• Governments develop investment plans and access funds through pertinent MDBs</td></tr>
<tr><th>FIP</th><th>PPCR</th><th>SREP</th></tr>
<tr><td>• Grants for indigenous peoples, communities
• Direct access to financing under consideration</td><td>• Only countries shortlisted by the PPCR Expert Group are eligible for financing</td><td>• SREP Sub-Committee approves a provisional list of eligible countries or regions based on recommendations of the SREP Expert Group</td></tr>
<tr><th rowspan="5">ACCOUNTABILITY</th><th rowspan="2">REPORTING</th><td rowspan="2">• Annual performance report evaluates FCPF performance at country and program levels
• Decision meetings open to observers
• Key documents (R-PINs, R-PPs) available to observers</td><td>• As of May 2009, investment plans to be publicly disclosed three weeks before Trust Fund Committee (TFC) deliberations and disclosed in country prior to sharing with TFC
• Periodic independent evaluations</td><td>• FIP Sub-Committee indicators to assess investment plans and measure program impact
• MDBs' Independent Evaluation Units will assess the FIP and its programs after three years</td><td>• Global Support Program proposed to ensure lessons are captured and disseminated at the global and regional level, and make expertise and tools available to participating countries</td><td>• SREP Sub-Committee should approve a results framework to measure the impact of SREP</td></tr>
<tr><td colspan="4">• Annual report on CIF operations will be prepared by the administrative unit
• As of May 2009, a common framework for results management that will include specific indicators for each fund is under development</td></tr>
<tr><th rowspan="2">PERFORMANCE</th><td rowspan="2">• FCPF committee and assembly to ensure that operations are consistent with charter and objectives</td><td rowspan="2">• A results measurement framework is under development to monitor the impacts and outcomes</td><th>FIP</th><th>PPCR</th><th>SREP</th></tr>
<tr><td>• Indicators are being developed</td><td>• Results Framework developed with input from experts</td><td>• Results measurement framework to define how transformational impacts will be measured</td></tr>
<tr><th>SAFEGUARDS</th><td>• Strategic environmental and social assessments with reference to World Bank Safeguards</td><td colspan="4">• Programs subject to the safeguard policies of the pertinent MDBs</td></tr>
</table>

APPENDIX. CLIMATE FUNDS REVIEWED

		BANGLADESH CLIMATE CHANGE RESILIENCE FUND[11]	INDONESIA CLIMATE CHANGE TRUST FUND[12]	AMAZON FUND[13]
OVERVIEW	FUNDING	• USD 110 million pledged: UK pledged USD 86.7 million, EU pledged USD 10.4 million, Denmark pledged USD 1.6 million, and Sweden pledged USD 11.5 million • Financed by grant contributions (minimum USD 1 million) • Approximately USD 90 million executed by the government of Bangladesh, and USD 8 million will be by the World Bank as the administrator • Eligible expenditures: goods; works; consultant services; training or transfer of knowledge; operating costs	• UK deposited USD 16.5 million and Australia deposited USD 1.8 million • Innovation Fund: grants for activities with indirect economic and social benefits • Transformation Fund: domestic loans and private financing for low-carbon development	• USD 107 million was donated in 2009 by the Norwegian Government • Norwegian Government pledged USD 1 billion to be fully transferred by 2015 • Potential for USD 24.5 million (€18 million) from Germany
	DONORS	• UK, Denmark, EU and Sweden	• UK, Indonesia	• Norway
POWER	VOICE & VOTE	• Two-tiered governance structure: • Governing Council • Management Committee • Both bodies will be chaired by the Government of Bangladesh, and include representatives from line ministries, development partners and civil society. • Management Committee: project review and management; developing partners contributing USD 5.0 million–9.9 million have a seat • Policy Council: provides strategic direction; developing partners contributing at least USD 10 million receive a seat • Secretariat: manages day-to-day operations • Decision-making by consensus (majority voting if no consensus) • Observers: Bangladesh Government ministries; World Bank and Asian Development Bank Country Directors; U.N. Resident Representative; European Commission Ambassador	• Steering Committee: donors and government representatives from different ministries; each member has voting rights; responsible for management, strategic orientation, and operational guidelines • Technical Committee: to advise Steering Committee on technical matters; has suggested that representatives of the Steering Committee with voting rights automatically be members of the Technical Committee • Secretariat: consists of technical, administrative, and financial experts	• Guidance Committee: sets guidelines and criteria for the Fund and follows up on results achieved; comprised of three "blocks": federal government, state government, and civil society blocks • Each block has one vote, and each member of a block has one vote within its respective block • Steering Committee: decisions by consensus of the three blocks • Technical Committee: certifies the data and the calculation of avoided emissions
	EXPERTS & NGOs	• No formal role for technical experts • Expenditures for consultant services are eligible for financing	• Technical service providers: assist Secretariat and committees; panel of experts assists applications and selecting contractors • Financial service providers: UNDP is the interim Trustee	• Technical Committee: six scientific and technical specialists annually issue an evaluation report on deforestation data
	ALLOCATION	• Two windows distribute funds: (1) activities implemented by government of Bangladesh (90 percent of financing), (2) activities by non-governmental organizations (10 percent)	• Three windows: energy (renewable energy and energy efficiency); forestry and peatland (REDD, sustainable forest, and peatland management); resilience (climate change information system, agriculture coastal zones, fishery and water management)	• Projects included in at least one of: public forests and protected areas, sustainable production activities, scientific and technical development applied to the sustainable use of biodiversity, or institutional enhancement of forest management systems
	COP	Not specified	Not specified	Not specified

APPENDIX. CLIMATE FUNDS REVIEWED

		BANGLADESH CLIMATE CHANGE RESILIENCE FUND[11]	INDONESIA CLIMATE CHANGE TRUST FUND[12]	AMAZON FUND[13]
RESPONSIBILITY	PURPOSE	• Improve the lives of 10 million vulnerable people by 2015 through climate change adaptation and risk reduction measures • Complement climate risk management projects under the Climate Change Fund and other development programs and leverage critical resources to address the Climate Change Strategy and Action Plan (CCSAP's) six pillars	• Promote coordinated national action to respond to climate change • Align assistance for climate change with Indonesian development priorities • Improve access to financing and facilitate private investments • Prepare policy framework for mitigation and adaptation	• Combat deforestation and promote conservation, and promote deforestation monitoring and control systems
RESPONSIBILITY	BASIS FOR FUNDING	• Bangladesh Government agencies prepare project concept notes (PCNs) and Project Appraisal Documents (PADs); World Bank prepares grant agreement implementer • NGOs, community organizations, research institutions, others submit proposals with proof of registration and recent financial audit, and Management Committee selects an independent organization to process and implement projects	• Sectoral ministries submit proposals to Secretariat for pre-appraisal; Secretariat submits proposal to the Technical and Steering Committees; Steering Committee approves, rejects, or provides the opportunity to amend and resubmit the proposal for approval • Contractors selected through transparent tendering process	• Institutions must formalize a preliminary application to BNDES describing the basic characteristics of the institution and its project proposal
ACCOUNTABILITY	REPORTING	• Management Committee meets "as needed" during implementation period (at least three times/year); produces meeting reports, recommendations, and shares notes with members • Minutes of bi-monthly Management Committee meetings on project concept notes prepared by the Secretariat and shared with the Management Committee and Implementing Agencies	• Secretariat will prepare technical reviews for the Technical Committee, quarterly progress reports and monthly financial reports for the Technical Committee, and provide semi-annual narratives and financial reports to the Steering Committee	• Donors may receive a diploma corresponding to the amount of the donor's contribution to the reduction of carbon emissions from deforestation in the Amazon • Annual Report will publish list of donors, donated amounts, fund guidelines and priorities, results achieved, and financial and operational performance
ACCOUNTABILITY	PERFORMANCE	• Management Committee will review semi-annual monitoring and evaluation reports prepared by Secretariat for submission to Developing Partners • Monitoring matrix to track inputs, outputs, and outcomes will be developed with performance indicators • Administration Agreement ensures funds used according to purposes and objectives agreed to by developing partners, the government of Bangladesh, and the World Bank • Grant agreements govern use and disbursement of funds	• Monitoring and Evaluation Mechanism will be executed by the Technical Committee, and reports will be submitted regularly to the Steering Committee and interested stakeholders • An independent auditor, appointed by the Steering Committee, will annually audit "policy compliance" and service providers • Auditor appointed by the government of Indonesia will audit funds used by ministries	• Annual external audit conducted by a reputable institution • Auditing to verify resources used in line with purpose and guidelines, and outputs conform with national plans • Fund administered by BNDES, overseen by Advisory Committee and Auditing Committee • Annual meetings with donors on continuation of funding
ACCOUNTABILITY	SAFEGUARDS	• Procurement governed by World Bank policies and procedures • World Bank safeguard measures ensure funds used for purposes specified in grant agreements with Implementing Agencies	• Projects abide by the Indonesian Government National Action Plan and Yellow Book • ICCTF should follow the principles of the Jakarta Commitments and Paris Declaration of Aid Effectiveness	• Funds are deposited in a dedicated account kept by BNDES and all transactions performed in full compliance with national and international standards and regulations

NOTES

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2. UNFCCC, "Report of the Conference of the Parties on its Fifteenth Session" (Bonn: UNFCCC, 2010); UNFCCC, "Addendum, Part Two: Action Taken by the Conference of the Parties at its Fifteenth Session," Decision 2/CP.15, Annex (Bonn: UNFCCC, 2010), online at: http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf#page=21.
3. Interventions made by the G-77 and China on finance at the Bangkok climate change talks (2009) suggest these views (International Institute for Sustainable Development [IISD], "AWG-LCA 7 and AWG-KP 9 Highlights," *Earth Negotiations Bulletin* 12 [October 6, 2009]: 3 and 6, online at: http://www.iisd.ca/download/pdf/enb12435e.pdf).
4. The climate funds reviewed continue to evolve. Changes to the funds may have occurred since this report was finalized.
5. The Adaptation Fund, online at: http://unfccc.int/cooperation_and_support/financial_mechanism/adaptation_fund/items/3659.php.
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7. Global Environment Facility Secretariat, "GEF-5 Programming Document, Sixth Meeting for the Fifth Replenishment of the GEF Trust Fund" (May 12, 2010), online at: http://thegef.com/gef/sites/thegef.org/files/documents/GEF.R.5.31.pdf.
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10. Strategic Climate Fund, online at: http://www.climateinvestmentfunds.org/cif/node/3.
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12. Indonesia Climate Change Trust Fund, online at: http://www.icctf.org/site.
13. Amazon Fund, online at: http://www.amazonfund.gov.br.

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