Building a post-2012 global climate regime

European Union COP-15 information sheet

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Effective governance of international climate finance

- *Effective and efficient governance of international climate finance is needed to handle the greater pace and scale of financing for developing countries post-2012*
- *This should build as far as possible on existing institutions and developing countries' own systems*
- *A new set of statistics for climate financing should be established to strengthen accountability in provision of financial help to developing countries*
- *The EU supports the establishment of a high-level forum or body under UNFCCC guidance to provide an overview of international climate financing sources*

An effective and efficient institutional framework for governance of international climate finance needs to be developed as part of a Copenhagen agreement. Current institutional arrangements were not designed to handle disbursement of climate finance at the greater pace and scale that will be needed by developing countries post-2012 (see EU information sheet *Scaling up climate finance for developing countries*).

The main characteristics of the new financial architecture should be **adequacy, predictability, accountability, transparency and sound financial management**.
The overall governance structure should also be decentralised and country-driven, and should meet standards for aid effectiveness.

Future institutional arrangements should as far as possible build on and strengthen **existing institutions** in the area of international cooperation, as well as developing countries' own systems. The future architecture should make use of institutions and channels both inside and outside the UNFCCC's financial mechanism, reforming these where needed.

The EU reaffirms the role of the **Global Environment Facility** as an operating entity of the UNFCCC's financial mechanism, but stresses the need for reforms to improve the GEF's effectiveness and efficiency.

Greater coordination of international financial flows will be required to promote coherent delivery of the support needed by developing countries. The European Union supports the establishment of a **high-level forum or body** under the guidance of the UNFCCC to provide an overview of international sources for financing climate-related investments in developing countries.

The forum or body should also review the distribution of international public finance across the different priorities such as adaptation and mitigation, and encourage synergies with other environmental agreements. It should involve all relevant actors, including international financial institutions. Representation in the forum or body should be balanced.

Financial support for **adaptation** would focus on developing countries and regions that are particularly vulnerable to the adverse impacts of climate change. Support would be provided first for urgent needs, such as those identified in countries' **national adaptation plans of action (NAPAs),** and to prepare for post-2012 action through investment in capacity building, knowledge systems, and risk reduction and management**.** Thereafter support would be based on country-defined priorities and needs.

The financial governance system for emissions **mitigation** by developing countries should include the following key elements (see also the EU information sheet *Mitigating emissions growth in developing countries*):

- All countries except the least developed should commit to preparing ambitious and credible **low carbon growth plans (LCGPs)** setting out their strategy for low carbon development.
- **Nationally appropriate mitigation actions** (**NAMAs)** should be framed in the context of these LCGPs, allowing for a coherent set of policies to reduce emissions below the projected baseline.
- Developing countries should indicate whether their NAMAs will be funded domestically or require international public finance or finance via the international carbon market.
- NAMAs need to be accompanied by a **technical analysis** undertaken in the context of the LCGP. This analysis will help to facilitate NAMAs' access to external support.
- A **coordinating mechanism** should be established. This would include an **international registry** ensuring full transparency of all NAMAs, and related support, in the context of LCGPs. The mechanism should help match up finance for mitigation action with the financing needs identified in LCGPs and NAMAs.
- Developing country NAMAs and the external support they receive should be regularly updated in the registry and reported in countries' **National Communications.**

While support for mitigation and adaptation in developing countries will require the mobilisation of additional resources from a wide range of financial sources, **Official Development Assistance (ODA**) will continue to play a role. This is particularly the case for adaptation, including disaster risk reduction, in the most vulnerable and least developed countries. The EU is committed to honouring its ODA pledges and wants other developed countries to do likewise.

All ODA should take climate considerations into account with a view to making it 'climate proof'. Potential synergies between such assistance to developing countries and the implementation of international climate finance should be fully exploited.

A comprehensive set of **statistics for climate financing and support** should be established to strengthen accountability. This should preferably build on existing reporting mechanisms such as the OECD-DAC (Development Assistance Committee) system for monitoring financial flows to developing countries. The statistics should be fully consistent and transparent, and thus able to help identify any risk to poverty reduction efforts and achievement of the Millennium Development Goals.

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