**World Bank Bali Dialogue**
**Istanbul, 5 October 2009**

**Address by Yvo de Boer, Executive Secretary**
**United Nations Framework Convention on Climate Change**

Mr. Zoellick,
Ministers,
Excellencies,
Ladies and gentlemen,

It is an honour and a pleasure to be here.

From a general point of view, Copenhagen may be two months away. But in terms of real negotiating time, it's a mere two weeks away. We are entering the last week of talks in Bangkok. There will be one more week of talks in Barcelona. This drives home how urgent it has become to make progress.

The knowledge, expertise and advice of finance and development cooperation Ministers are important for climate negotiators to find the best possible options for climate change finance. Especially on the last stretch to Copenhagen, your expertise and advice to negotiators may be essential in helping move the finance debate in the negotiations forward.

From Bali, we have now moved steadily closer to Copenhagen, where a deal needs to be sealed that benefits the world and is acceptable to all Parties. Through concerted, ambitious action, the world can limit the magnitude and severity of climate change impacts. Ambitious action can save lives and limit damage to economies and economic growth.

Two weeks ago, United Nations Secretary-General Ban Ki-moon convened a summit on climate change in New York. The summit ended with a loud call by world leaders to reach a comprehensive climate change agreement in Copenhagen that ensures the following five essential components:

1. Enhanced action to assist the most vulnerable and the poorest in adapting to the impacts of climate change;
2. Ambitious emission reduction targets for industrialized countries on an individual basis;
3. Nationally appropriate mitigation actions by developing countries to limit the growth of their emissions, while safeguarding economic growth and sustainable development, with the necessary support;
4. Significantly scaled-up financial and technological resources;

5. An equitable governance structure under the UNFCCC to guide financial resources.

While a call for a strong deal at the highest level has increased the political momentum towards Copenhagen, the devil, as always, is in the detail. It is up to the climate change process to negotiate the necessary elements in each area to ensure effective implementation.

This is currently on-going at the latest round of Climate Change Talks in Bangkok. While the negotiations are making some progress in important areas such as adaptation, technology and capacity-building, there is little or no movement on finance and its governance.

This is a great concern because scaled-up finance is the foundation for all other elements of the deal. Many Parties have expressed frustration with the current architecture for climate finance, and many want to see real change in this area.

**In the negotiations, there are two main aspects to climate financing:**

1. Scaling up the resources for action in the long term, but also for immediate action. To my mind, urgent start-up funding in the order of USD 10 billion needs to be on the table in Copenhagen. In the long term, much more will be required, initially mostly from public sources, but over time with an increasing contribution from private sources.

   It is important that clarity is achieved on *how* such finances will be generated. To this end, a Copenhagen deal needs to include a burden-sharing formula.

2. The second main issue in climate financing is governance. And this is the main focus of today's discussion.

   A governance structure needs to be agreed in Copenhagen that is acceptable to all Parties to ensure effective support for implementation. What is needed is a financial architecture that can effectively channel the required resources to where they need to go to implement the actions that the Copenhagen outcome establishes.

**But it is important to be sensitive to the needs of the process.**

In establishing the World Bank's Climate Investment Funds (CIF), you have included a sunset clause which conditions further operation of the CIF on the outcome in Copenhagen. I applaud this. It was a positive signal, because it showed that the World Bank is responsive to the climate change process and respects the negotiations as they advance to a Copenhagen deal. And I appeal to you to continue to show such understanding going forward.

Now is the time to work towards a new relationship which looks into the emerging needs and structures of the Copenhagen climate agreement. In this context, you need to consider how you can match responsiveness to the climate change Convention with the responsibilities to your own boards and their level of autonomy.

**To understand the issues surrounding the financial architecture for climate change, it is useful to consider the main positions on governance in the climate change process.**

Developing countries are by and large dissatisfied with the existing governance system. They have pointed out with regard to the existing system that:

1. It doesn't safeguard their needs;
2. They don't have an equitable voice in it;
3. Disbursement is too slow;
4. The international financing system is fragmented.

In the negotiations, the G77 & China are proposing that the funds that are agreed in Copenhagen be under the authority of the Conference of the Parties to the UNFCCC.

It is important to the G77 & China that the new governance breaks with the past in that it is based on the equitable representation of Parties. Parties would have direct control over funds under the Convention, whereas they wouldn't have that level of control over funds outside the Convention.

The G77 & China wants to ensure that funding addresses developing countries' development priorities. The underlying concern of developing countries is that they want to be able to direct finances towards their defined priorities.

Specifically, they want to avoid that current governance structures match resources with mitigation actions in a way that would lead to "cherry-picking" actions according to donors' priorities, instead of developing countries' defined priorities.

Industrialized countries, on the other hand, are pushing for governance of funds through existing channels. Industrialized countries maintain that existing multilateral institutions and regional development banks have an important role to play in the governance of the generated finances.

Industrialized countries also want to ensure that there is no proliferation of financial institutions, given the resources this would swallow. Specifically, they want to ensure that money should be spent wisely and in an efficient manner. As contributors, they want to use the systems they trust to deliver finance most effectively with appropriate fiduciary controls.

Both positions are fundamental and legitimate concerns. But while these positions may seem far apart at first sight, they should not be regarded as incompatible.

**A middle ground can be found to accommodate the interests of both sides.**

I am convinced that Multilateral Development Banks can play an important role in the implementation of financing arrangements for both mitigation and adaptation, provided Parties' concerns are taken into consideration.

Leaders in different forums have recognized that the expertise of existing institutions should be drawn upon. They have called for Multilateral Development Banks to work in an inclusive way and to be more responsive to developing country needs.

They are also calling for transparent, fair, effective and efficient governance systems that also reflect balanced representation. In this context, you need to consider *how* the role of multilateral development banks can be married with the requirements for a financial structure as set out in the Climate Change Convention.

To identify a common way forward, it is important to take emerging principles of governance into consideration.

This entails principles to guide the governance of institutional arrangements, including balanced representation of developing and developed countries; accountability; the reform of existing institutions and delivery mechanisms; as well as new institutions and delivery mechanisms.

It also includes the “authority” of the COP over the operating entity/ies of the financial mechanism of the Convention and ensuring coherence and coordination in the financial architecture.

Principles are also emerging to guide disbursement and simplify access, including direct access. The principles of efficiency, effectiveness and ensuring that fiduciary standards are safeguarded are equally important.

It is important to develop a governance structure that allows using both existing and new finance streams, which ensures accountability to the Conference of the Parties.

What is critical here is that options enable delivery that clearly responds to the needs of developing countries; ensures efficiency, effectiveness and accountability; and includes equitable and balanced representation.

**It is my sincere hope that your expertise can help create the basis for a bridge between these concerns.**

As Ministers in charge of finance and development cooperation, you could provide advice on this to negotiators.

Without clarity on climate financing in a mutually acceptable way, a climate change deal, however good and ambitious it may end up being, will not be fully implementable.

On the other hand, climate financing that responds to developing countries’ needs; that ensures efficiency, effectiveness, accountability and equitable governance, will drive positive change – for the world, for the climate and, ultimately, for development.

Thank you

- - - - -