DEBATING THE FUTURE CLIMATE REGIME: WHY THE UNITED NATIONS SHOULD ADMINISTER THE ADAPTATION FUND INSTEAD OF THE WORLD BANK

Andrew J. Riplinger and Dr. Antonio Morales-Pita
DePaul University

As policymakers debate the future climate regime that will replace the Kyoto Protocol, one of the most important issues being discussed regards the creation of a Fund to finance adaptation efforts in less-developed countries (LDCs). How the Fund will the financed, who will be responsible for administering it and what criteria will be used to determine who receives funding are all key issues that have yet to be determined. A problematic historical relationship exists between LDCs and the Bretton Woods institutions (such as the IMF and the World Bank) because these institutions are typically governed by a small group: the most developed countries (DCs). This prevents institutions like the World Bank from operating in the best interest of LDCs and has jeopardized the Bank's role in international development efforts. Given this history and the importance of successfully implementing adaptation as part of a final climate regime, it is recommended that the United Nations – a more representative, democratic and transparent institution – be given administrative control over the Adaptation Fund rather than the World Bank.

Introduction

As the debates on climate change and international development move forward, and as academics and policymakers continue to make strides towards the Millennium Development Goals (MDGs), one thing is certain: anthropogenic climate change remains one of the single greatest threats to international development efforts. In order to address this challenge, a climate change Adaptation Fund (AF) must be created in order to provide less developed countries (LDCs) assistance in adapting to the effects of climate change. The most recent World Bank reports estimate that the cost of adapting to climate change for LDCs will be $100 billion each year by 2020.

Climate change poses a serious threat to all countries. All states, LDCs and developed countries (DCs) alike, have an interest in reaching a global climate deal which will mitigate the emission of greenhouse gases and adapt to the effects of climate change. Mitigation is extremely important, specifically from an economic perspective, because the cost to society will be much smaller if the most calamitous effects of climate change can be avoided or prevented. However, not all impacts of climate change can be avoided through strict mitigation, which is why the debate over the Adaptation Fund is so important.

The most recent meeting of the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen in December 2009 was a disappointment to many because it did not result in a legally-binding international climate treaty. However, Copenhagen was the first time that DCs (the US in particular) committed to the concept of funding an AF of up to $100 billion per year as part of a final climate deal.[1] However, world leaders are still working out the details about how much should be provided to the fund, how it should be financed and who will be responsible for administering the funds. Leaders from DCs argue that it should be administered by the World Bank, while leaders from LDCs argue that it should be administered by the UN or some other newly created institution.

This paper will examine this argument and demonstrate that in order to ensure effective, democratic and transparent control over the integration of international development and climate change adaptation efforts, the AF should be administered by the United Nations and not the World Bank. The first section will evaluate twelve different proposals for how the Adaptation Fund should be financed. The second section will evaluate the United Nations and the World Bank by examining their history, governance, proposed reforms and role in international development thus far. The third section will then evaluate the pros and cons of having each institution administer the AF. The conclusion will discuss possible policy implications of this analysis and recommendations for future research.

Adaptation Fund Financing Strategies

The most recent World Bank study on climate change adaptation estimates that it will cost less developed countries up to $100 billion per year to adapt to

1 All monetary values are in US dollars.

climate change by the year 2020. Depending on exactly how climate change occurs, these funds will be distributed slightly differently, mostly depending on whether a "wetter" or a "drier" scenario plays out. The World Bank estimates that in either scenario, East Asia and the larger Pacific region will have the highest costs of adaptation, followed by Latin America and the Caribbean in both scenarios and Sub-Saharan Africa in the "drier" scenario.[2]

Many countries including the United States have agreed to contribute to an AF of $100 billion by 2020, and there are numerous strategies which have been proposed on how to reach this goal. Below are twelve proposals which have been officially submitted to the UNFCCC. This analysis draws upon a report published by the poverty advocacy organization Stamp Out Poverty, which assessed these proposals based on various criteria including their ability to sufficiently meet the $100 billion per year goal.[3]

Name	Funding Source	Estimated Revenue per year*
Mexican Climate Change Fund (MCCF)	Mandatory central government support from high and middle-income countries, obtained through auctioning carbon permits.	$100 billion
Swiss Carbon Tax Proposal	Global tax on all carbon emissions (with some exceptions for LDCs).	$50-100 billion
G-77 + China Proposal	Mandatory central government support from DC's budgets equal to 0.5% of GDP (shared between adaptation and mitigation).	$46-100 billion
Currency Transaction Tax	0.005% levy on international currency transactions.	$40 billion
EU Emission Trading Scheme Auction Levy	EU central governments support from auctioning EU carbon permits.	$25 billion
International Maritime Emission Reduction Scheme	Levy on international shipping.	$15 billion
Norwegian Assigned Amount Units	International auctioning of central government carbon allowances.	$14 billion
International Air Passenger Adaptation Levy	Levy on international air travel ($6 USD for economy class and $62 for business/first class).	$10 billion
US Auction Levy	US central government support from auctioning US carbon permits.	$6 billion

2 World Bank, *The Cost to Developing Countries of Adapting to Climate Change: New Methods and Estimates*. Executive Summary – Consultative Draft. The Global Report of the Economics of Adaptation to Climate Change Study 2009, 5, accessed February 7, 2010, www.worldbank.org/eacc.

3 Stephen Spratt, *Assessing the Alternatives: Financing Climate Change Mitigation and Adaptation in Developing Countries* (report for Stamp Out Poverty, May 2009), accessed February 7, 2010, http://www.stampoutpoverty.org/download.php?id=379.

Tuvalu Burden Sharing Mechanism	0.01% levy on international air travel and freight shipping for DCs, and 0.001% levy for LDCs.	$40 million
Global Capital Fund Mechanism	Bonds issued by DCs on global capital markets.	N/A – Estimated to be highly insufficient.
World Bank Pilot Program for Climate Resilience	Discretionary central government budget support from DCs to World Bank ODA Funds.	N/A – Estimated to be insufficient. Also given as loans, not grants.

Table 1. Possible Adaptation Fund financing strategies proposed to the UNFCCC
*These proposals are dependent upon a final international climate treaty and can be altered to reach the $100 billion per year goal, and are therefore only rough estimates of expected revenue.

The different mechanisms discussed above demonstrate the wide variety of proposals put forth toward the goal of financing the AF. Because this discussion is about financing an AF from 2020 onward, and because many of these proposals could be slightly altered, strengthened or diluted, it is not likely that any of the estimates are 100 percent accurate. Yet, these proposals do offer strong guidance for how the AF could be financed as the international community moves forward toward a legally binding international agreement.

Of the proposed strategies above, it appears that the most promising proposals come from contributions from central governments that are tied to climate change mitigation strategies that put a price on carbon dioxide emissions. The Mexican Climate Change Fund, Swiss Carbon Tax Proposal and the G-77 + China Proposal appear to be sufficient in meeting the financing demand for $100 billion per year until 2020. Other proposals also have the potential to meet this demand while some appear to be insufficient. Namely, the proposal put forth by the World Bank is largely insufficient for three reasons: a) contributions from central governments are discretionary, rather than mandatory, b) money is distributed to LDCs as loans, not grants, and c) these loans are viewed as ODA and therefore they are counted toward a country's 0.7 percent of GDP target for the ODA.

As financing for the AF continues to be debated, there is another debate that is perhaps even more crucial: who or what will be responsible for the administration of the AF? Who will make decisions about which adaptation projects will be funded and in which countries?

Analysis of the United Nations and the World Bank

In order to ensure effective, democratic and transparent control over the integration of international development and climate change adaptation efforts, there must be effective, democratic and transparent control over whichever organization is responsible for the administration of the AF. The two largest multilateral organizations in the world currently focused on international development are the United Nations and the World Bank, thus making them the most likely candidates for administrators of the global AF. Below is a discussion about the UN and the World Bank which will focus on their governance, role in international development and highlights of some proposed reforms to their governance.

Table 2: Comparison of the United Nations and World Bank

		United Nations	World Bank
Governance	**Democratic?**	**Yes, somewhat.** The UN General Assembly has an equal distribution of votes among all member states on a one-state one-vote basis. However, the UN Security Council, which is dominated by the five permanent members, ultimately holds legally-binding power.	**No.** Voting rights in the World Bank are distributed based on contributions paid to the Bank by member governments. Larger economies dominate the governance structure of the institution, and LDCs are largely underrepresented.
	Transparent?	**Yes.** The United Nations is largely transparent in its governance and has a good record of working with member states as well as international civil society.	**No.** The World Bank has a history of poor transparency. Most LDC governments do not have full access to all information and most high-level decisions occur behind closed doors.
Role in International Development	**Relevant?**	**Yes.** The United Nations has played an increasingly important role in international development efforts, especially since the late 1990s when the General Assembly became involved in drafting, monitoring and promoting the Millennium Development Goals.	**Yes.** The World Bank has played a significant role in international development by funding development projects as well as providing technical assistance to LDCs as they move forward with development tasks.
	Positive Impact?	**Debatable.** The United Nations has done an excellent job of coordinating international development projects and organizing the international community (both public and private) around meeting the Millennium Development Goals. However, its resources are limited and is unable to directly fund most major development projects.	**Debatable.** The World Bank has a controversial history. While it has funded development projects throughout the world that have been effective at increasing infrastructure, building roads, schools, hospitals, etc., it has also used its position to spread "Washington Consensus" policies which have severely hindered development in most LDCs.

The United Nations

The UN Charter recognizes the "sovereign equality of all its Members."[4] All states in the world are able to apply for membership to the UN, to be recognized as a member of the international community and thus take part in the mediation of conflict and ongoing cooperation among member nations. Article 7 of the UN Charter lays out six different organs of the UN: a General Assembly, a Security Council, an Economic and Social Council, a Trusteeship Council, an International Court of Justice and a Secretariat. Each of these organs has different structures, representation and voting rights. The UN General Assembly (UNGA) is the most inclusive, representative and democratic organ of the United Nations. Each state government recognized by the United Nations is granted a seat in the UNGA, and voting is allocated equally among them (one vote per state). While the UNGA gives states the most representation and has an equitable distribution of voting rights among member nations, the UNGA does not have power to make legally binding resolutions. That power lies with the United Nations Security Council (UNSC).

The UNSC is charged with the responsibility of "maintenance of international peace and security."[5] The UNSC has a very different governance structure from the UNGA. There are fifteen voting members in the UNSC: five permanent members (P5) and ten non-permanent members, who are appointed to two-year cycles by the UNGA. The P5 members (China, France, Russia, United States and the United Kingdom) are also given veto power. Any one of these members has the ability to veto any resolution, which must otherwise pass with a majority vote of all fifteen members. For this reason, the UNSC is largely seen as antidemocratic and heavily favorable to geopolitically powerful nations, and LDCs are seen as not being given an equal voice in the UNSC.

Chapter IX of the UN Charter establishes the United Nations Economic and Social Council (ECOSOC). ECOSOC claims that the UN shall promote "higher standards of living, full employment, and conditions of economic and social progress and development, solutions of international economic, social, health, and related problems."[6] While ECOSOC is given the responsibility of promoting international development, it has very limited resources at its disposal, especially when compared with Bretton Woods institutions such as the World Bank, IMF and WTO. Because of this, ECOSOC remains a major organ

4 Ibid., 2.
5 Ibid., 8.
6 Ibid., 14.

of the UN which attempts to promote international development through the establishment of norms in areas around the economy, social relations and health.

The governance of the United Nations has the capacity for full democratic participation (specifically within organs such as the UNGA or ECOSOC); because all voting is done publicly and nearly all UN documents are available online for free, the United Nations remains highly transparent in its governance and decision making. However, there are still challenges to democratic governance, specifically because legally binding resolutions can only be made by the UNSC which is dominated by the veto power of the P5.

Since its inception, the United Nations has played an important role in international development efforts. Numerous UN organizations such as the World Health Organization work to coordinate and monitor international multilateral efforts towards various development goals. Most notable among these UN programs is the United Nations Development Program (UNDP), "the UN's global development network, an organization advocating for change and connecting countries to knowledge, experience and resources to help people build a better life."[7] The UNDP helps to facilitate development projects by bringing together funding agencies, civil society leaders, NGOs and LDCs around the world to coordinate their efforts towards five main development goals: 1) promoting democratic governance, 2) reducing poverty 3) aid in crisis prevention and recovery, 4) supporting the environment and energy projects and 5) promoting global health, especially by fighting HIV/AIDS. The UNDP also produces an annual Human Development Report in which indicators for human development are tracked for each member nation of the UN. The UNDP Executive Board is made up of representatives from 36 countries around the world who serve on a rotating basis, and the UNDP works within the UN framework, allowing states to have the ability to guide their own development.

As discussed above, the structure of the UN is not perfect. The inclusion of the P5, and more specifically veto power, gives those states a considerable advantage in the operations of the UN, especially since the UNSC controls so much of what the UN is capable of accomplishing when it comes to legally binding resolutions. Many individuals, organizations and states have proposed possible reforms in order to make UN governance more democratic. Two of these sets of proposals are discussed below, the first a result of official UN negotiations headed by former UN Secretary-General Kofi Annan, and the second by British historian and scholar Paul Kennedy.

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7 United Nations Development Programme (UNDP), accessed February 10, 2010, http://www.undp.org/about.

At a September 2000 meeting of the High Level Millennium Session of the UNGA, then-UN Secretary-General Kofi Annan presented the General Assembly with a set of proposals seeking to reform the United Nations in order for it to be more responsive to the problem of widespread poverty throughout the world. This resulted in the passage of the Millennium Development Goals and also sparked a five-year debate about reforming the United Nations. This debate ended with mixed progress toward five main goals: 1) reforming the Security Council, 2) revitalizing the General Assembly, 3) improving "system-wide coherence" of all UN organs and agencies, 4) reforming the Secretariat and management systems within the UN and 5) replacing the Human Rights Commission with the Human Rights Council.

The most divisive and contentious proposals emerging from these debates had to do with reforming the UN Security Council. Because the UNSC is largely the most powerful organ of the UN and because P5 members all have singular veto power over all UNSC resolutions, it is a cause of most of the inefficiencies of the world's largest democratic body. Many of the proposed reforms put forth by member nations focused on reforming the way the UNSC votes, the use (or abolition of) the veto and expanding membership in the UNSC.[8] To date, the reform process has unfortunately yielded very little actual reform for the UNSC, but it will undoubtedly be revisited in the future. The second reform is somewhat of an extension of the first, highlighting the power differential between the truly democratic organ of the UN (the UNGA) and the one with most of the power, dominated by the P5 nations (the UNSC). Proposals to revitalize the UNGA highlight the need to enhance the role and authority of the UNGA, bolstering the role of the UNGA in the election of the Secretary-General and improving the functionality of the UNGA.[9]

Another set of prominent reforms has been offered by British historian, scholar and author Paul Kennedy, who examines the intricate relationship between the many organs of the UN, the member states of the UN and the international community. He offers many possible reforms for the UN in order to meet the challenges of the twenty-first century: First, he echoes the call for reform of the UNSC and revitalization of the UNGA, as discussed previously. He writes that "the establishment of a hard-to-alter constitution for the Security Council in

8 Jonas von Friesleben, "Reform of the Security Council," *Managing Change at the United Nations* (New York, NY: Center for UN Reform Education, 2008), 1.

9 Lydia Swart, "Revitalization of the Work of the General Assembly," *Managing Change at the United Nations* (New York, NY: Center for UN Reform Education, 2008), 21.

1945 has come at a very high price."[10] Most of his criticism focuses on the overwhelming power that comes with the veto in the UNSC, as it is organized today. Recognizing that the P5 states would most likely never go along with abolishing the veto, he does offer one recommendation to perhaps limit the scope of the use of the veto to issues that pertain solely to immediate needs of international peace and security, not all resolutions.

Kennedy has also proposed reforms for ECOSOC and its relationship with the Bretton Woods institutions. Kennedy claims that "the dubious 1947 legal opinion that the Bretton Woods institutions carry out only economic and not political measures makes less and less sense in a world where financial and sociopolitical instabilities grind against each other."[11] This is problematic because the Bretton Woods institutions are largely dominated by the US and Europe. Kennedy believes that ECOSOC needs to be reformed or abolished and recreated into something different in such a way that will bridge the gap between the UN and the Bretton Woods institutions. One of the ways in which this can happen would be to link the Bretton Woods institutions with the UN General Assembly, which Kennedy refers to as one of the "closest manifestations of the parliament of man."[12] In doing so the UNGA could become a better voice for the international community in the institutions which have a tremendous impact on the economic and political situation of all member nations.

The World Bank

Largely stemming from the influence of John Maynard Keynes and his macroeconomic policies, the Bretton Woods Conference resulted in the creation of two multilateral institutions: the IMF and the International Bank for Reconstruction and Development (IBRD, which later became the World Bank). The idea was that "lack of sufficient aggregate demand explained economic downturns [and] government policies could help stimulate aggregate demand,"[13] and that these multilateral institutions would be set up to aid countries in their development by providing institutions which would assist in the implementation of expansionary international monetary policy (IMF) and fiscal policy (IBRD). Initially the IBRD aided in the reconstruction of Europe as part of the Marshall Plan, but

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10 Paul Kennedy, *The Parliament of Man: The Past Present and Future of the United Nations* (New York, NY: Random House, 2006), 253.

11 Ibid., 268.

12 Ibid., 274.

13 Joseph E. Stiglitz, *Globalization and its Discontents* (London: Penguin Books, 2002), 11.

over time has transformed into the World Bank in its current role as the world's largest lender of multilateral funds for international development.

The World Bank is comprised of two main institutions: the IBRD and the International Development Association (IDA), while the World Bank Group, a larger association of multilateral banking institutions, includes organs such as the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for the Settlement of Investment Disputes. The World Bank is comprised of over 186 member countries. In order to be part of the IBRD, a country must also be a member of the IMF, and in order to be part of the IDA a country must be a member of the IBRD. Acceptance into the World Bank and IMF is very different from acceptance into the United Nations, which recognizes all sovereign states. Instead, for the former a country must pay a quota based on the relative size of its economy, which therefore affects the amount it can borrow from the IMF as well as its voting rights.

One of the most notable differences between the UN and the Bretton Woods institutions when it comes to democratic governance is the overwhelming power held by the largest economies (specifically the US) in the Bretton Woods institutions. The IMF's weighted voting system gives substantial voting power to the wealthiest states by granting them the most number of votes.[14] The World Bank has a similar voting system in which the largest economies contribute the largest quotas and in turn receive the largest share of the vote. In June 2008, the largest five economies had 37.4 percent of the votes in the IBRD (US 16.4 percent, Japan 7.9 percent, Germany 4.5 percent, Britain 4.3 percent and France 4.3 percent). In addition, English is the only official language of the World Bank. Also, while it is not mandated in the charter of the World Bank, the President of the World Bank has historically always been an American and has always been nominated by the US. The President has overwhelming power, as he is the only one capable of proposing a loan (however it must be approved by the board of executive directors). Lastly, aside from direct governance control over the operations and decisions made by the World Bank, the most significant contribution from the World Bank to LDCs comes through providing them with IDA credits, which qualify as ODA from DCs. These IDA credits must be replenished by DC governments every three years, and historically, withholding ODA contributions has become another way that DCs exert their power in the World Bank.[15]

14 Theodore H. Cohn, *Global Political Economy: Theory and Practice* (New York, NY: Pearson Education Inc, 2010), 141.

15 Ibid., 304-7.

The World Bank has a tremendous impact on international development efforts. As stated before, the World Bank is the largest lender of multilateral funds for international development. The IBRD issues quasi-commercial loans classified as Official Development Finance (ODF). These loans allow LDCs, who cannot borrow on open capital markets because they are deemed "un-creditworthy," the ability to access large levels of finance for long-term development projects. These loans and IDA credits allow LDCs to borrow huge sums of money with large grace periods (up to ten years) and 35-40 year maturities. Also, some countries facing significant "debt distress" are eligible for World Bank grants, rather than loans.

Another significant effect that the World Bank has had on international development efforts has to do with its role as a "knowledge bank" for economic ideas, as well as the ongoing monitoring and evaluation of countries' economic indicators. In 1996 the World Bank president declared that the World Bank was "to become a knowledge bank that spurs the knowledge revolution in developing countries and acts as a global catalyst for creating, sharing and applying the cutting-edge knowledge necessary for poverty reduction and economic development."[16] As the globalized economy moves forward and LDCs move forward with development projects, the World Bank has made it a priority to assist LDCs in good economic decision-making.

The World Bank's method for granting loans and its role as part of the larger Bretton Woods monetary regime has come under criticism for being anti-democratic and non-transparent. Aside from the concerns discussed above which highlight issues with governance, there is also a large level of concern about the way in which the World Bank (and the IMF) issue assistance to LDCs. Many World Bank loans are given under a number of conditions, the most controversial among them being the issue of "Structural Adjustment Loans." Essentially, in order to qualify for loans, LDCs needed to adjust their political economic systems to be in line with orthodox liberal free market reforms.[17] These policies have been sometimes referred to as the "Washington Consensus," which can be defined as "a consensus between the IMF, the World Bank, and the US Treasury about the 'right' policies for developing countries."[18] These policies were largely comprised of balancing budgets (through cuts to government spending), trade and capital market liberalization and privatization. In other words,

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16 John Girdwood, "Reforming the World Bank: from social-liberalism to neo-liberalism," *Comparative Education* 43, no. 3 (2007): 422.

17 Cohn, *Global Political Economy*, 308.

18 Stiglitz, *Globalization and its Discontents*, 16.

the Washington Consensus was largely promoting a limited government role in development. This controversial policy has in many cases harmed LDCs more than it has helped them on the road to development.

Given the many challenges facing the World Bank and its role in international development, there have been a number of reforms put forth to ensure more effective, democratic and transparent control over it and the other Bretton Woods institutions. Many economists, including Nobel laureate Joseph Stiglitz, have criticized these policies as being pro-cyclical measures which abandon the original Keynesian orientation that the Bretton Woods institutions were founded upon.[19] In order to address this issue, Stiglitz believes the World Bank should move away from granting Structural Adjustment Loans and instead move to a more selective system of loaning funds. Rather than force receiving countries to change their governance (in some cases, undermining democratic will or state sovereignty), the World Bank should grant loans to countries which have a demonstrated track record of better governance and progress towards development. He also believes that the World Bank should look into debt forgiveness and/or issuing more grants than loans in order to help LDCs in debt crises.[20]

Also, the issue of World Bank governance has come up again and again as a major reform priority from international development scholars, specifically due to the lack of inclusion of LDCs and uneven voting rights in its board of executive directors. Despite calls for increased representation of LDCs in the governing structure of the IMF and World Bank, the US and UK have made calls for increased influence of larger emerging economies such as Brazil, Russia, India and China. However, this has yet to yield any results.[21]

It is clear that neither the United Nations nor the World Bank are perfectly democratic or transparent organizations. However, large differences exist between the two in these regards. Some authors suggest that the United Nations, currently dominated by the P5 countries of the Security Council, is antidemocratic and unrepresentative of a majority of the world's population.[22] Others believe it is far more democratic and transparent when compared to the US-dominated World Bank and its "Washington Consensus" model of development. It is this dynamic which highlights the debate around which organization should be responsible for the administration of the global AF as part of any international

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19 Ibid.

20 Ibid., 241-3.

21 Lauren M. Phillips, *Closing the deal: Assessing the opportunities and risks for Bretton Woods governance reform in 2007* (London: Overseas Development Institute, 2007), 7.

22 Patricia McKenna, "Who rules? The United Nations: Democratic and Representative?," *Medicine, Conflict, and Survival* 15, no. 1 (1999): 32-46.

agreement on climate change.

Adaptation Fund Administration Proposals

Climate change has been the subject of heated debate among governments, scientists, policy makers and academics for decades. The Intergovernmental Panel on Climate Change (IPCC) released its Fourth Assessment Report of climate change in 2007, in which it is argued that anthropomorphic climate change is worse than expected.[23] While climate change will surely have an impact on every country in the world, this increase in temperature is expected to have a greater impact on LDCs, mostly because they lack the resources for necessary adaptation. Because of this, scientists and development experts now predict that global climate change could become the single greatest threat to achieving the MDGs and making sustainable progress.[24]

While climate change is the result of centuries of carbon-intensive development from DCs such as the United States and Europe, global climate change is estimated to have the largest impact on LDCs, who have not contributed to the global phenomenon.[25] Because of this, there has been a push by environmental activists, international development experts and advocates for LDCs to establish an international agreement which would reduce greenhouse gas emissions (mitigation) and assist LDCs in reducing vulnerability to climatic change and variability in order to reduce its negative impacts (adaptation). In order to ensure that LDCs have the ability to adapt to climate change, many have argued for the creation of an Adaptation Fund which would be largely financed by DCs and provide assistance to LDCs in adapting to the effects of climate change. The UNDP estimates that the international community will need to pledge $86 billion per year by 2020 in order to effectively achieve these goals. However, recent data from the World Bank now suggests that at least $75-100 billion per year would be required.[26] While mitigation and adaptation are likely to be associated with high cost, the cost of inaction is likely to become

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23 Susan Solomon et al. (eds), *Contribution of Working Group I to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, 2007*, accessed February 7, 2010, http://www.ipcc.ch/publications_and_data/ar4/wg1/en/contents.html.

24 United Nations Development Programme, *Adaptation to climate change: Doing development differently*, accessed January 10, 2010, http://www.undp.org/climatechange/adapt/downloads/UNDPAdaptationBrief_Nov07.pdf.

25 Catherine Pettengell, *Climate change adaptation: Enabling people living in poverty to adapt* (Oxfam International, 2009), accessed January 10, 2010, http://www.oxfam.org/en/policy/climate-change-adaptation.

26 World Bank, *The Cost to Developing Countries*.

much greater; if climate change continues unmitigated, the cost of adaptation would become too large to respond to effectively. If the worst-case scenario comes true and greenhouse gas emissions continue to climb at the current rate, the climate will change so dramatically that there will be a major disruption in food and water systems and a rise in extreme weather events and sea levels, among others. The cost of adapting to these major challenges could be dramatically reduced if the worst effects of climate change are prevented with strict mitigation of greenhouse gases.

In order to achieve this goal, it is widely assumed that the AF of $100 billion per year must be created by 2020 as part of a legally binding international treaty which would replace the Kyoto Protocol. Following the collapse of the UNFCCC in Copenhagen in December 2009, there were many competing opinions regarding the reasons for a failure to reach a legally binding treaty.[27] While most of the mainstream debate centered on climate change mitigation (strategies for reducing carbon emissions), there was also a huge rift between DCs and LDCs on the issue of climate change adaptation.[28] A sign of hope came when US Secretary of State Hillary Clinton announced that the US would answer the demands of LDCs and agree to contribute to the creation of a $100 billion per year adaptation fund by 2020, but only if a legally binding agreement was agreed upon by all countries, including China, Europe and India.[29]

As an international agreement on climate change mitigation and adaptation is being negotiated, there have been numerous proposals put forth on how the global AF should be administered. Most of these debates have centered on whether or not the AF will be housed within the United Nations, the World Bank or whether or not a new institution should be created to be in charge of its administration.[30] While the details of this agreement are being worked out, some mechanisms for climate change mitigation and adaptation have already been developed either as part of the Kyoto Protocol or part of the UNFCCC (See Table 2).

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27 John M. Broder, "Many Goals Remain Unmet in 5 Nations' Climate Deal," *New York Times*, December 18, 2009, http://www.nytimes.com/2009/12/19/science/earth/19climate.html.

28 Naomi Klein, "Why Rich Countries Should Pay Reparations to Poor Countries for the Climate Crisis," *Democracy Now!*, November 23, 2009, http://www.democracynow.org/2009/11/23/naomi_klein_on_climate_debt_why.

29 Lisa Friedman and Daren Samuelsohn, "Hillary Clinton Pledges $100B for Developing Countries," *New York Times*, December 17, 2009, http://www.nytimes.com/cwire/2009/12/17/17climatewire-hillary-clinton-pledges-100b-for-developing-96794.html.

30 Mikel Gonzalez-Ruiz de Eguino and Antxon Olabe, *The Way to a New Deal on Climate Change* (working paper, Real Instituto Elcano, 2009), accessed February 28, 2010, http://www.realinstitutoelcano.org/wps/portal/rielcano_eng/Content?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/international+economy/dt40-2009.

Table 3: Current mechanisms and revenues generated for adaptation[31]

Sources	Amount	Administrator
GEF Strategic Priority "Piloting an Operational Approach to Adaptation (SPA)"	$50 million (over three years)	GEF
Least Developed Country Fund (LDCF)	$160 million (pledged)	GEF
Special Climate Funds	$67 million (pledged)	GEF
Adaptation Fund	$30-80 million (estimated)	GEF serves as administrator, World Bank serves as trustee.

The Global Environment Facility (GEF) was established in 1991 as part of the World Bank in order to provide funds for environmental projects. It has since been made an independent organization responsible for administering finances for the UNFCCC but retains a loose relationship with the World Bank. The GEF continues to partner with the World Bank as well as other multilateral organizations such as the UN Development Programme, the UN Environment Programme, the UN Food and Agriculture Organization, the UN Industrial Development Organization, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the International Fund for Agricultural Development.[32] As Table 2 demonstrates, the amount of funds available to the GEF for adaptation projects falls dramatically short of the estimated $100 billion per year that is required. While the GEF is the current administrator for the AF, it is largely seen as incapable of administrating it once a post-Kyoto protocol agreement is finalized. This is why many have looked to the United Nations and the World Bank as possible administrators for the AF in a post-Kyoto agreement.

Those who argue that the World Bank should be the administrator of the AF point to the World Bank's capacity to handle the fund, which is estimated to receive and spend roughly $100 billion per year by 2020. Steve Gorman, executive coordinator of the GEF at the World Bank, has argued that the World Bank and GEF should administer the fund, given its important role in international development and its capacity for managing such a large amount of money. He estimates that the administrative costs associated with creating a stand-alone Adaptation Fund would run to roughly five percent of the total fund ($5 billion per year of a $100 billion a year fund). Gorman and the World Bank believe that

31 Spratt, *Assessing the Alternatives*.

32 Global Environment Facility, accessed March 5, 2010, http://www.thegef.org/gef/whatisgef.

these costs could be saved by managing the AF as part of the existing GEF trust fund portfolio.[33]

While Gorman's argument highlights the role of administrative cost for managing a stand-alone AF, the other advantage of housing the AF in the World Bank would be easier "mainstreaming" of climate change adaptation into international development efforts. The environmental think tank World Resources Institute argues that regardless of where the AF is managed or administered, climate change adaptation projects should be "mainstreamed" into all multilateral and regional bank projects for development.[34] Essentially, this means integrating climate change mitigation and adaptation into poverty reduction programs for truly sustainable development in all sectors, including agriculture, transportation, energy and infrastructure. Some feel that housing the AF within the World Bank would help in this process by transforming the main function of the World Bank, the largest and most influential multilateral bank in the world, by focusing it more strongly on sustainable development.

While these benefits would bolster the agenda of the Adaptation Fund, there are many critics of the World Bank who have pointed to controversial policies and problems associated with their management. The Institute for Policy Studies issued a report in 2008 calling the World Bank a "climate profiteer," and claims that the Bank is facing a "legitimacy crisis" due to decades of failed economic policies and development projects. They also argue that the World Bank is currently trying to give their organization a "makeover" by focusing on climate projects and lobbying to gain control over the AF.[35] This report supports its position with ten main points of contention with the idea of the World Bank as the administrator of the AF:

1. <u>Lack of transparency for World Bank carbon finance activities</u>. Currently, roughly one-third of World Bank carbon finance investments are not available for public scrutiny.
2. <u>Lack of progress towards successful emissions cuts on current projects</u>. Of the 83 active World Bank projects for carbon trading, only nine have delivered "Certified Emissions Reductions."

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33 Steven Gorman, "Institutional Arrangements for Adaptation Fund: World Bank view," accessed March 2, 2010, http://unfccc.int/files/cooperation.../adaptation_fund/.../world_bank.ppt.

34 John Sohn, Smita Nakhooda and Kevin Baumert, "Mainstreaming Climate Change Considerations at the Multilateral Development Banks," *WRI Issue Brief* 2005, accessed March 2, 2010, http://www.wri.org/publication/mainstreaming-climate-change-considerations-multilateral-development-banks.

35 Janet Redman, *World Bank: Climate Profiteer*, Institute for Policy Studies, 2008, accessed February 27, 2010, www.ips-dc.org/getfile.php?id=181.

3. Lack of support for clean energy projects on previous projects. To date less than ten percent of all World Bank funds from carbon trust funds have funded clean, renewable energy.
4. Support for "dirty" industries, such as coal, chemical, iron and steel. Roughly 75-85 percent of the World Bank's carbon finances have gone to these industries.
5. Lack of focus on poverty reduction as part of its current carbon finance portfolio. Poverty reduction is the last priority for funding projects and less than ten percent of these World Bank funds have gone to sustainable projects for the poor.
6. Conflict of interests. Between 2005 and 2007 the World Bank Group loaned more than $1.5 billion to projects in oil, gas and coal (industries contributing to the climate crisis).
7. Perverse incentives. The World Bank's carbon financing is channeling money from the "dirtiest" industries in the North to the most environmentally destructive companies in the South.
8. Mismanagement of forestation projects. Indigenous peoples and local communities, those most capable of maintaining forests, have most often been consulted last when making decisions about these projects.
9. Low risks for the World Bank and high risks for LDCs. Failed sustainable development projects from the World Bank do not harm its portfolio, but do harm the LDCs where they take place.
10. Poor management of funds. The World Bank has created three new Climate Investment Funds which undermine the authority of LDCs who won a hard-fought battle for administration of those funds at the UNFCCC climate negotiations in Bali in 2007.

This critique of the World Bank's climate projects, poor transparency and democratic governance has been echoed by numerous other scholars and advocacy NGOs. ActionAid, an international poverty advocacy NGO, issued a report criticizing the World Bank's potential to administer the Adaptation Fund.[36] This report reiterated many of the same concerns listed above, but highlighted a troubling record of poor economic policies (specifically the "Washington Consensus" discussed in Section 2), and lack of transparency and democratic control of World Bank governance. ActionAid claims that the World Bank has not made progress towards real reform, and because of this they should not

36 ActionAid, *Don't Bank on It*, accessed March 2, 2010, http://www.brettonwoodsproject.org/art.shtml?x=565737.

be in charge of administering the AF.

In the face of this critique of the World Bank's role as administrator of the AF, there have been a number of calls for the United Nations to take a stronger role in climate change mitigation and adaptation. A pair of Spanish researchers detail support for a stronger UN role in their report "The Way to a New Deal on Climate Change."[37] Here they argue that one way a global agreement could be reached and managed properly would be to build off of the existing UNFCCC process which has been going on for over twenty years. This process has given all UN member nations a role in crafting the global response to climate change and has a great deal of legitimacy.

Indeed, the UN has been a very important voice moving the debate on climate change forward and continues to be at the forefront of adaptation efforts. The United Nations Development Programme has already created an adaptation strategy with four Foundational Principles which are in the process of being integrated into all of its development projects:

1) The goal of pro-poor and pro-growth adaptation that encourages sustainable economic development and livelihoods in the face of climate change.
2) The objective of climate-resilient development, including systemic changes to development processes.
3) The key outcome is that climate change risks are integrated into national planning and poverty reduction efforts.
4) Successes will be measured using indicators and targets that reveal systemic and sector-wide policy changes.[38]

However, there have been some critics of the United Nation's role in administering the Adaptation Fund. A report by scholar Robert Berg argues that the UN has been instrumental in identifying climate change as the problem that it is but needs to move forward with its proposed reforms before it can be the right organization to manage and administer climate change mitigation and adaptation projects. Specifically, he argues that there needs to be an increased role for scientists in the decision making process, and that the UN needs to be a model for governments when it comes to how to govern in an age of climate change. Berg believes that if the UN failed to make this transition it would be a

37 Gonzalez-Ruiz de Eguino and Olabe, *The Way to a New Deal*.

38 United Nations Development Programme, *UNDP Adaptation Strategy*, accessed January 10, 2010, http://www.undp.org/climatechange/adapt/strategy.html.

wasted opportunity of profound significance.[39]

Both the World Bank and the United Nations have their flaws, yet the United Nations remains the more democratic and transparent organization when compared with the World Bank. It gives a greater voice to LDCs and has much more transparency in its governance. Also, the IPCC and the UNFCCC have both been fundamental in moving the climate change debate forward. The IPCC even received the Nobel Peace Prize in 2007 along with ex US Vice President Al Gore for their unparalleled contribution to climate science. Both of these organizations, which are both within the United Nations, have earned a great deal of legitimacy when it comes to climate change policy.

Conclusion

There is little doubt that international development efforts over the course of the next century will be increasingly affected by anthropomorphic climate change. If the international community is going to succeed in facing this crisis and wishes to successfully integrate international development and climate change adaptation efforts, an effective, democratic and transparent international organization must be given control the AF of at least $100 billion per year. The ability to reach the Millennium Development Goals by 2015, and sustain progress towards them over the next century, depends on it.

A number of financing strategies have been proposed as possible ways to raise over $100 billion per year, but the most promising of those come from public funds and contributions from central governments that are tied to climate change mitigation strategies by putting a price on greenhouse gas emissions. It is therefore possible to meet this ambitious goal for a global AF by 2020 if financing and mitigation are worked out properly as part of a post-Kyoto agreement.

The two existing international organizations best suited to administer and manage this AF are arguably the United Nations and the World Bank. Both have the capacity to take on such a large and important project, yet both organizations would need to be reformed and/or expanded if either one is to become the administrator of climate change mitigation and adaptation projects. The UN must address the weakened position of LDCs in its governance by strengthening the role of the General Assembly in relation to Security Council and address the role of veto power for the P5 states. It also needs to better integrate itself with the Bretton Woods institutions to ensure more democratic and transparent man-

39 Robert J. Berg, "Governing in a World of Climate Change," *Development* 51(2008): 387.

agement of those important institutions. Given its history of poor transparency and non-democratic governance, the World Bank is not the ideal organization for administering the AF. The World Bank must reform its governance by allowing for increased transparency and giving more voice to the LDCs who are receiving assistance.

Regardless of which organization ends up being the administrator of the AF, it is important that both organizations move forward with reform, as both of them will undoubtedly play a large role in future international development and climate change adaptation projects. The debate around administration of the AF has the potential to move either organization further towards making these reforms a reality, and policy makers should seize this opportunity to push for more transparent and democratic reform.

In weighing the pros and the cons of both organizations as possible administrators of the global AF, it is clear that both are in need of significant reform in governance. Nevertheless, the UN remains the more transparent and democratic organization. The UN has played a crucial role in the climate change debate over the past 20 years and has gained much legitimacy on the issue while the World Bank continues to be mired in controversy around its role in climate change negotiations and adaptation projects. Therefore, the UN should be granted the authority to manage and administer the AF and the mechanism for financing mitigation and adaptation efforts. Doing so will increase the likelihood that the effort to integrate climate change adaptation into international development efforts will be a success.

Further research should be conducted on ways in which international development and climate change adaptation can be further integrated not only through aid giving organizations but also the World Trade Organization and the International Monetary Fund. Also, given that climate change adaptation and mitigation financing will likely be linked together, more research should be done about how this can be best implemented. **PEAR**