Article

The Role of Governance in Bilateral and National Climate Change Financial Mechanisms

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ABSTRACT

Financial needs for climate change mitigation and adaptation have been increasing rapidly as the environmental, social and economic cost of global warming and its associated environmental catastrophe has arisen on an unprecedented scale. Financial resources channelled through various types of climate change financial mechanisms (CCFMs), however, have not been increasing at the same speed to meet such needs. It is no wonder that discussion on CCFMs has been on the top of agenda both internationally and domestically. In addition to the financial mechanisms under the international climate change regime, governments also employ national CCFMs to supplement these international mechanisms.

As international CCFMs have been developing and evolving since early 1990s, experiences shown that successful operation of any CCFM depend, to a large extent, on the design of its governance structures. Several guiding principles concerning the design of CCFMs' governance structures in the

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context of negotiation under the UNFCCC regime are crucial. For the design of national CCFMs' governance structure, what lessons can be learned from applying these guiding principles? Are these guiding principles playing an equally important role in the governance of national CCFMs? These are the central research questions this paper seeks to answer. Last but not least, many national CCFMs rely partially on bilateral CCFMs. Therefore, in analysing the role of governance in national CCFMs, governance in bilateral CCFMs will also be examined for its implications on national CCFMs.

Keywords: *Climate Change Financial Mechanisms (CCFMs), National Climate Change Fund, Governance*

CONTENTS

I. INTRODUCTION

Financial needs for climate change mitigation and adaptation have been increasing rapidly as the environmental, social and economic cost of global warming and its associated environmental catastrophe has arisen on an unprecedented scale. Financial resources channelled through various types of climate change financial mechanisms (CCFMs), however, have not been increasing at the same speed to meet such needs. It is no wonder that discussion on CCFMs has been on the top of agenda both internationally and domestically. In addition to the financial mechanisms under the international climate change regime, governments also employ national CCFMs to supplement these international mechanisms. According to the *Landscape of Climate Finance 2015*, contributions from development financial institutions (DFIs) constituted 33% of total financial flow in 2014 and national DFIs contributed more than half of total DFI flows.[1] This demonstrated the increasing importance of national CCFMs.

As international CCFMs have been developing and evolving since early 1990s, experiences shown that successful operation of any CCFM depend, to a large extent, on the design of its governance structures. Governance in international CCFMs has been an important issue for a long time, as can be seen from the difficult negotiation on financial mechanism in the negotiations leading to the adoption of the 1992 UN Framework Convention on Climate Change (UNFCCC). The design of national CCFMs can take valuable lessons from these experiences. Several guiding principles concerning the design of CCFMs' governance structures in the context of negotiation under the UNFCCC regime are crucial. These guiding principles are transparency, efficiency, effectiveness, and balanced representation of all parties.[2] For the design of national CCFMs' governance structure, what lessons can be learned from applying these four guiding principles? Do these guiding principles play an equally important role in the governance of national CCFMs? These are the central research questions this paper seeks to answer.

Financial resources supporting national CCFMs can be garnered externally and internally. The increasing use of overseas development aid to support climate change activities in developing countries and the setting up of national climate change funds are two cases in point. After the 1990s,

1. BARBARA K. BUCHNER ET AL., GLOBAL LANDSCAPE OF CLIMATE FINANCE 2015, 3 (2015), http://climatepolicyinitiative.org/wp-content/uploads/2015/11/Global-Landscape-of-Climate-Finance-2015.pdf.

2. CHARLIE PARKER ET AL., THE LITTLE CLIMATE FINANCE BOOK: A GUIDE TO FINANCING OPTIONS FOR FORESTS AND CLIMATE CHANGE 127 (2009), http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5640.pdf.

bilateral and national CCFMs began to emerge to supplement international CCFMs. Many national CCFMs rely partially on bilateral CCFMs. Therefore, in analysing the role of governance in national CCFMs, governance in bilateral CCFMs should also be examined for its implications on national CCFMs. Thus, this article will be structured as follows. Part II briefly introduces the concept of CCFMs and its governance. Part III offers lessons learned from looking at the governance of several bilateral CCFMs. Part IV conducts brief analysis on the governance of 11 national climate funds (NCFs) using a series of case studies conducted by the United Nation Development Programme (UNDP).[3] From the lessons learned in Part III and IV, Part V will provide a preliminary analysis on the design of national CCFMs' governance structure. Part VI offers concluding remarks. A note of caution needs to be pointed out first. This research uses secondary authority, i.e. summary information provided in the Climate Funds Update website and case studies summarised by the UNDP research team, to conduct the case studies in Part III and IV. The analysis can be done more accurately if primary authority, for example, legal instruments and relevant national legislation establishing the CCFM in question, are used. Nevertheless, it is envisaged that this research can cover as many cases as possible for the sake of comprehensiveness. This is the main reason why secondary sources are relied on.

II. GOVERNANCE OF CCFMS

CCFMs can be defined in the broadest sense as follows: "A pre-determined standards and procedures set by an institution through which funding is mobilised and disbursed for the purpose of climate change mitigation and adaptation."[4] Similar terms such as "climate finance"[5] or "carbon finance"[6] are also used in the relevant literature.

There are a variety of financial mechanisms for climate change. Different types of financial mechanisms for climate change may be

3. CASSIE FLYNN, BLENDING CLIMATE FINANCE THROUGH NATIONAL CLIMATE FUNDS: A GUIDEBOOK FOR THE DESIGN AND ESTABLISHMENT OF NATIONAL FUNDS TO ACHIEVE CLIMATE CHANGE PRIORITIES, UNITED NATIONS DEVELOPMENT PROGRAMME (2011), http://www.undp.org/content/dam/undp/library/Environment%20and%20Energy/Climate%20Change/Capacity%20Development/Blending_Climate_Finance_Through_National_Climate_Funds.pdf.

4. Wen-Chen Shih, *Financial Mechanisms for Climate Change: Lessons from the Reform Experiences of the IMF*, 6 NAT'L TAIWAN U. L. REV. 581, 585-86 (2011).

5. *E.g.*, RICHARD B. STEWARD ET AL., CLIMATE FINANCE: REGULATORY AND FUNDING STRATEGIES FOR CLIMATE CHANGE AND GLOBAL DEVELOPMENT (2009), http://belfercenter.ksg.harvard.edu/files/Stewart%20Final.pdf.

6. The World Bank Group uses both the term "climate finance" and "carbon finance". It has a dedicated "Carbon Finance Unit" that is in charge of various carbon funds and facilities under the World Bank Group, *e.g.*, https://wbcarbonfinance.org/ (last visited Feb. 13, 2017).

categorized by using different yardsticks, such as scale, sources of funding, and the types of activities that are being funded. For example, depending on the scale or platform where a financial mechanism operates, there are international/multilateral, regional, bilateral and unilateral financial mechanisms for climate change. Depending on the sources of funding, CCFM can be funded by either public sector, private sector, or both.[7] Financial mechanisms for climate change can support a wide range of activities, including project lending,[8] program or policy lending,[9] and for investment purposes.[10]

A CCFM comprises of three key elements: resource mobilisation (generation), resource disbursement (delivery), and governance of institutional arrangements (administration).[11] Each element has several guiding principles to be observed for its operation. For resource mobilisation, five crucial guiding principles are adequacy, predictability, sustainability, equity and common but differentiated responsibilities and respective capabilities, and measurability. For resource disbursement, five crucial guiding principles are effectiveness, efficiency, equity, appropriateness, and national ownership.[12] The governance structure of a financial mechanism is crucial to ensuring that the generation and delivery of resources can be designed and implemented in accordance with these respective guiding principles. It is thus not surprising that most of the research on CCFMs focuses on institutional arrangement and governance.[13]

For governance, four guiding principles are identified that serve as a guide to the discussion on the institutional arrangement in the context of negotiation under the UNFCCC regime. These are transparency, efficiency, effectiveness, and balanced representation of all parties.[14] Depending on the scale of the financial mechanism (international, regional, bilateral, or unilateral) as well as the type of activity supported (projects, programs and

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7. STEWARD ET AL., *supra* note 5.

8. Shih, *supra* note 4, at 589 (CCFMs for project lending entail providing funding and/or technologies for a specific project such as a solar power plant).

9. *Id.* (CCFMs for program or policy lending are meant to support a program of action or a set of policies, for example, a set of subsidy programs to support the renewable energy sector).

10. *See id.* (CCFMs for investment purposes use their funds to purchase offsets generated by emissions reduction projects such as the certified emissions reductions generated by the Clean Development Mechanism project).

11. *E.g.*, Neil Bird & Jessica Brown, *International Climate Finance: Principles for European Support to Developing Countries* (European Ass'n of Dev. Research & Training Insts., EDC 2020 Project Working Paper No. 6, 2010), http://www.edc2020.eu/fileadmin/publications/EDC_2020_Working_Paper_No_6.pdf; PARKER ET AL., *supra* note 2.

12. Shih, *supra* note 4, at 590-93.

13. *Id.* at 592; ATHENA BALLESTEROS ET AL., POWER, RESPONSIBILITY, AND ACCOUNTABILITY: RE-THINKING THE LEGITIMACY OF INSTITUTIONS FOR CLIMATE FINANCE, WORLD RESOURCE INSTITUTE (2010), http://pdf.wri.org/power_responsibility_accountability.pdf.

14. PARKER ET AL., *supra* note 2, at 127.

policies, or investment), there can be a variety of institutional arrangements. Thus, the importance and roles of each of these guiding principles varies. For example, for a financial mechanism operating at the international level, such as the Global Environment Facility (GEF), the principle of balanced representation of all parties plays a bigger role in the design of the governance structure. The principle of efficiency might be compromised, however, should such a financial mechanism adopt a large decision-making body or a complex decision-making mechanism in order to balance representation of all parties. Similarly, in the case of the Prototype Carbon Fund where the World Bank as trustee bears fiduciary duty toward all investors, transparency of the governance structure might come second to the principles of effectiveness and efficiency.[15] Nevertheless, these four principles can generally be used to evaluate the governance aspect of any type of CCFM,[16] and will be used to evaluate the bilateral and national CCFMs in Part III and IV.

III. GOVERNANCE IN BILATERAL CCFMS

Bilateral financial mechanisms for climate change, in addition to the multilateral ones, are one type of financial mechanism for climate change mitigation and adaptation. On the other hand, taking note of the increasing linkages between climate change and development policies, many Organisation of Economic Co-operation and Development (OECD) countries have tried to incorporate climate change issues into their traditional official development aid (ODA) policies, including setting up bilateral CCFMs. Thus, it is not surprising to find increasing linkages between bilateral CCFMs and ODA provided by many OECD countries. For example, the Ministers of development and environment of the OECD countries adopted the "Declaration on Integrating Climate Change Adaptation into Development Co-operation" in 2006.[17] The OECD also published a "Policy Guidance on Integrating Climate Change Adaptation into Development Co-operation" in August 2009.[18] Regarding individual OECD country, the US Agency for International Development (USAID), for example, published "Adapting to Climate Variability and Change: A

15. Shih, *supra* note 4, at 592-93.
16. *E.g.*, PARKER ET AL., *supra* note 2, at 164.
17. Development and Environment Ministers of OECD Member Countries, DECLARATION ON INTEGRATING CLIMATE CHANGE ADAPTATION INTO DEVELOPMENT CO-OPERATION (2006), http://www.oecd.org/dac/environment-development/44229637.pdf.
18. ORG. ECON. CO-OPERATION & DEV. [OECD], INTEGRATING CLIMATE CHANGE ADAPTATION INTO DEVELOPMENT CO-OPERATION: POLICY GUIDANCE (2009), http://www.oecd.org/dataoecd/0/9/43652123.pdf.

Guidance Manual for Development Planning" in August 2007.[19] According to the statistics of the Development Assistance Committee (DAC) of the OECD Development Cooperation Directorate, bilateral climate change-related aid by the members of the DAC was USD 22.9 billion dollars, representing about 15% of total ODA.[20]

This Part selects five bilateral CCFMs that have been listed as "dedicated bilateral initiatives" under the Global Climate Finance Architecture in a dedicated website that focus on CCFMs: the Climate Fund Updates.[21] The governance structure, mainly referring to the "decision-making structure", "non-government stakeholder participation", and "information disclosure", of these bilateral CCFMs is illustrated respectively in Table 1-5. A brief analysis to evaluate how they comply with the four guiding principles identified in Part II will follow. In addition, "nature of recipient country involvement" will also be included in Table 1-5 for evaluating the principle of balanced representation of all parties. These bilateral CCFMs are: UK's International Climate Fund (ICF), Germany's International Climate Initiative (ICI), Australian International Forest Carbon Initiative (IFCI), Japan's Fast Start Finance (FSF), and Norwegian International Climate and Forest Initiative (NICFI).

Table 1: International Climate Fund (ICF), UK[22]

Decision-making structure	The ICF board consists of: Department for International Development, Department for Environment and Climate Change, Department for Environment, Food and Rural Affairs, the Foreign Commonwealth Office, and HM Treasury.
Non-government stakeholder participation	There was no formal stakeholder participation process in the design of the ICF. There were early consultations with numerous civil society and research groups in the UK. The ICF also discusses building capacity amongst local stakeholders, and contributes to research initiatives.
Information disclosure	The UK released its Fast Start Finance report in November 2011. This report included a list of projects for which funds had been 'spent and committed'.

19. U.S. AGENCY FOR INT'L DEV., ADAPTING TO CLIMATE VARIABILITY AND CHANGE: A GUIDANCE MANUAL FOR DEVELOPMENT PLANNING (2007), http://pdf.usaid.gov/pdf_docs/PNADJ990.pdf.

20. OECD, FIRST-EVER COMPREHENSIVE DATA ON AID FOR CLIMATE CHANGE ADAPTATION (2011), https://www.oecd.org/dac/stats/49187939.pdf.

21. CLIMATE FUNDS UPDATE, http://www.climatefundsupdate.org/ (last visited Nov. 8, 2016).

22. *See UK's International Climate Fund (formerly ETF-IW)*, CLIMATE FUNDS UPDATE, http://www.climatefundsupdate.org/listing/international-climate-fund (last visited Nov. 8, 2016).

Nature of recipient country involvement	The ICF is designed to be responsive to country needs and well-integrated into countries' own sustainable development plans and strategies.

Source: Author

Table 2: International Climate Initiative (ICI), Germany[23]

Decision-making structure	1. Funding decisions on projects are made by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU). The GIZ and KfW are tasked to perform development cooperation task. 2. An international advisory group of up to 30 members, made up of experts from government, academia, NGO, companies, financial market and international financial institutions offers strategic support to the practical work.
Non-government stakeholder participation	No consultation with civil society took place prior to the establishment of the ICI. The international advisory group has representative from all types of stakeholders.
Information disclosure	Germany reports regularly to the Secretariat of the UNFCCC, including activities of the ICI. The ICI website also publishes details of projects which have already received funding, as well as information on the on-going development of the initiative.
Nature of recipient country involvement	ICI adaptation activities build on National Adaptation Programs of Action and other relevant national or regional studies and strategies.

Source: Author

Table 3: International Forest Carbon Initiative (IFCI), Australia[24]

Decision-making structure	Jointly managed by the Department of Climate Change and Energy Efficiency and the AusAID. Decisions regarding fund disbursement are made jointly, in consultation with partner governments and other donors, as appropriate.
Non-government stakeholder participation	The Australian Government regularly consults with NGOs and relevant actors on matters relevant to Reducing emissions from deforestation and forest degradation (REDD) negotiations as well as IFCI program implementation in Indonesia and Papua New Guinea. NGOs also play an implementation role through the Concept Development Grants.

23. *See Germany's International Climate Initiative*, CLIMATE FUNDS UPDATE, http://www.climatefundsupdate.org/listing/international-climate-initiative (last visited Nov. 8, 2016).
24. *See Australia's International Forest Carbon Initiative*, CLIMATE FUNDS UPDATE, http://www.climatefundsupdate.org/listing/ifci (last visited Nov. 8, 2016).

Information disclosure	IFCI financial information is recorded in the AusAID Annual Report.
Nature of recipient country involvement	Implementation of the two bilateral Forest Carbon Partnerships is led by the governments of Indonesia and Papua New Guinea. Indonesia and Papua New Guinea are also consulted in the process of agreeing regional activities under the Asia Pacific Forestry Skills and Capacity Building Program and the NGO Concept Development Grants.

Source: Author

Table 4: Fast Start Finance (FSF), Japan[25]

Decision-making structure	1. Coordinated by the Ministry of Finance. The partnership was governed by a five-ministerial meeting, composed of the Chief Cabinet Secretary, Minister of Foreign Affairs, Minister for Economy, Trade and Industry, Minister for Environment, and Minister of Finance. 2. Within the Ministry of Foreign Affairs, an Expert Panel on Development Corporation in the Field of Climate Change, consists of Japanese academic experts, was established to guide the development of the partnership.
Non-government stakeholder participation	Unknown
Information disclosure	Unknown
Nature of recipient country involvement	Recipient country involvement is based on direct, bilateral consultations with the government of Japan. The usual process of cooperation is: 1. Bilateral negotiations to agree on concept; 2. A bilateral MOU on a post-Kyoto strategy; and 3. Preparation of a country strategy paper, which should respect national ownership and complement the Paris Declaration[26] agenda.

Source: Author

25. *See Japan's Fast Start Finance*, CLIMATE FUNDS UPDATE, http://www.climatefundsupdate.org/listing/hatoyama-Initiative (last visited Nov. 8, 2016).

26. *Paris Declaration and Accra Agenda for Action*, OECD, http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm (last visited Feb. 15, 2017) (the Paris Declaration refers to "The Paris Declaration on Aid Effectiveness". The OECD adopted the Paris Declaration on Aid Effectiveness in 2005 that lays down five principles in evaluation the effectiveness of a country's foreign aid and development policies. These five principles are: 1. Ownership: partner countries exercise effective leadership over their development policies, strategies and coordinate their development actions. 2. Alignment: donors based their overall support on partner countries' overall development strategies, institutions and procedures. 3. Harmonisation: donors' actions are more harmonised, transparent and electively effective. 4. Result: managing resources and improving decision making for results. 5. Mutual accountability: donors and partners are accountable for development results).

Table 5: Norwegian International Climate and Forest Initiative (NICFI)[27]

Decision-making structure	1. A project group in the Ministry of the Environment, Department for Pollution Control, Section for Climate and Energy, has been appointed to implement the NICFI. The group cooperates closely with the Ministry of Foreign Affairs and other relevant ministries, and draws on climate- and forest-related expertise from multilateral organizations, NGOs and research institutions. 2. A broad-based inter-ministerial coordinating group of approximately 12 members has also been appointed.
Non-government stakeholder participation	A Civil Society Support Fund was set up to support civil society input to climate change negotiations and REDD+ activities.
Information disclosure	The Norwegian Government reports regularly to the UNFCCC, including activities under the NICFI.
Nature of recipient country involvement	Country partnerships under NICFI are viewed as opportunities to demonstrate that genuine north-south climate change partnerships are based on mutual commitments, mutual trust and constructive dialogue are possible.

Source: Author

Three general observations can be made from these Tables. First, all these bilateral CCFMs share similar decision-making structure: they all entrust the relevant national ministries (e.g. development co-operation, environment, finance, foreign affairs . . . etc.), mostly in collaboration with other relevant ministries, to make final fund disbursement decisions. An advisory group consisting of academics, NGOs, experts, and/or recipient countries is also incorporated in the decision-making structure of Germany's ICI, Australia's IFCI, and Japan's FSF. Second, only Australia's IFCI conducts regular consultation with NGOs and recipient government. UK's IFC and Germany's ICI did not involve NGOs consultation or stakeholder participation in the establishment of their funds. Some of the involvement of NGOs lies with their eligibility to apply for projects under special facility of the funds, such as Australia's Concept Development Grants and NICFI's Civil Society Support Fund. Third, the donors to the UNFCCC (Germany

27. *See Norway's International Climate and Forest Initiative*, CLIMATE FUNDS UPDATE, http://www.climatefundsupdate.org/listing/norway-s-international-climate-and-forest-initiative (last visited Nov. 8, 2016).

and Norway) or under the donor's Fast Start Finance report (the UK) report most of the information regarding the funding activities of these bilateral CCFMs.

As Part II pointed out, four guiding principles are crucial for the governance aspect of a CCFM and these are transparency, efficiency, effectiveness, and balanced representation of all parties. How are these bilateral CCFMs scored in this aspect? The weighting or significance of each guiding principle might be different amongst various types of CCFM. For example, more weight should be given to the principles of balanced representation of all parties and transparency so that bilateral CCFMs can be subject to more scrutiny by all stakeholders, both governmental and non-governmental, in both the donor and the recipient countries. Regarding the principle of balanced representation of all parties, representation by both donor and recipient governments in the decision-making structure will be very crucial. As mentioned in the preceding paragraph, all these bilateral CCFMs have similar decision-making structure: they all entrust the relevant national ministries in the donor government to make final fund disbursement decisions. This is not surprising considering that the sources of these bilateral CCFMs are mostly generated from the national budget of the donors. Does this mean that all these bilateral CCFMs fail to meet the principle of balanced representations of all parties? Not necessarily. Some of these bilateral CCFMs, such as Germany's ICI, Australia's IFCI, and Japan's FSF, set up advisory group consisting of various types of stakeholders in the decision-making structure. Furthermore, as can be seen from Table 3 and 4, Australia's IFCI and Japan's FSF provide more recipient countries involvement. The implementation of Australia's FCP is led by the recipient governments (Indonesia and Papua New Guinea), whilst Japan's FSF involves the recipient country by direct and bilateral consultations. Therefore, some of these bilateral CCFMs that incorporate different stakeholders and recipient governments do manage to meet this important guiding principle in their governance structure. Regarding the principle of transparency, whether consultation with non-governmental stakeholder is a good indicator to evaluate whether the principle of transparency is complied with. In these bilateral CCFMs, Germany's ICI and Japan's FSF have included consultative group/committee with representatives from, for example, the academia, finance sector, NGOs, in their decision-making structure. Australia's IFCI also hold regular consultative sessions with NGOs. NICFI also appropriates a part of their fund to support projects applied and implemented by NGOs. Another indicator to evaluate transparency is how information regarding the operations of these bilateral CCFMs is disclosed. From the preceding paragraph, it can be observed that most of the donors either report regularly to the UNFCCC (Germany and

Norway) or under its Fast Start Finance report (the UK). Australia's IFCI is recorded in the AusAID annual report. Although the information reported mostly covers the overall funding activities of the donors, they at least provide a certain degree of transparency in the sense that information is accessible and publicly available. On the principle of effectiveness, one indicator of whether bilateral CCFMs complies with this principle is to see whether the donor government pledges to comply with the Paris Declaration on Aid Effectiveness,[28] as the principle of harmonisation under the Paris Declaration also emphasizes that the donors' action must be collectively effective. Two out of these five bilateral CCFMs, the UK's ICF and Japan's FSF, are committed to comply with the Paris Declaration. Last of all, on the principle of efficiency, for those bilateral CCFMs that entrust one single ministry to administer the fund, such as Germany's ICI, Japan's FSF, and the NICFI, it will be easier to meet the principle of efficiency, as the need to cooperate or coordinate with other ministries or stakeholders is minimal.

IV. GOVERNANCE IN NATIONAL CCFMS

As concluded by the *Landscape of Climate Finance 2012*, "Our findings underline the importance of domestic finance in addressing the global challenges of climate change."[29] While the majority of climate finance still operates at the international level, an increasing proportion is generated and managed by the implementing country at the national level. Decisions related to the management and allocation of climate finance, as well as planning and implementation are increasingly done at the national scale.[30] More than 30 countries are in the process of establishing or putting into operation national funding entities dedicated to climate finance, or national climate funds as of 2012.[31] With extensive experiences in administering over 750 funds around the world, the UNDP published a guidebook to assist countries in designing national climate funds in 2011[32] and conducted a series of case studies on the experiences of national climate funds in

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28. *See Paris Declaration and Accra Agenda for Action*, OECD, *supra* note 26.

29. BARBARA BUCHNER & MORGAN HERVÉ-MIGNUCCI, THE LANDSCAPE OF CLIMATE FINANCE 2012, 62 (2012), https://climatepolicyinitiative.org/wp-content/uploads/2012/12/The-Landscape-of-Climate-Finance-2012.pdf.

30. NEHA RAI ET AL., TOPIC GUIDE: A GUIDE TO NATIONAL GOVERNANCE OF CLIMATE FINANCE 45 (2015), https://assets.publishing.service.gov.uk/media/57a08978ed915d3cfd000268/EoD_Topic_Guide_NationalGov_ClimateFinance.pdf.

31. XING FU-BERTAUX & ALEXANDER FRÖDE, IT'S NOT JUST THE MONEY: INSTITUTIONAL STRENGTHENING OF NATIONAL CLIMATE FUNDS 1 (2012), https://www.giz.de/fachexpertise/downloads/giz2012-en-climate-funds-institutional-strengthening.pdf.

32. FLYNN, *supra* note 3.

different regions. The UNDP guidebook remains the only handbook produced by any international organisation in assisting countries in designing a national climate fund, and the case studies are, so far, the most comprehensive and systematic case studies on national climate funds conducted by any international organisation.[33] This Part will, thus, rely on these UNDP case studies as the key references in analysing national CCFMs.

A national climate fund is defined by the UNDP as: "a mechanism that supports countries to direct finance toward climate change projects and programmes".[34] The key goals of any national climate fund are "the collection, blending, and coordination, as well as strengthening national ownership, of climate finance."[35] These four goals are further elaborated as the following. First, to collect and distribute funds to climate change activities that promote national priorities; second, to facilitate the blending of public, private, multilateral and bilateral sources of climate finance; third, to coordinate country-wide climate change activities; and, fourth, to strengthen national institutions and financial management.[36] Basically, it is emphasised that the use of national climate fund needs to meet the overall development requirements of the country and the policies as well as activities of the climate change-related priorities in the country.

The establishment of a national climate fund requires a legal basis. The legal status can be stipulated by a national act, which usually includes the governing principles of the fund. Based on their legal arrangement, national funds can be classified as follows. 1. A fund that is an extension of government administration. 2. A fund that is managed by an independent body and established by a law or regulation. 3. A fund that takes the form of a private corporation or a non-profit organisation. 4. A multi-donor trust fund that operates like a programme/project implemented by a multilateral agency.[37]

In terms of the design of a national climate fund, the UNDP has identified six common components that provide the basic structures for any national climate funds: objectives, capitalisation, governance, fiduciary management, implementation arrangements, and monitoring, reporting and

33. Written by the IIED researchers, the UK Department of International Development has published a guide to the national governance of climate finance in 2015. *See* RAI ET AL., *supra* note 30. This publication also draws from the UNDP studies. The case studies in this publication have overlaps with the UNDP studies. However, for the sake of comparability, this Part will only use the UNDP case studies.

34. FLYNN, *supra* note 3, at 8.

35. *Id*.

36. *Id*. at 8-9.

37. SILVIA IRAWAN ET AL., NATIONAL CLIMATE FUNDS: LEARNING FROM THE EXPERIENCE OF ASIA-PACIFIC COUNTRIES 13-14 (2012), http://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/environment_energy/ncf/APRC-EE-2012-NCF-DiscussionPaper-Asia-Pacific.pdf.

verification (MRV).[38] Amongst these components, four of them concern the governance of a CCFM, i.e. objective, governance, fiduciary management, and MRV. Drawing from the case studies conducted by the UNDP, Table 6-16 will provide a brief summary of these four components in the 11 national climate funds in Latin American and Asian Pacific countries. A preliminary analysis on whether the governance of these national climate funds comply with the guiding principles as identified in Part II will follow. These national climate funds are: Ecuador YaSuni Ishpingo Tambococha Tiputini (ITT) Trust Fund, Brazil National Fund on Climate Change, China CDM Fund, Bangladesh Climate Change Resilience Fund (BCCRF), Bhutan Trust Fund for Environmental Conservation, Indonesia Climate Change Trust Fund (ICCTF), Thailand Energy Conservation Promotion Fund, Lao Environmental Protection Fund, Cambodia Climate Alliance Fund, Micronesia Conservation Trust, and Tuvalu Trust Fund.

Table 6: Ecuador YaSuni Ishpingo Tambococha Tiputini (ITT) Trust Fund[39]

Objective	To support Ecuador's decision to permanently forego the extraction of the YaSuni ITT oil fields. The fund will finance strategic sustainable development programmes within the guidelines of the Ecuadorian National Development Plan. Programmes address forestry, watershed and river management, energy, social development, research, science, technology and innovation.
Governance	1. A Steering Committee, made up of three representatives from the government, two from donors and one from civil society, provides strategic direction and oversight of the fund, reviews and makes fund allocation decisions, and ensures coordination with other relevant initiatives. 2. A Technical Secretariat provides administrative, technical and substantive support. It undertakes project appraisals, capacity assessment, monitoring and evaluation of project performances and other analyses, as required. 3. A Government Coordinating Entity: The Ministry of Heritage serves as the Government Coordinating Entity, acting through the Yasuni ITT Coordination office and in cooperation with the National Secretary of Planning and Development.

38. FLYNN, *supra* note 3, at 12.
39. *Id.* at 51.

Fiduciary management	The fund uses the UNDP Multi-Partner Trust Fund Office as the Administrative Agent.
MRV	Recipients and implementing organizations provide annual narrative reports, annual financial statements, mid-year updates, and project completion reports and certified final financial reports to the Administrative Agent. The Administrative Agent consolidates the reports and provides them to each contributor and the Steering Committee.

Table 7: Brazil National Fund on Climate Change[40]

Objective	The Brazil National Fund on Climate Change (FNMC) was created in 2010 to finance mitigation and adaptation projects and to support studies on climate change and its effects. The fund addresses energy, agriculture, desertification, education and training, REDD+ projects, technology development, public policy formulation, sustainable production chains, payment for environmental services and other activities.
Governance	1. A Steering Committee manages, monitors, and evaluates the allocation of financial resources for mitigation and adaptation actions, national projects, and studies. The Steering Committee consists of representatives from the Brazilian government, National Bank of Economic and Social Development (BNDES), states, municipalities, non-governmental sectors, the scientific community and rural and urban workers and entrepreneurs. The Steering Committee is chaired by the Executive Secretary of the Ministry of Environment. 2. The Ministry of Environment provides coordination of the administrative activities of the fund and drafts annual budget proposals and plans of implementation.
Fiduciary management	The trustee is the BNDES.
MRV	Recipients prepare annual implementation reports.

Source: Author

40. *Id.* at 52.

Table 8: China CDM Fund[41]

Objective	An innovative finance mechanism (government levies collected from CDM projects in China) to support the National Climate Change Programme and promote international cooperation.
Governance	1. A Board: an inter-ministerial body consists of the National Development and Reform Commission (NDRC), Ministry of Finance, Ministry of Foreign Affairs, Ministry of Science and Technology, Ministry of Environmental Protection, Ministry of Agriculture and China Meteorological Administration. The Board reviews the basic regulations as well as strategic planning of the fund, grant applications, annual budget plans, and financial accounts. 2. A CDM Fund Management Centre under the Ministry of Finance is responsible for collection, management and use of the fund under the guidance of the Board. The Centre consists of several committees: Strategic Development Committee, Investment Review Committee, and Risk Control Committee.
Fiduciary management	Project contracts are jointly signed by NDRC, project applicant organiser, project applicant and the Management Centre. Investment is managed by the CDM Fund Management Centre.
MRV	Grant project: the NDRC, the CDM Fund Management Centre and the respective line ministry will be responsible for supervising and inspecting the project implementation. All granted projects should submit two reports (mid-term and final reports). Investment projects: the Department of Investment within the CDM Fund Management Centre will monitor the investment projects.

Source: Author

Table 9: Bangladesh Climate Change Resilience Fund, (BCCRF)[42]

Objective	The Bangladesh Climate Change Resilience Fund (BCCRF) was established in 2010 and is linked to Bangladesh's Climate Change Strategy and Action Plan (BCCSAP) for 2009-2018. It aims to provide support to vulnerable communities in adapting to greater climate uncertainty and changing agricultural conditions.

41. *Id.* at 50.
42. *Id.* at 49.

Governance	1. A Governing Council provides guidance on high-level issues such as setting the strategic goals and management, establishing grant criteria, reviewing results and providing advocacy support. 2. A Management Committee reviews and endorses the BCCRF manual, establishes the work programme and budget allocation, reviews grant requests and reviews and endorses reports by the fund. 3. A Secretariat was established in the Ministry of Environment and Forests to support the Governing Council and the Management Committee and manage the day-to-day operations 4. An Expert Panel provides specific short-term advice and support to the Secretariat and the Management Committee on any technical aspects including the review of proposals.
Fiduciary management	The World Bank serves as the interim trustee. The Governing Council is planning for the transfer of fiduciary management responsibility to the government.
MRV	Baseline, mid-term and annual evaluation of outcomes are based on agreed results indicators.

Source: Author

Table 10: Bhutan Trust Fund for Environmental Conservation[43]

Objective	To finance the recurrent costs of government's conservation programs, particularly for Bhutan's protected areas and their central coordinating agency; and to provide grants, including for public awareness and education, rural community development, climate change adaptation, and integrated water resources management.
Governance	1. A Management Board, consists of six members, has all powers of the management of the Trust Fund. The members consists of the Minister of Agriculture and Forests as the Chairman, the Secretary of National Environmental Commission, the Director of National Budget, the head of Policy and Planning of the Ministry of Works and Human Settlement, the Executive Director of Royal Society of Protection of Nature (a local NGO), the Director of Cabinet Secretariat, and the Director of the BTFEC. 2. A Director carries out the day-to-day management of the Fund in accordance with the powers and duties

43. Silvia Irawan et al., *Case Study Report: Bhutan Trust Fund for Environmental Conservation* (A UNDP/BTFEC Working Paper, 2012), http://www.asia-pacific.undp.org/content/dam/rbap/docs/Research%20&%20Publications/environment_energy/ncf/APRC-EE-2012-NCF-CaseStudy-Bhutan.pdf?download.

	established by the Board. 3. An Asset Management Committee consists of the Ministry of Finance, Druke Holdings and Investment (DHI), National Pension Funds, Royal Monetary Authority, and an individual consultant from the US. 4. A Technical Advisory Panel, consisted of representatives from different sectors, provides recommendations to the Board whether a proposal can be awarded or declined funding.
Fiduciary management	Initially managed by UNDP, moving gradually to be managed by a fully Bhutanese Management Board in 2001.
MRV	Grantees should submit progress reports, both financial and technical, on a quarterly and semi-annual basis to the Fund followed by yearly comprehensive technical and financial report at the end of the fiscal year.

Source: Author

Table 11: Indonesia Climate Change Trust Fund (ICCTF)[44]

Objective	The objectives of the ICCTF are to: 1. Achieve Indonesia's goals of a low-carbon economy and greater resilience to climate change. 2. Enable the government to increase the effectiveness and impact of its leadership and management in addressing climate change issues.
Governance	1. A Steering Committee, consists of national government representatives, development partners, selected NGOs and civil society members, provides policy and operational guidelines, management and monitoring and evaluation. The Steering Committee is also responsible for identifying general strategic policy recommendations for the fund and defining priority areas to be financed, including approving funding to specific project proposals. 2. A Technical Committee evaluates project proposals for eligibility, feasibility, sustainability and impact on the environment, the society and the economy. 3. A Secretariat manages the daily operation of the ICCTF and supports the Steering Committee and the Technical Committee.
Fiduciary management	UNDP acts as the ICCTF's Interim Fund Manager and supports developing capacity so that a national entity can take over this responsibility.

44. FLYNN, *supra* note 3, at 48.

MRV	Once in a year, the Secretariat organises missions to monitor and evaluate projects. Reports are developed on the status of projects and presented to the governing bodies. The ICCTF will undergo an annual audit that will be presented to the Steering Committee.

Source: Author

Table 12: Thailand Energy Conservation Promotion Fund[45]

Objective	To provide financial support to implement the 1992 Energy Conservation Act that mandates the promotion of energy conservation activities in factories and commercial/service building.
Governance	1. A National Energy Policy Council, chaired by the Prime Minister with the Energy Policy and Planning Office as the secretariat, is responsible for proposing energy conservation promotion policies, issuing guidelines, criteria, conditions and priorities for the disbursement from the Fund, and determining contribution rates to be imposed on petroleum products for the Fund. 2. A Fund Committee, chaired by the Deputy Prime Minister with the Energy Policy and Planning Office as the secretariat, is able to appoint sub-committee to assist with the tasks of the Fund Committee, particularly in screening projects/proposal as well as monitoring and evaluation.
Fiduciary management	N/A
MRV	Monitoring and evaluation systems to measure the impact of the fund vary between programs implemented.

Source: Author

Table 13: Lao Environmental Protection Fund (EPF)[46]

Objective	Strengthening environmental protection, sustainable natural resources management, biodiversity conservation and community development.
Governance	1. A Board of Directors is responsible to establish EPF's policies, strategies and priorities and to provide

45. Silvia Irawan & Alex Heikens, *Case Study Report: Thailand Energy Conservation Fund* (A UNDP Working Paper, 2012), http://www.adaptasiapacific.org/sites/default/files/events/Thailand%20ENCON%20Case%20Study%20report%20-%20final.pdf.

46. Silvia Irawan et al., *Case Study Report: Environmental Protection Fund in Lao PDR* (A UNDP/EPF Working Paper, 2012), http://www.asia-pacific.undp.org/content/dam/rbap/docs/Research%20&%20Publications/environment_energy/ncf/APRC-EE-2012-NCF-CaseStudy-Lao.pdf.

	guidance to and monitor the Executive Office in performing its duties and functions. It is chaired by the Deputy Prime Minister, co-chaired by the Minister of the Ministry of Finance, and consists of seven other members from the Ministry of Natural Resources & Environment, Ministry of Energy and Mining, National Council for Science and Technology, Lao Women Union, Bolikhamxay Provincial Administration and the Chamber of Commerce and Industry. 2. An Executive Office, set up by the Prime Minister Decree, supports the Board in the administration of the Fund. An Executive Director is appointed by the Board. Grant projects less than US$60,000 are to be made directly by the Executive Director. Grant projects larger than US$60,000 will have to be reviewed and decided by the Board.
Fiduciary management	The Fund has been set up as an autonomous organisation, both financially and administratively, under the laws of the Lao PDR. Fiduciary standards are set out in the EPF Operations Manual.
MRV	Details of monitoring and evaluation are defined in the Operational Manual. The Executive Office should prepare quarterly reports and an annual financial report. All reports should be approved by the Board prior to the submission to the government, donor organisations, and other stakeholders. Due to limited capacity of beneficiaries particularly at the local level, the Fund has simplified the monitoring and reporting system by arranging a stakeholder meeting periodically at the provincial level, where all beneficiaries receiving funds will be invited to report the progress of their project verbally.

Source: Author

Table 14: Cambodia Climate Alliance Fund[47]

Objective	To secure external funding to support the development of technical and institutional capacity at national and sub-national levels to address current and future climate related challenges.
Governance	1. A Programme Support Board (PSB) consists of 8 members, including 4 government representatives appointed by the National climate change committee

47. Silvia Irawan et al., *Case Study Report: Cambodia Climate Change Alliance Trust Fund* (A UNDP Working Paper, 2012), http://adaptasiapacific.org/sites/default/files/events/Cambodia%20CCA%20Case%20Study%20report%20-%20final.pdf.

	and 4 donor representatives. It meets at least twice a year to review and approve annual budgets and work plans and also to endorse or reject new recommended grant proposals. 2. An Inter-ministerial Climate Change Technical Team provides technical support, advises the PSB on technical and programme issues, reviews and recommends to the PSB proposals for funding. 3. A Trust Fund Secretariat, hosted by the Ministry of Environment, is responsible for day-to-day operation.
Fiduciary management	UNDP Country Office is the Trust Fund Manager in the interim period.
MRV	Programme will be monitored in accordance with UNDP's rules and procedures, and in line with the provisions in the Statement of Cooperation among Development Partner. Grants will submit quarterly narrative and financial progress reports to the Secretariat. A Joint Programme Review will take place annually.

Source: Author

Table 15: Micronesia Conservation Trust[48]

Objective	To support biodiversity conservation and related sustainable development through providing long-term sustainable funding
Governance	1. A Board of Trustee makes all policy decisions and provides final approval for grants and disbursement of interest made from endowment. It consists of seven Regional Members who all live in Micronesia (Palau, Guam, CNMI, FSM and the Marshall Isla) and two international Members (currently one from Japan and one from USA). There is also an ex-offcio (non-voting) Board member from The Nature Conservancy. The Board is self-selecting based on their expertise, contributions to science, conservation, sustainable development and their overall commitment to the Micronesia sub-region. 2. A Technical Project Review Committee is chaired by one of the board member, who is a scientist. Other members are scientists/experts from across the region. 3. An Executive Board leads the management office of the Fund. The Executive Director is selected by the Board

48. Jorge Gastelumendi et al., *Case Study Report: Micronesia Conservation Trust* (A Joint TNC/UNDP/MCT Working Paper 2012), http://adaptasiapacific.org/sites/default/files/events/Micronesia%20CT%20Case%20Study%20report%20-%20final.pdf.

	and is responsible for oversight of administration and financial management of the Fund and its budgets. 4. An Investment Committee is responsible to oversee the management of the Fund's financial assets. The Board appoints the members of the committee and shall consists of at least three people with an investment or finance background.
Fiduciary management	The Fund is a non-profit corporation. It follows the Generally Accepted Auditing Principles maintained by the Financial Accounting Standards Board, widely followed and recognised in the US.
MRV	Project monitoring activities are conducted by the Conservation Programme Staff, who also conducts regular site visits to monitor the progress of the funded projects.

Source: Author

Table 16: Tuvalu Trust Fund[49]

Objective	To contribute to the long-term financial viability of Tuvalu by providing an additional source of revenue for recurrent expenses.
Governance	1. A Board of Directors is consisted of a Director appointed by the Government of Tuvalu, who acts as the Chairman, and one Director appointed by each other original Party (Australia, New Zealand, and UK). 2. Professional Fund Managers, consisted of two Australian-based firms, manage the fund on a day-to-day basis guided by a set of objectives and guidelines set up by the Board. 3. An Investment Committee reviews in detail the reports of the Fund Managers and makes recommendation to the Board. 4. An Advisory Committee evaluates and monitors the impact of the Fund on Tuvalu and provides economic reports to the Government and the Board. 5. A Secretariat provides on-going administrative support to the Board.
Fiduciary management	N/A
MRV	N/A

Source: Author

49. Kevin Petrini et al., *Case Study Report: Tuvalu Trust Fund* (A UNDP Working Paper, 2012), http://www.adaptasiapacific.org/sites/default/files/events/Tuvalu%20TF%20Case%20Study%20report%20-%20final.pdf.

Several observations can be made from these Tables regarding the governance of these national climate funds (NFCs). First, most of the objectives of the NFCs are to support the long-term development goal of the country and/or to support specifically climate change-related policies, programs or projects. The generation and distribution of the funds need to comply with the objectives of the NCFs. Second, a lot of the sources of these NCFs are generated externally from either donor countries or international organization by setting up trust funds. As a result, the fiduciary management of the trust funds is very important. From the experiences of these NCFs, the initial fiduciary duties are vested with international organization such as the UNDP or the World Bank so that their expertise in this area can be counted on. For example, the ICCTF entrusted the UNDP as the fund manager on the interim basis, the BCCRF has the World Bank as the interim trustee, the Ecuador YaSuni ITT Trust Fund uses the UNDP Multi-Partner Trust Fund Office as the Administrative Agent, the Bhutan Trust Fund and the Cambodia Climate Alliance Fund are both administered by the UNDP initially. Mostly, if not all of these NCFs plan to set up a national institution to take over the management of the funds later on. This arrangement is understandable as the majority of these developing countries might not have such an expertise and the cooperation with relevant international organization will assist them in acquiring such type of expertise. Third, the governance structures of these NCFs usually incorporate a steering committee that is responsible for making fund disbursement decisions and oversees the high-level activities of the fund, including policy and operational guidelines, strategic direction and reporting. The committee is usually supported by two other governing bodies: a technical group and a secretariat[50]. Nearly all of these 11 NCFs are governed by such type of steering committee or board, which is supported by advisory or technical committee and a secretariat. The steering committee (or its equivalent) usually consists of representatives from different line ministries, business, and NGOs. Donor representatives are sometimes included. Technical or advisory committee usually provides technical or financial advice on project proposals. Secretariat is usually hosted by one ministry to support administrative work on the day-to-day operations of the NCFs. Last but not least, MRV is very important in the governance structures mechanism of these NCFs to ensure the use of the resources is effective. Most of these 11 NCFs require recipients to provide regular reports on implementation progress, or required administrative institution to provide reports to the steering committee. In addition, some NCFs, for example, the BCCRF, have used a set of agreed indicator for evaluation purposes. Some other NCFs,

50. FLYNN, *supra* note 3, at 13.

such as the Lao Environmental Protection Fund, lay down detailed monitoring and evaluation procedures in their operational manuals. Some countries, such as the Cambodia Climate Alliance Fund, uses the UNDP rules and procedures for project supervision.

As Part II pointed out, four guiding principles are crucial for governance and these are transparency, efficiency, effectiveness, and balanced representation of all parties. And the importance and roles of each of these guiding principles vary depending on the type of CCFM. For example, the principle of balanced representation of all parties might play a less significant role in national CCFMs than in the international or bilateral CCFMs, as the scale and numbers of stakeholders are smaller. From the experiences of these NCFs, nearly all of the governing committees consist of representatives from the governments, business and NGOs. Sometimes donor representatives are included if the funds are provided by external source. It, thus, can be observed that the governance structures of national CCFMs are less complicated than those in the international or bilateral CCFMs. As a result, the principle of balanced representation seems easier to comply. Regarding the principle of efficiency, it will largely depend on the size and composition of the whole governance structures of the NCFs. As indicated in the preceding paragraph, most of these NCFs adopt a three-layer structure where the steering committee (or its equivalent) is supported by a technical/management group and a secretariat. The Ecuador YaSuni ITT Trust Fund, the ICCTF, Cambodia Climate Alliance Fund are cases in point. In some of these NCFs, in particular those NCF that rely mostly on domestic resources, a two-layer structure can also been seen where the steering committee (or its equivalent) is supported by a technical/management group. The Brazil National Fund on Climate Change, China CDM Fund, Thailand Energy Conservation Promotion Fund, and Lao's environmental Protection Fund are examples. In these NFCs that adopt a two or three-layer governance structure, the principle of efficiency might be easier to comply as the composition is not too complicated. However, in some NCFs, extra unit such as advisory group, expert panel, investment committee, or professional fund managers are added on top of the usual three-layer governance structure. The BCCRF, Bhutan Trust Fund for Environmental Conservation, Micronesia Conservation Trust, and Tuvalu Trust Fund are cases in point. The sources and disbursement of the funding might require these NCFs to adopt a more complicated governance structure. Nevertheless, the principle of efficiency might be compromised when the chains of command span across 4 to 5 different agencies or bodies within a single NCF. Regarding the principle of effectiveness, the UNDP studies put forward 9 design considerations for instilling effective governance of an NCF.[51] The evaluation of whether these 11 NCFs comply with these design considerations, however, cannot be conducted via the UNDP case study reports as these reports did not contain enough information. On the other hand, whether the NCFs incorporate strong MRV mechanism will be another alternative indicator for evaluating the compliance with the principle of effectiveness. As indicated in the preceding paragraph, most of these 11 NCFs require recipients to provide regular reports on implementation progress, or require administrative institution to provide report to the steering committee. In addition, some NCFs, for example, the BCCRF, have used a set of agreed indicator for evaluation purposes. Some other NCFs, such as the Lao Environmental Protection Fund, lay down detailed monitoring and evaluation procedures in their operational manuals. Some countries, such as the Cambodia Climate Alliance Fund, use the UNDP rules and procedures for project supervision. It might be fair to presuppose that the principles of effectiveness might be easier to comply as long as these MRV procedures are strictly implemented and followed. Regarding the principle of transparency, it will depend on the relevant governing legal instruments establishing the national CCFM, as well as the general legal framework of information disclosure or transparency in the country. The MRV mechanism contained in most of these NCFs mandates the submission of periodic reports or other information related to the activities that are being funded. However, it is not clear whether these reports and information are publicly available. As a result, whether the governance structure of these 11 NCFs meet the principle of transparency might be difficult to evaluate from these UNDP case studies.

Finally, the UNDP studies also shows that enacting laws, policies or partnership agreements are necessary if innovative financial mechanisms such as carbon tax or carbon markets are put in place to provide capital for an NCF. For example, a tax on an industry may need to be mandated by a national law.[52] The Brazil National Fund on Climate Change and Thailand Energy Conservation Promotion Fund are two examples where appropriate national legislations need to be put in place so that fees can be collected from the industry or from certain products. The China CDM Fund is another

51. *Id.* at 24 (these considerations are: 1. What governing bodies are necessary to ensure efficient operations of the fund? Who reports to whom? 2. How will any existing inter-ministerial or other high-level national body relate to the fund? 3. Who will be represented in the governing bodies? 4. What decision-making process will be put in place for the governing bodies? 5. Who can submit project proposal? To whom do they submit them? 6. What is the project proposal approval process? 7. What safeguards will be put in place to increase effectiveness and efficiency? 8. What body has ultimate oversight over the activities of the NFC? What individual person will lead this body? 9. In the case where there is more than one national environment/climate fund in a country, how do the governing bodies of these funds relate to one another?).

52. *Id.* at 20-21.

case in point. This NCF is funded by collecting resources from revenues generated from CDM projects in China. The mandate for such collection of fees is derived from China's regulation concerning the operation of CDM project in China. This legal underpinning plays an overall important role in the governance of national CCFMs in general. For example, authoring legislation is required if the source of a national CCFM is generated from government budget or special levies.

V. Lessons Learned for the Governance Design of National CCFMs

After the afore-mentioned analysis on the governance of 5 bilateral CCFMs and 11 national CCFMs, and how they comply with the guiding principles of the governance structure, this Part will offer a preliminary and brief analysis. A note of caution has already been pointed out in the Introduction regarding the research materials that are relied upon. This research uses secondary authority, i.e. summary information provided in the Climate Funds Update website and case studies summarised by the UNDP research team, to conduct the case studies in Part III and IV. The analysis can be done more accurately if primary authority, for example, legal instruments and relevant national legislation establishing the CCFM in question, are used. Nevertheless, it is envisaged that this research can cover as many cases as possible for the sake of comprehensiveness. This is the main reason why secondary sources are relied on.

Many national CCFMs generate their sources from external funds, either multilateral or bilateral. At the multilateral scale, the governance of international CCFMs has paid particular attention to the representation of recipient countries in their decision-making structure. The governance and decision-making procedures of the Global Environment Facility is a case in point. However, from the examination of several bilateral CCFMs, it is noted that the decision-making structure are all vested within the national line ministries in the donor countries. How can this structure meet the principle of balanced representation of all parties? Some of the bilateral CCFMs does incorporate NGOs and recipient countries in their decision-making structure, although the degree of involvement is unclear from the secondary sources. Considering the sources of funding of bilateral CCFMs, however, such type of governance arrangement is understandable. For the national CCFMs, one lesson can be drawn from the studies of the bilateral CCFMs. If sources of national CCFMs come mostly from bilateral CCFMs, the recipient countries need to find the type of bilateral CCFMs that truly meets the guiding principle of "balanced representation of all parties". Under this circumstance, the national CCFM might have greater influence regarding the disbursement of the fund or the type of projects that can be funded.

Another issue related to the governance of NCFs whose sources are generated from bilateral CCFMs is how to interact with the governing body of bilateral CCFMs. On the one hand, in the case of bilateral CCFMs, it has already been pointed out that recipient representatives are not necessarily included in the decision-making structures. On the other hand, in the case studies on NCFs, it can be observed that the governing bodies of NCFs vary. Some NCFs, for example, the Cambodia Climate Alliance Fund, the Micronesia Conservation Trust, and the Tuvalu Trust Fund, include donor representatives in their steering committee (or its equivalent). Under such circumstances, decision-making at the national level regarding the use of the funds might not cause too much of a conflict as donor representative is included in the governing body. In contrast, some NFCs, for example the Bhutan Trust Fund for Environmental Conservation, do not include donor representatives in the governing body. In that case, three possible options might be available to increase the interaction and cooperation between bilateral and national CCFMs. First, a dialogue or platform of communication might be established between the governing bodies of the national and bilateral CCFMs to coordinate the use of the fund. Second, designing an adequate MRV system within the national CCFMs' governance structure that reflects the respective objectives of the bilateral and national CCFMs might also improve coordination between the bilateral and national CCFMs. Last but not least, increasing transparency of both their governance structures mechanisms can help all the relevant stakeholders to monitor how bilateral and national CCFMs cooperate. All these options might bring more burdens on those national CCFMs whose institutional capacities are inadequate at the beginning. In the end, whether having donor representative in the governing body, or using one of the three above-mentioned options, these complex institutional arrangements might affect the efficiency and effectiveness of the respective governance system of bilateral and national CCFMs.

On another front, national CCFMs that used domestic resources exclusively will not encounter the above-mentioned challenges and complexities in the design of the governance structures. Under such circumstances, the guiding principles of balanced representation of all parties should refer to the coordination of different ministries by setting up a steering committee (or equivalent) where all relevant ministries are represented. The principle of transparency will largely depend on the general legal framework of information disclosure or transparency in the country. The guiding principle of efficiency could be met by designing lean and simple operational procedures on resource generation, resources disbursement, and decision-making so as to minimize red-tape in the administration of the national CCFMs. The guiding principle of effectiveness could be complied with by incorporating a set of MRV rules and procedures. All these elements needed to be reflected in the national legislations establishing national CCFMs.

VI. CONCLUSION

This article seeks to find out what lessons can be learned from applying four guiding principles on governance in bilateral and national CCFMs. These guiding principles, developed in the context of negotiation under the UNFCCC regime, are transparency, efficiency, effectiveness, and balanced representation of all parties. Part III and IV respectively reviewed the governance structures of 5 bilateral CCFMs and 11 national CCFMs, as well as analysed whether the governance structures comply with the four guiding principles on governance. Based on the findings in Part III and IV, Part V provided several observations and recommendations regarding the design of the governance structure for national CCFMs. For national CCFMs whose sources are generated from bilateral CCFMs, it is highly recommended that bilateral CCFMs whose governance meets the principle of "balanced representation of all parties" might be a better partner. Setting up a platform of dialogue between the bilateral and national governance mechanisms, designing an adequate MRV system in respective governance structures, or increasing transparency is also recommended to increase the coordination and cooperation between bilateral and national CCFMs. These features, however, might present another challenge in terms of meeting the principles of effectiveness and efficiency in the national CCFMs. On another front, national CCFMs that use domestic resources exclusively will not encounter the above-mentioned challenges and complexities in the design of the governance structures. Under the circumstance, all the four guiding principles play an equally important role and need to be reflected in the national legislations establishing national CCFMs.

Last but not least, what can Taiwan learns from all these valuable experiences? Article 19 of Taiwan's 2015 Greenhouse Gases Reduction and Management Act (GHGs Act) mandates the establishment of the "Greenhouse Gases Management Fund". From the source of funding as provided in Article 19.1 of the GHGs Act, Taiwan's NCF seems to be a type of national CCFM that uses domestic resources exclusively. In any event, considering the level of development, it is highly unlikely that Taiwan will be a recipient country under any bilateral CCFM. This will bring less complexity in the design of its governance structure. Article 19.5 of the GHGs Act stipulates that this Fund will be overseen and operated by a Fund Management Committee. However, the composition and decision-making rules of this Committee, as well as other operating details concerning the governance of this Fund, are not laid down in Article 19.5 of the GHGs Act. Article 19.5 delegates the Executive Yuan to lay down detailed rules regarding the operation of this Committee. It is highly recommended that the Executive Yuan draws from the experiences learned from the NCFs that are analysed in this article, and takes into account the four guiding principles on governance when laying down detailed rules concerning the governance of this Fund.

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治理於雙邊及國家氣候變遷財務機制中之角色

施　文　真

摘　要

隨著全球暖化所帶來的環境、社會與經濟成本迅速的增加，以及伴隨全球暖化而來的環境災害增多，氣候變遷減緩與調適工作之財務需求日益升高。但，透過各式氣候變遷財務機制所募集的財務資源，並無法滿足此一財務需求。故，國際間以及各國政府均將氣候變遷財務機制視為重要的政策議題。除了於國際氣候變遷管制體系下之財務機制外，各國政府也開始設立國家氣候變遷財務機制，以便與國際氣候變遷財務機制互補。

國際氣候變遷財務機制自九〇年代起即開始發展，由其運作經驗顯示，任一成功運作的氣候變遷財務機制，有相當大的部分是取決於其治理架構的設計。於聯合國氣候變化綱要公約下之相關談判中，設計出的有關治理的四項指導原則，扮演關鍵的角色。於設計國家氣候變遷財務機制的治理架構時，適用此四項指導原則，將帶來哪些啓示？此四項指導原則於國家氣候變遷財務機制的治理，是否扮演同樣重要的角色？此為本文欲回答之核心研究問題。此外，有鑑於許多國家氣候變遷財務機制，其財務來源為雙邊氣候變遷財務機制，因此，本文於分析國家氣候變遷財務機制的治理時，將同時把雙邊氣候變遷財務機制的治理也作為研究對象。

關鍵詞：氣候變遷財務機制、國家氣候變遷基金、治理