

pour le débat

GOVERNANCE

N° 09/09 DECEMBER 2009

CONFERENCE PROCEEDINGS

The “Bottom Billion” and Climate Change in the Context of the Global Crisis

This publication contains the proceedings of the Launch Conference of the Initiative for Development and Global Governance (IDGM), held in Paris on 6 November 2009 and organised by the FERDI (Fondation pour les Etudes et Recherches sur le Développement International) and IDDRI.

The Initiative for Development and Global Governance, which is supported by the French public powers (the Ministry of Finance, the Ministry of Foreign and European Affairs and the French Development Agency), is aimed at building capacities for debate and analysis on economic development and global public goods, supporting research on the practical problems and issues of development that are often overlapping and/ or contradictory, and encouraging the renewal of scientific thinking in this field, leading to policy recommendations.



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Opening

Lucien CHABASON

Deputy Director of IDDRI

It is a great pleasure for me to welcome the former president of the French Republic, Valéry Giscard d'Estaing, who has done us the honour to come and talk to us for this opening session. I also extend a warm welcome to all of you who have come to this conference on the Initiative for Development and Global Governance.

We are very grateful to the Minister for European and Foreign Affairs and the French Development Agency who have assisted us in this new form of development.

It has been decided that two different and complimentary research institutions, IDDRI and FERDI, would create joint synergies in the hope of developing enhanced capacities for analysis, academic research, and proposals in the domains of sustainable development and global governance.

In the past few years, IDDRI has focused its activities on issues that unite these domains:

- Adaption to climate change;
- Sustainable urban development, particularly in developing countries;
- Issues in coastal zones affected by climate change and developments in agriculture, tourism, and biodiversity;
- Marine biodiversity, the fishing industry, and high seas statutes;
- Agriculture as affected by climate change and biofood security;
- Environmental and climate refugees.

We intend to further develop these activities in this partnership with FERDI, who will help us carry out the necessary political analysis and set up the development policies.

Considerable challenges arise from the economic crisis. The instruments we have set up over the past 30 years for international environmental policy may not perform well for issues intended to enhance sustainable development. In focussing on governance in this partnership, we face the major challenge of the materialisation of the necessary legal instruments and institutions for the environment and for development.

Patrick GUILLAUMONT

President of FERDI

It is a great honour for me to take the floor today and to open this meeting, and most particularly to welcome the former president of the French Republic, Valéry Giscard d'Estaing.

The Initiative for Development and Global Governance was implemented by the French government with the objective of launching French reflection on development policies, based on the results of concrete research.

Cooperating on our joint objectives can only be an advantage for IDDRI and FERDI. This Initiative is an independent activity backed by public authorities. I take this opportunity to thank the French Development Agency and the supervisory Ministers who have allowed us to prepare it.

The title of today's conference is based on the book by Paul Collier "The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It." We are interested in seeing how the objectives of sustainable development, economic recovery, and global governance can interact and in determining how they can move forward together. We will be discussing the coordination of the different international economic players for deciding priorities.

From the G5 to the G20, What Future for the Global Economic Governance?

Valéry GISCARD D'ESTAING

Former President of France

Honorary President of the FERDI

I am delighted to be before you here today. We live in a world of one single thought where there is very little margin for expression of originality or individual analysis. The one or two ideas that I would like to convey today are highly personal. There is no right or wrong on these issues. There is simply a way of throwing a light on the questions to be dealt with.

The Multi-Faceted Backdrop

Change in Demography

The greatest variant in the life of our planet over the last 150 years has been the change in demography due to the explosion of the population and to migratory flows. We cannot approach environmental problems without dealing with demographic issues.

Uniformity vs. Diversity

Worldwide culture is extremely marked by a perpetual search for uniformity. Dominant schools of thought pivot around the idea that future patterns will be more uniform. I believe that, on the contrary, we will be heading towards a worldwide organisation that will be much more diverse.

Necessity of Scientific Thought

We are curiously being managed by legal experts or administrators but unfortunately are not seeing the scientific mind in the higher circles of reflection and power. Industry and the different forms of energy presuppose a culture based on engineering and scientific competence.

Global Economic Governance

The G5

We conceived the first G5 in 1975 with Chancellor Helmut Schmidt. We were not thinking of creating any form of global economic governance.

Our objective was to learn about the personal ideas of the heads of the most significant world economic players and to find out if they would be ready to launch certain projects. We had been struck to see that the major heads of state did not express their opinions on major international economic or monetary issues. We therefore wanted to cut these leaders from their experts and to bring about a frank discussion between them.

We decided to limit the number of participants to the only countries that had true economic punch at the time: the United States, Japan, Great Britain, France, and Germany. We asked them to send only three people: the head of state, the Minister of Foreign Affairs, and the Finance Minister. The only people present in the room in the Chateau de Rambouillet were the 15 participants and the interpreters.

The small group rapidly expanded to become the G6 and then the G7, due to pressures to have Italy and Canada join.

Efficiency of the G7

The meetings turned out to be extremely useful. We decided not to come back to a fixed parity system and to combat protectionism. In order to counter the political and economic consequences of the second oil shock, we were able to create a type of quota for oil supplies. Unfortunately, the media and bureaucratic circles rapidly held sway. The number of journalists increased, only adding to the confusion. The participants brought members of their administrations. We became far more bureaucratic. The system lost some of its usefulness.

Desire for Expansion

New major economic players entered the world scene. Global indicators were changing. Many expressed the desire to enlarge the Group.

The list was redrafted. We ended up with all of the countries that contribute to the creation of global wealth and GDP.

The critical goal of the meetings, finding out what the leaders had in their minds, had to be abandoned. The expansion of the group put an end of the usefulness of the G7.

The Future of Global Governance

The need for global governance is an objective reality. We need to find management decision-making instruments for optimum efficiency.

Historically, the economic sphere has been fragmented, which did not prevent cooperation for progress and development. Small regional structures were enlarged to form medium-sized national structures that grew to groups of states, single markets such as the European common market.

Limitations of the G20**Limited Decision-Making Possibility**

The composition of the G20 may be a better reflection of the reality of the current economic world, but it weakens the discussion and decision-making capacities of the meetings.

Competency can only be transferred to a higher level when that level handles an almost ho-

mogenous set of situations. Due to the huge diversity in the global system, there is no possibility for decision-making or for the development of specific operational recommendations in the G20.

Limited Means of Checking

Due to the diversity of situations and administrative practices, we cannot check on the implementation of measures.

The Continental Dimension

Economic governance at a continental dimension would be more appropriate. The United States, China, and Latin America have all conducted reforms of their systems at this level, leading to positive results.

I think that over the long-term a global economic organisation system will develop through an interim stage of continental organisations and through relationships at a higher level between the major continental structures. That is why the European organisation structure represents an adequate level for decision-making and for checking on the measures of good economic governance. In the next 200 years, we will be able to deal with the transfer of power from the regions to the global level.

Beyond the Crisis, What Are the Issues?

Chair: Patrick GUILLAUMONT, Chairman of FERDI

Claude MARTIN

Former Director General, WWF-International

Interlinkages in the Global Environment

The same interlinkages confront all of us, whether we come from financial, environmental, or social circles.

Material and Energy Consumption

The first interlinkage is humanity's footprint, the connection between material and energy consumption. It is at the centre of all of the problems we currently face on the planet.

Food Production

Access to food production is the most essential element for the survival of humanity. It is presently affected by the various ways we are using our biosphere:

Forest Destruction

The world forest surface has been diminished dramatically, particularly in the past 100 years.

Water Scarcity

Our consumptive behaviour on water availability through the use of hydroelectricity and irrigation has had dire consequences on food production potential.

Marine Depletion

Over-fishing has impacted biodiversity.

Climate Change

In recent years, every problem in the overall ecosystem has been greatly compounded by climate change.

A Few Important Drivers of Emissions and Consumption

In South America, the conversion of forests for agricultural purposes, essentially for soy products, is the main driver of deforestation. Most of this soy is exported to Europe and China for cattle feed.

Due to soil erosion, grain harvest has declined. At the same time, the global increase of meat production exacerbates CO₂ emissions and water consumption.

Problems and Possible Solutions

Unresolved ecosystemic problems could gradually translate into displacements, social tensions, and security risks for much of the world population.

The disastrous consequences of the growth of humanity's ecological footprint have been measured for the global ecosystem.

Virtually every sector in energy production and consumption has to make a contribution in order to reduce emissions to a level below the biocapacity reserve. Reduction has to come from the efficient use of electricity and fuel, from the use of renewable energies, and from other technologies such as carbon capture and storage and possibly from nuclear power.

The United Nations REDD Framework "Reducing Emissions from Deforestation and Degradation" holds the potential of massive reduction of CO₂ emissions and could also benefit biodiversity conservation and fulfil a number of development goals.

Other instruments such as the Forest Stewardship Council support the sustainable development management of forests.

A Few Opportunities

- A system of rice intensification can result in up to 50% less water consumption and a reduction in emissions.
- In 2004, the Convention on Biological Diversity increased marine-protected areas and no-fishing zones. Such areas hold huge potential for the regeneration of fish stocks.
- The OECD Round Table on Sustainable Development has been developing measures to halt illegal fishing.

Building Social Resilience

We need to focus on the intersections of environmental and social issues and to build

general resilience in large regions. This can be done by means of an analysis of the drivers of forest loss, mitigation of ecosystem fragmentation, integrated river basin management, and long-term projections of climate change demographic impacts.

Jean-Michel SEVERINO

Director General, French Development Agency

This Initiative under the aegis of FERDI and IDDRI is important because it allows us to revisit our public-policy thinking. I would like to focus on the abstract considerations concerning public policymaking. I shall express some of the uncertainties, doubts, and anxieties we are facing because I think it could trigger a constructive collective approach. We need to explore the reasons for the failure of public development aid and the possibilities for moving forward.

Simultaneous Trends Over the Past Decades

Growth of Stakeholder Numbers

The players, all too numerous, have been spreading too thin. In the 1990s, official development aid was steeped in the preoccupation of helping former colonies. The main driver for public policy was to reduce poverty in order to improve the fate of our fellow human beings. In reality, there were deep geopolitical concerns. When the Berlin Wall fell, the money for the benefit of Africa and Latin America dwindled. Public policy shifted from ethical solidarity concerns to more national interests. By the end of the 1990s, the number of public stakeholders increased. Official government mechanisms for aid became decomposed and the role played by civil society stakeholders intensified.

Change in Motivation and Determination

The past decade has shown a re-emergence of concerns about environmental issues, geopolitical matters, crisis management and prevention, and the regulation and deregulation of international trade.

Concerns for eliminating poverty may have become secondary to the wide spectrum of broad issues or may have become a pretext to achieve other objectives.

The biggest paradigm shift in international aid has been from policies based on ethics or moral grounds to policies based on transferring capacities or financial flows. The main objectives today are redistribution, offsetting, capacity strengthening, and convergence.

Change in Financial Structures

The old system of budgetary allocation to public and private structures has been completely superseded by a multifaceted international system. Huge international funds, cross-border initiatives, direct multilateral transfers, and a multitude of financial and mechanical instruments no longer have visible concrete impacts on the field.

Chaotic Public Policies

The universal tools created through the Paris Declaration have been displaced horizontally by new players and upwards by players who do not work in the field.

We are in an era of costly and chaotic public policies. Public stakeholders have completely lost control of the resourcing and allocation of funds. This situation has generated considerable inefficiencies that are no longer even identified. The statistical and accounting framework is incapable of giving any true figures.

Avenues of Exploration

A New Concept of International Public Policies

We have to abandon the idea of public aid and move towards a new concept of international public policies. We have to restructure the way we measure such policies. We must be able to access costs, impacts, and volumes on a basis that will be credible, audible, and comprehensive.

Revision of the Millennium Development Goals

We have to revise our Millennium Goals. They no longer represent the whole spectrum of international policies. We need to find new conceptual and practical facets that make them more understandable to the taxpayer.

Recentralisation of Aid Management

We need to create think tanks, communication methods, and means of encouragement for more consistencies and cohesiveness.

More Strength to the Declaration of Powers

To build the international service policies over the coming years, we need to envision the needs of the world 30 or 40 years into the future. We need to modernise the traditional framework and build a new idea of ODA. That is where the main challenge of the Initiative lies.

Valentine RUGWABIZA

Deputy Director General, WTO

The Need for New Reflection

The times we are living through call for a new era of reflection due to the fact that current efforts have fallen short of our expectations. The challenges we confront are global and cannot be resolved at national or even on a Continental level. They require full consistency, coherence, and cooperative efforts in order to seek solutions on a worldwide platform.

Lessons from the Multilateral Trading Platform

Necessity of a Regulatory Foundation

Since the multilateral regulatory trade system was created over 60 years ago, we have learnt that it is not possible to have harmonious and mutually-beneficial relations between nations in any sector if they are not established on a solid regulatory foundation.

Difficulties in Reconciling Different Interests

It is exceedingly slow and difficult to reconcile different interests from different countries at different stages of development. Countries operate with different motivations, use different approaches, and all believe they have different levels of responsibility/obligation.

Need for New Incentives

For issues that are far more complex than multilateral trade rules, such as climate change, we must find new incentives for a multilateral agreement. Unfortunately, the dramatic realities of drought and of food shortages do not provide sufficient motivation to encourage governments to work together and to agree to a certain number of rules, principles, and objectives.

Need for Multilateral Cooperation

Multilateral cooperation is the only way out when we are confronted with challenges that go above and beyond the boundaries of national territories.

Lessons from the Doha Development Round

Through the Doha Development Round launched in 2001, WTO Members have undertaken to improve the system of multilateral trade rules to better represent the interests of countries that are at different levels of development.

From the agenda setting to the emphasis put on development issues, the DDA negotiations are a reflection of the new balance of power between developed and developing countries which constitute two-thirds of WTO membership and have today, as opposed to GATT time, a major stake in setting new rules and improving existing ones. A negotiation between 153 countries on more than 30 issues takes time.

- One of the lessons we have learned from the DDA is that global issues call for global solutions and are sustainable only if they are negotiated multilaterally: this takes time, inclusiveness and political will.
- Another lesson is the necessity for better regulated systems: it is vital for us to differentiate between systems of regulation and of deregulation. The necessity for more regulated financial systems has been clearly demonstrated by the current crisis. The regulations built by the MTS proved resilient as most of the WTO Members, in tackling the crisis, did not by and large resort to protectionist measures.
- Our regulated system has proven to be somewhat resilient. Over the last two years, there has been no rush towards extreme protectionist measures, the members by and large respect their own rules and obligations.

Governance

The recent economic crises have shown that the United Nations system of global governance is not capable of offering efficient and rapid solutions to global crises.

The emergence of the G20, an enlargement of the G8, offers an interesting alternative with a better balance between efficiency, legitimacy and leadership.

Jaime de MELO

Professor, University of Geneva

The Links Between Millennium Development Goals and Climate Change

Global warming is a greater threat for the poor:

- Raincrop farming is harder hit than irrigated farming;
- Agricultural productivity will drop much more in Sub-Saharan Africa than in temperate climate countries;
- The retreats of glaciers in Asia will create problems in water management and food supply;
- Climate disasters occur more often in developing countries;
- The implications of global warming will be greater on the health status of the poor.

Due to this complementarity between climate change issues and achieving the Millennium Goals, we need to deal with the issue of climate change when we finance the Millennium Goals for poverty reduction.

Financing the Millennium Goals

The transfer of funds will have to be to the medium-income countries as well as to the poor countries. Medium-income countries are already responsible for over half of the CO₂ emissions. It will be necessary to subsidise the adoption of new technologies so they can produce clean energy. An important mechanism is the "cap and trade" system, which enables the direct transfer of resources without going through the public budgets.

Elements of the Global Deal

The "glue" would include emission targets for the rich and middle-income countries.

Other elements include the reduction of deforestation, the funding and sharing of technological advances, and the financing of climate change adaptation.

Doha and Copenhagen: An Emerging Role for the BRICs

Brazil, Russia, India and China ("the BRICs") could be part of the solution regarding the

deadlock of the Doha negotiations. If a Doha agreement is concluded, the poor countries will have market access to the middle-income countries and could probably export their agricultural products more easily than they could to the rich countries.

The BRICs should also be more active on climate change issues, which would help in the attainment of the Millennium Goals.

The Polycentric Approach

The benefits of action on climate change issues are at multiple levels. It is easier to obtain collective action at multiple local levels. Subsequently, it would be more likely to obtain more action at the global level.

A New Governance Framework

The current governance structures are not appropriate for dealing with climate change and the Millennium Goals. A new institutional framework could involve a possible merger of the World Bank and the IMF, which together with the WTO would form the World Environment Organisation.

In 2050, most of the world population will be living in today's developing countries. The new framework will need to reflect the enormous changes in world demography.

Alexander SARRIS

Director, Trade and Markets Division, FAO

Dealing with a Long-Term Crisis

The environment and global crisis we are facing is a creeping crisis. The full effect may not be felt for another 40 or 50 years. Nevertheless, small crises are happening all the time.

Politicians and governments work on short horizons, dealing with crises that have just happened. This time inconsistency between political action and the needs of the problems we face requires some thinking.

The Copenhagen Summit, an extremely important conference, is taking place while the entire global political establishment is preoccupied with the financial crisis. Negotiations have lingered at the WTO because it is a long-term system rather than a recent crisis.

Hunger

There has been an obvious increase in global hunger and poverty. We are already failing to meet the Millennium Goals and the discrepancies between the goals and the realities are increasing.

The hungry are everywhere. They are mostly in Sub-Saharan Africa, Asia, and the Pacific, but are also in the Near East, North Africa, Latin America, the Caribbean, and in developed countries.

The effects of the financial and economic crisis have hit the developing countries strongly, making the hunger problem even more acute.

Agriculture and Poverty

Progressive Neglect of Agriculture

The recent food crisis has resulted from the progressive neglect of agriculture over the last twenty years. Economic policies advocated open economy strategies rather than sectoral support, such as for instance for agriculture as an engine of growth. However, most of the countries in East Asia started their development through agricultural growth.

Many countries rejected the role of the state, neglecting market failures. We tried to reduce rural poverty through transfers rather than by generating sustainable income opportunities. Investment in agriculture was discouraged by low-income countries.

As a consequence of the progressive neglect, the shares of agriculture expenditure in ODA expenditure, as well as in developing countries' overall budgets have declined tremendously.

Related Upheavals

Africa has been particularly hit by the stagnation in productivity, resulting in huge migration flows and the related political and security problems. World poverty is still overwhelmingly rural. Income disparities between urban and rural areas are increasing, especially in the fastest growing economies such as India and China. This will create further economic and social tensions.

Prices and Productivity

The real prices of bulk food commodities have stopped falling and will probably not resume their downward trend in the near future. That

puts agriculture in a different context.

Productivity has not slowed down. The incidence of productivity changes in agriculture is largely on consumers through lower prices. Moreover, the total inputs to agriculture have decreased.

New Factors

Many new factors are likely to dominate the world food system in the future: changes in oil and energy prices, biofuel policies, developments in exchange rates and in the financial market, and new investments in agricultural production. These factors could result in greater uncertainty and probable volatility. Consequently, there will most likely be less trust in international markets. The crisis therefore changes perceptions in other areas.

Impacts of Climate Change on Developing Countries

The number of undernourished in developing countries is expected to increase in the near-term. The geographical impacts of climate change on agricultural production are going to fall much more on developing countries. The negative effects on income are likely to be most strongly felt in South Asia and Sub-Saharan Africa. Climate change is also creating more food emergencies.

Factors that will Condition Policies

Numerous factors will condition policies in the food and agriculture sector, including the growth in output and investment, the continued reforms in the WTO, global volatility, concerns over the environment, consumer-driven food attitudes, the proliferation of regional and bilateral agreements, growing water scarcity, and increasing food emergencies.

The Safety Net

Long-term challenges will have to transcend the short-term time horizons of policy-makers and the needs of producers and consumers.

It is essential to have a safety net mechanism to prevent and manage the ever-present and ever-growing short-term risks so that time, energy, and resources can be left available to deal with longer-term imperatives.

DISCUSSION

Thierry CHAMBOLLE

President, Agir ABCD

We have seen global governance emerge to tackle climate change with the Kyoto Protocol, which is achievable because of its modest objectives. It is imperfect but it is innovative and I think a quite good example of global governance.

Could the global governance innovations that were developed to tackle climate change be applied or used as inspiration in dealing with development issues? Could they be replicated or at least studied to see if they could be replicated?

François-Régis MAHIEU

University of Versailles

How can we reconcile social and environmental sustainability and find the policy instruments to do so? It is a bit like Keynes' paradox on whether it is possible to reconcile natural order and social order. My think tank no longer exists simply because it cannot resolve this equation. There also seems to be a generation gap amongst policy makers. How can we know what the future generation needs since we cannot seem to enter into a dialogue with it?

Claude MARTIN

There clearly are contradictions and irreconcilable differences between social and environmental sustainability. That is why I speak of a new paradigm that would focus primarily on social and environmental resilience. We need to merge these two issues and look at them for ecosystemic – which includes human – sustainability. There are a few good examples of how to do this. Conflicts over resources and fisheries have two conflicting objectives, protecting the environment and protecting the social economy. It is the same for protecting forests. The measures that are needed to resolve the equation would be the same. The objectives are converging, not conflicting. If you take some distance you might be able to find solutions that might not resolve the gap but might paper over the cracks.

Jean-Michel SEVERINO

I think we need to think a little more about the impact of macro-phenomena such as climate change and agricultural problems.

If in 2011 we are to compare 2009 and 2011, we will find the two periods very different. I am not certain that we are going to have African or Mediterranean growth rates that will be as low as some are thinking now. A lot of economies are governed by natural factors. When we look at the actual impact of climate change on poverty in 2009, we will see that there are a certain number of African countries where there will be impacts due to the drop in commodities prices and to the shut-down of mines. Some of the poor countries were not participating in oil or mineral prosperity. The drop in GDP is going to have less of an impact in those countries than in the others.

We have global pronouncements to make on the impact of the crisis. We are beginning to create discussions and policies that have nothing to do with the real world.

We know that the inter-tropical zones are going to suffer more from global warming than the temperate zones. The weather experts tell us that within these areas some circular phenomena will have profound effects on concrete weather conditions. Some of these phenomena will have positive impacts which will be much more important over the next decade than global warming. The economies are going to be profoundly affected by these positive impacts. We need to have better quality and more precise meteorological models. Scientific studies need to be supported in a much more proactive fashion by economic research. At the sub-regional scale, we find considerable societal, physical or natural impacts. The international scientific community does not have the necessary wherewithal to switch from macro-weather models to regional or applied models. If we do not implement such studies, we will continue to be far too general and therefore far too alarmist, which will undermine the legitimacy of any public action.

The international community, when trying to relate climate change to development, has a tendency to segment our different agendas. The most significant contribution we can make today to the resilience or capacity of Sub-Saharan Africa to deal with climate change problems is to decrease carbon emissions on

an international level. The first contribution of the planet for Africa today is to do something about the heating in this room! Industrialised countries could start with these types of small efforts.

The scale of the financing that the international community is going to accept to invest in China, India, and the other hothouse gas emission countries will be the very first possibility for having a direct impact on climate change in Africa. Our policies have to be holistic and global. If they are not, we are going to keep falling into the same trap of massive under-efficiency.

Valentine RUGWABIZA

Concerning the interference between social, environmental, or developmental requirements, it all comes down to the necessity for consistency in policies at the regional, national, and global levels. Consistency in policies is based on the multi-tiered negotiations between the

different players. It filters down to a regional level and may continue to spread out to a global level. It would therefore back the interface between different sectoral policies.

Alexander SARRIS

The carbon trade idea is excellent and can be applied in a variety of other circumstances. We could perhaps auction protection rights in the WTO. It would be the same idea in a different form. The best way to manage emissions would be to allocate the same amount of emission rights to everyone on the planet and let the market take care of the rest. That would solve the North-South problem. We have to think creatively about such an idea.

Who Does What Faced with the Diversity of Objectives?

How and Why Cooperate?

Chair: Mark HALLE

Mark HALLE

European Representative, International Institute for Sustainable Development

The discussions this morning showed a vast agreement on the analysis of the current situation and on the severity of the problems we are encountering.

It is much more complicated to determine how we going to tackle these problems and seek solutions. We are going to step away from the wider picture of analysis and come back down to earth, asking ourselves the following questions:

- What are the mechanisms for cooperation when we tackle issues far broader in scope than States or the responsibilities of individual governments?
- Are the current-day institutions sufficient as they stand?
- Are the mechanisms we are using as governments capable of tackling these problems? Is it possible to improve them so that they can encompass the necessary solutions?
- Who are main players? How do they intervene? Do they still have our trust?
- Should we be rethinking the role of the private sector?
- Should we be looking for other reasons that are governing our behaviour on a regional, national, or global level?

We will try to identify one or two avenues of exploration to come up with responses to these challenges.

Jean-Claude BERTHELEMY

Professor of Economics, University of Paris I

The Need for Multilateral Cooperation

The issue we are discussing is one of international public goods. We therefore need collective action in the form of multilateral cooperation.

The financial crisis has contributed to the acceleration of changes in global governance. The increasing weight of the emerging countries will give them a greater influence on such governance.

Moreover, due to the financial crisis, there are far greater financial room of manoeuvre used by the major international financial institutions. That could be good news if institutions such as the World Bank are capable of playing a role in this type of attempt to produce international public goods.

Comparative Advantages of Different Agencies

As a classic instrument, the World Bank can be given the means to deal with environment issues. It is more easily financed than other agencies. However, as a development organisation, environment is not the core issue of the World Bank. Other institutions deal with the environment as a core business, but them have not the same capacity as the World Bank to handle financing of big programmes.

Innovations in Development Financing

Two major innovations have been emerging in the past five to ten years, vertical funds and trust funds.

Vertical Funds

New agencies with new governance structures can be created, which we call "vertical funds". Examples of such funds are the Global Environment Facility (GEF) and the Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM).

These funds have a clear advantage in the environment sector. Creating vertical funds would also be an excellent way of attenuating the fragmentation of aid by focusing on one particular sector and one well-identified agency.

Although the vertical funds have been successful overall, other agencies continued to work as before on the same issues. That is why the creation of vertical funds did not meet up to our expectations in terms of reduction of fragmentation of aid. In order to solve these problems, we have to promote cooperation and collaboration on the different operational levels between the different agencies.

Trust Funds

Financial resources can be given on an ad hoc basis to the World Bank or other institutions, with the specification that the institution must use them to implement the particular activities that have been defined.

The vertical funds are sometimes linked to trust funds. In that case the World Bank acts as a financial intermediary (this is the case for the GEF and the GFATM).

Trust funds present the risk of slippages by the World Bank or other agencies from their actual mandate and terms of reference, which are instruments of collective action of a number of countries that have agreed on specific goals and have entrusted the institution with resources to reach these goals. Another disadvantage of trust funds is that multilateral agencies might compete against each other to collect the funds. Such bureaucratic behaviours would not maximise the operational efficiency of the international financial architecture.

We need to reduce the tendency of donors to create trust funds and to change multilateral aid into bilateral aid. If the tendency continues, the World Bank could become similar to United Nations agencies that are funded mainly on earmarked resources.

Operational Coordination Measures

We need to implement a number of initiatives for operational coordination between the agencies working in developmental assistance by means of effective coordination instruments:

Joint Country Strategies Between Various Agencies

The World Bank, the European Union, and the United Nations Development Program have been leaders in dealing with countries in crisis by pooling their intellectual resources. This creates a roadmap for operations on the field. We need to mainstream these strategy exercises and introduce in these joint country strategies the environmental dimension of development.

The Program Approach

Agencies work jointly with national authorities in order to develop joint sector strategies and funding. This instrument does not work well in countries with little capacity or when there are too many agencies involved.

Joint Assessment

These exercises are few in number. As the various agencies do not have the same evaluation criteria, it is difficult to assess the various projects jointly. That is why, before undertaking an assessment, it is necessary to work collectively on data related to the starting point situation and to the progresses that have been achieved.

Jorge Braga de MACEDO

Professor and Director, Center for Globalization and Governance, Faculty of Economics, Universidade Nova de Lisboa (CG&G/FEUNL), President, Tropical Research Institute (IICT), Former Portuguese Finance Minister

Together Alone

I have entitled this presentation "Together Alone" (borrowed from a 1992 song of the New Zealand rock band "Crowded House") because we are more and more aware of our being together and, at the same time, nation-states have a hard time cooperating. To overcome the paradox, new players in the international scene

may help but we also have to make sure the old players supply international governance innovations, like making better use of peer review mechanisms.

The Blue-Eyed Crisis

The interaction between globalisation and governance is bound to be difficult in a world that is extremely connected and at the same time very susceptible to "tribal" views. An imaginary exchange illustrates the point.

One year ago, Queen Elisabeth asked on a visit to LSE, "If this crisis is so huge, why did everyone miss it?" and a few months later Gordon Brown, on a visit to Brazil, heard a comment from President Lula which provides an answer, "This is a blue-eyed crisis". Another way of saying this is: no one saw the crisis coming because the only ones who could see suppressed "blue-eyed crises".

Failures in Cooperation

Cooperation failures within and between countries brought about a negative interaction between globalisation and governance, as peer review mechanisms at the OECD and the European Union did not lead to international governance innovation among advanced countries. In spite of the African Peer Review Mechanism, severe implications for poverty alleviation and food security ensued from this negative interaction between globalisation and governance.

Economics and Governance Innovation

Economists can contribute to finding governance solutions if they manage to work in an interdisciplinary environment that takes into account cultural differences. Thus I delineate a perspective based on globalisation and governance interaction, underlining the failure of cooperation within and between countries and claim that peer pressure promotes the global common good if it also fosters governance innovation. Specifically with the "bottom billion" in mind, I provide two examples in www.jb-macedo.com/ferragosto:

- Development of a necessary knowledge base for the Millennium Development Goals;

- Perspectives on science and technology indicators, such as those from the Community of Portuguese-Speaking Countries (CPLP);

Food, Culture, and Knowledge

As the imaginary exchange between the Queen and the President suggests, the financial crisis did not come so much as a surprise for countries that were aware of the food and energy crises that preceded it. Science and technology have been neglected in the design and monitoring of the MDGs, in part because of the "group think" of old and new players.

An example of breaking tribal views is the last Encyclical of Benedict XVI criticizing protectionism and examples of culture-based multilateralism involving Brazil and other Portuguese speaking countries, namely in Africa: the declaration of the Ministers of Science, Technology and Higher Education Community of Portuguese-Speaking Countries (CPLP) of August 2009 emphasized the need for a genuine partnership for development based on mutual knowledge, along the lines of the 2006 declaration on MDGs by the Bissau summit. This may be the first time that the need for countries to know each other has been stated as a priority. Research in agriculture is also essential for increasing crop yields. The European Consortium on Agricultural Research has created an alliance of 39 universities in 16 EU countries. The first results will be presented in the forthcoming Global Forum on Agriculture Research, to be held in Montpellier next March.

It is increasingly recognized that economists are needed in the public debate. As stressed by an editorial in the *Financial Times*, they "should not be blinded by mathematical sophistication or paradoxes beyond the lay public's grasp". To repeat, curiosity about other fields and aversion to dogma or tribal thinking is needed as there is no awareness of peer review mechanisms outside of the old players.

Governance and the G20

Nevertheless, I see a glimmer of hope for global governance in the G20 to the extent that its members have called for joint assessment of their policy frameworks. In recommendation 5 of the Pittsburgh communiqué, the G20 countries entrust the IMF with the responsibility of

carrying out peer reviews at national and regional level. The IMF has never before worked with groups of countries, so to carry out this mission requires genuine governance innovation. Hopefully the EU will bring its comparative advantage to bear on the solution.

Christian MASSET

Director General for Globalisation,
Development and Partnerships, French
Ministry of Foreign and European Affairs

Today's Equation

At a time when different crises are coming together, we need to think about how we are going to organise the next world. The growth of awareness is already half of the solution. Collective action, which used to be an aspiration, is now an assertion coming out of G20 or the United Nations. The circle of players is broadening. Nations are rebalancing their roles.

How International Organisations Have Reacted

Global issues have completely changed the way international organisations and government agencies work. Some have created or multiplied vertical funds. New international organisations have proliferated. The agendas of all international organisations have dealt with the issue of climate change. Spread out in such a way, collective action cannot be very effective. We need a new model of global governance. We are seeing an emergence of new themes.

The Necessary Elements of Collective Action

Rules

Rules for collective action need to be adopted by all, especially in looking at the climate, a global public good. For climate issues, the rules need to be legitimated through an international organisation, the United Nations Framework Convention on Climate Change.

Knowledge

We need knowledge with scientific references. It has to be authoritative and broadly disseminated. The IPCC in its scientific pillar and the

CGIAR both play important roles in this respect.

The Financial Pillar

The financial pillar of the system includes the debate on setting up a vertical fund or designing an architecture with what already exists.

Implementation

Implementation requires elements that are measurable, verifiable, and reportable. It is also necessary to determine how the rules will be enforced. Peer review is a powerful instrument and could be combined with sanctions.

It is necessary to have the fuel that will make the machine go. A leading group is an indispensable element. It is also important to include civil society in the broadest sense of the term: think tanks, universities, and public opinion.

The Topic-Based Approach

If there is only one approach per topic, global governance systems will not work. It is necessary to determine who is to select the topic that would take precedence over the others, how different topics relate to each other, what scope each international organisation should have on each of the topics, and how resources can be identified.

It is necessary to have a universal driving organisation, preferably the United Nations, as well as an informal leading group. Such a group is needed to start the reform of international organisations. In terms of global environment issues, the steering group will have to express its views and provide an impetus.

The Bottom Billion

We need to ensure that the "bottom billion" is not marginalised. There are three requirements:

- Vulnerable states and their issues have to be put on the agendas of the leading groups.
- Global issues will have to study adaptation, adjustment, and representation of Africa in the G20 or in the decision-making bodies of the international financial institutions.
- The proper articulation and balance between international financial institutions and the United Nations system must be ensured.

States

States are more relevant than ever, but they cannot solve anything on their own. The economic and financial crisis has shown that they still have a purpose. The huge transformations required by climate change entail the sharing of sovereignty, which presupposes the existence of strong states. We need a new kind of society-to-society diplomacy that engages between states, civil society and NGOs.

A New Impetus for Global Issues

It is important to continue working on new issues that may redistribute global problems. The world will have bigger demographics and fewer natural resources. Global issues come up against deficient governance, especially in the areas of water, migrations, and commodities resources. We need to re-think these subjects and find new avenues of exploration. We need an intellectual effort to provide a new impetus.

Michel SIDIBE

Executive Director of UNAIDS
Under Secretary-General of the United Nations

The subject we are discussing today is probably our major challenge. We have to think of the quality and the type of governance we want. We need to broach these questions while incorporating issues of disparity, redistribution, and equal opportunity.

Twenty years ago, AIDS was our major challenge. We could explore what AIDS has taught us and try to use the experience of AIDS to deal with today's issues.

The Necessity of Investigating Differentiated Approaches

In AIDS research, we did not first investigate differentiated approaches that would have enabled us to come up early on with different typologies per country and the need for tailor-made approaches.

Lesson Applied to Climate Change:

Let us not think that climate change is one overall global challenge and that one approach will fit all. We need a differentiated approach to understand what is happening in the various ecosystems.

The Necessity of Organised Political Leadership

When there was no organised political leadership translated into a financial offering, we found ourselves in a state of denial and nothing could be achieved.

Lesson Applied to Climate Change:

We need the resolve of governments, visible to the "bottom billion". We need to better articulate strategies with worldwide political policies. We need a real involvement on the part of populations.

The Financial Architecture

The €14 billion we now have to counter the epidemic came with extremely complex mechanisms and allocations that created distortions in the different systems. We are not even able to consider these resources as a possible tool that would have an effect on health or development.

Lesson Applied to Climate Change:

We need to beware of not remaining in the same paradigm as today. We need harmonisation, lower transaction costs, and mechanisms for tailor-making the policies to the different countries.

Maintaining Dialogue

It took ten years to make newly created drugs available to the poor. Five million people suffering from AIDS today are still waiting for drug therapy simply because there is a different approach in the North than in the South.

Lesson Applied to Climate Change:

Through international dialogue in trade and intellectual property rights, our answers must be appropriate to all of the countries that are going to be implementing them. It is only in the creation of North-South bridges that we will be able to truly come up with strategies that should converge.

Resolving Long-Term Disparities

We are still not equipped to resolve the long-term situation.

Lesson Applied to Climate Change:

Financial tools should not just be managed in an emergency manner. There needs to be a whole process of transformation. We have to place the human being at the core of all of these concerns. We cannot forget social justice and the needs to redistribute opportunities and to provide access to services and information. Today, we have a world that is completely unequal. The overwhelming numbers of AIDS deaths have been in developing countries. After 30 years of fighting AIDS, we are still confronted with total disparity.

DISCUSSION

Mark HALLE

I invite each member of the panel to take one point made by another member of the panel and to make a brief comment on it.

Jorge Braga de MACEDO

I come back to what Christian called the "coalition of the willing". In Europe, we tend to appoint the members of leader groups. How can you come up with a leader group that will be able to truly lead the system forward?

Christian MASSET

I was referring to the economic and financial sector as related to our global challenges. I called it a "leader group" because it is a group of players capable of changing things. The G20, dealing with the economic and financial crisis and having countries that represent 75% of the population, 80% of GDP, and 95% of the financial resources, can truly change things. Without the G20, the crisis would have been far more severe. That is proof that a "leader group" played a major role. Without the G8, all of the AIDS funds would never have come about.

Michel SIDIBE

Concerning the "bottom billion", how can we ensure that the voice of the G72 is heard without having the United Nations lose its role of listening to multiple voices and becoming nothing more than an intermediary or a subcontractor?

Jean-Claude BARTHELEMY

The United Nations has an essential role to play. It is crucial to have an across-the-board approach toward reaching some type of ecological balance.

It was said at one point that we need a vertical, issue-by-issue approach. If we adopt such an approach, we will be doing away with an across-the-board approach. We will have problems in tackling the environmental issues if no one institution is in charge.

Christian MASSET

Concerning Europe: We are living in a world of global players who tend to say that Europe should play a lesser role. Yet, the Europe we have been building can bring about a lot of the solutions we need. Economists say we need a world with more rules and less discretion and where economic power is not necessarily a synonym for political power. We are the forerunners in all of these issues. For climate, Europe has taken steps that are far more constrictive than elsewhere. For development, we have the most sophisticated policies. Much of the G20 agenda was influenced by Europe.

On the issue of verticality, I think we should simply be pragmatic. We need some kind of binding link. It is important to define the instances that check that all of the issues interlink. We also need country-led approaches so that policies can be successful in the field.

Mark HALLE

Thank you. We can now take one or two questions from the room.

Alain RODARI

Sanofi-Aventis

I would like to address a question to Christian Masset. You said that no problems could be solved without the active participation of civil society. You mentioned think tanks and public opinion. You did not mention corporate bodies.

What is the role of the private sector, including SMEs, in the quest for sustainable development? How does the private sector get involved in the process of global governance? How can we ensure that the strategies and objectives laid out can materialise as business strategies that will be successful for the companies involved?

Philippe HUGON,

Professor at University of Paris Nanterre

I am from the economist tribe as is Jorge. I would like to react to the comment on the Queen of England and the President of Brazil. I think the question as to why the economists did not predict the economic and financial crisis is a bad one. Many economists had foreseen it, but nobody listened to them. No one listens when things go well.

We have all sorts of challenges today, but we do not have the same time spans for each of them. Issues are on both micro and macro levels. There is also the question of legitimacy of scientific discourse. We also need to look at social sciences and the role they have to play in global governance.

Jorge Braga de MACEDO

There are several tribes that are killing each other right now. The assumptions were that the market operations were imperfect but the markets themselves were perfect. Central bankers were seen as God's politicians. No one was listening to economists.

Regarding the private sector, there are a variety of stakeholders, some represented by the CGIAR or by Ministries. There are also foundations such as Gates, Rockefeller, and Ford. People from the private sector will listen to them because they are part of the same tribe.

Christian MASSET

Corporations are part of civil society. Of course you are included. We believe in corporations with a citizens' spirit. Carbon credits are bought by businesses. Big businesses include social responsibilities in their policies. In developing countries, in mechanism guarantees, agricultural investments, and production aids, we include companies.

What to Finance?

Chair: Laurence TUBIANA

Laurence TUBIANA

Founder of IDDRI and Professor at Sciences Po Paris
Director of the Directorate for Global Public Goods,
Ministry of Foreign and European Affairs

We have focussed on the two major axes in the forefront of the international agenda today, poverty and climate change. The issue of financing them is a critical and pivotal one. Funding climate change issues concerns the reduction of emissions and the change of the developmental model. It also involves the reparation of climate damages for the poorest countries that have not contributed to the causes of global warming.

Negotiating climate change is at the top of the agenda of the international community while fighting poverty, which used to be at the heart of international funding, seems to have been set aside. We often have two contradictory debates today running simultaneously.

The priority of fighting poverty is a positioning principle.

Another issue is the financing of development with low carbon emissions. It involves changing the energy mix, restructuring the urban infrastructures, and adapting public transportation.

We have to decide what is going to be financed, who is going to decide, and how. We need to determine the sources of financing and the methods of allocation.

We need to learn from what is being done elsewhere. That is why this Initiative by IDDRI and FERDI is so important, having the support of the French government and the French Development Agency. It responds to the need to build bridges and to draw lessons to see what we can say about financing for development today.

Valli MOOSA

Former President, International Union for the Conservation of Nature
Former Minister for Environmental Affairs and Tourism, Republic of South Africa

Inadequacy of Global Environmental Governance

The Oceans

The biggest part of the earth's surface is covered by oceans. A large percentage of the biomass and biodiversity is in them. About half of the CO₂ is absorbed by them. The high seas are generally an ungoverned space. The rich and powerful have no intention to bring the oceans under any proper governance. With the biggest and most nuclear-powered boats, they can put them under de facto rule.

The Atmosphere

So-called advanced civilised countries speak about law and order. At the same time, the rich industrialised countries use other people's atmosphere without even wanting to be accused of doing wrong. Global governance is lacking.

Fast-Developing Countries

Per Capita Emission Contribution

The Western media points its finger at India and China when discussing climate change. The per capita emissions in China and India are a small fraction of those in many industrialised countries, particularly in the United States. Such questions of equity and justice cannot be separated from governance. The matter has to be tackled head on when it is raised by developing countries.

The Development Path

Unless the fast-developing countries change to a greener development path, we could have a real problem in the decades to come.

Eradication of Poverty

The real problem of fast-developing countries is the eradication of poverty in their own countries. People do not have access to good quality energy that can enable them to improve their living conditions. This challenge gets little attention.

Taking Leadership in Negotiations

Part of the structural weakness in the current climate change negotiations is that the agenda is put on the table by Europe. China and India respond to European proposals. Unless these two countries take the leadership in tabling an agenda, we will have great difficulty arriving at a meaningful and sustainable regime. These countries are on the rise economically, socially, and intellectually. We should be looking for their leadership on climate change.

A World Environment Organisation

We need stronger environmental governance and more streamlined coordination, but we should not be undermining the multilateral system of the United Nations. The UN system, with all its weaknesses, is the most democratic international system of governance. If we attempt to do anything out of the UN system, it will not work.

Coalition of the Unwilling

The same people who had formed a "coalition of the willing" are unwilling in the case of climate change. A leading group can work today if it is endorsed by, and probably led by, the United States. However, the United States is unwilling to act for climate change issues. The G20 does not need the permission of the rest of the world to do the right thing. If it decides to reduce emissions willingly, no one will accuse it of doing the wrong thing.

Arunabha GHOSH

Oxford-Princeton Global Leaders Fellow,
Woodrow Wilson School, Princeton University

Making the Procedure Operational and Credible

In listening to climate change negotiations in the media, the focus is usually on getting to a deal. The assumption is that once a deal is concluded, the rest will flow automatically. However, the most essential issue is making such a deal both operational and credible. If it is not, there will be a lack of trust, which will impact any future attempt to deal with the particular problem we are addressing today or any new problem that may arise.

Context of the Climate Negotiations**Interest-Based Negotiations**

Science has become overwhelming credible and requires us to act now. Yet, we are seeing a tension between interest-based negotiations (those of both rich and poor countries) and of evidence-based discussions on the imperatives of climate science.

Inequality in Energy

We need to be addressing the inequality in access to energy. The "top billion", in the high-income OECD countries have access to electricity. The "bottom billion", about 1.6 billion people in poor countries, do not such access.

Human Development Aspirations

When we think about climate, we therefore have to think about the potential trade-offs and the potential complementarities in human development aspirations, including poverty reduction and reduction in energy deficits, which in turn have implications for other human development goals like reducing gender inequalities and increasing access to education.

The Aggregate Problem

Fast-growing poor countries are going to be responsible for much of the increase in future emissions. We have a problem of ethics and the framing of the debate. There is a history of bad faith and of unkept commitments of rich countries to poor countries.

Climate Governance

What May Be Missing in Copenhagen

The meeting in Copenhagen presents no guarantees of implementation, of effective monitoring, or of enforcement. Any set of proposals must entail a deep analysis of these elements. In framing issues, we need to think not just of shifting power but also of shifting preferences. We need to determine how the environment issue is to be framed in both developed and developing countries. We need to find the place for poverty reduction and reducing energy deficits as well as for sustainable development.

Failures in Financing

At the core of the failures in financing is the absence of commitment. Not only has there not been sufficient funding going to climate-related projects, but there is also a serious deficit in the governance of these arrangements. Developing countries have articulated that they are dissatisfied with the inequality of their voice in the World Bank as well as in the Global Environment Facility.

New funds, such as the Clean Technology Fund, try to correct some of the governance deficits. They have equal representation of developing and developed countries. The CTF is nonetheless sometimes held hostage to domestic politics in rich countries, which limits the autonomy of developing countries to set their own priorities in terms of technological choices.

In the past, developing countries have done their best to avoid taking loans from the World Bank and other institutions so that they do not have to deal with conditionality problems. However, the climate challenge cannot afford such exit strategies. We need to set up the governance in a way that we can draw in developing countries effectively.

Organising Principles in Financing Climate Mechanisms

Creating Credible Pools of Climate Finance

Developing countries have been investing in renewable energies, posting some of the highest rates of growth in renewable energy investments in recent years. At the same time,

fossil fuel-based energy sources will remain a major part of the energy mix. Increasing the efficiency of technologies using fossil fuels is, therefore, critical. For instance, closing the efficiency gap between coal power plants in India and the most efficient plants in the world could produce the same amount of energy with about half the emissions. But adopting increasingly more efficient coal-based technologies compared to the existing infrastructure based on subcritical pulverised coal significantly increases the incremental costs involved. We need to think about credible pools of finance to cover these incremental costs.

We have proposed a Low Carbon Technology and Finance Facility that offers a governance architecture for credibly delivering and using funds for this purpose. The LCTFF would have a clear mission for scaling up funding, flexible financing modalities, transparent processes, monitoring of financing and projects, and management of intellectual property rights.

Filling the Institutional Deficit

We need to use or build trusted institutions for decision-making and disbursement. Governance structures need to increase national influence over decision-making on priorities and policies.

Monitoring and Verifying Compliance with Financing Commitments

There have been serious data and institutional deficits in measuring financial flows for climate-related funding. We propose a combination of self-reporting by countries and institutional reporting. Monitoring would also involve data analysis for impact evaluation, the use of regional knowledge networks, and effective peer review mechanisms for promoting compliance.

Cyril ROUSSEAU

Head of Official Development Assistance and Multilateral Development Institutions, Treasury and Economic Policy Directorate General

Global Issues, Local Actions

The responsibility for emissions is at the local level. Those emissions have a global impact. Global emissions have local physical consequences, such as drought, floods, and the rise in sea level, as well as human consequences such as the risk of famine and pandemic.

The responsibilities and the consequences of emissions are decoupled. The bottom billion suffer the greatest impact while developed and emerging countries shoulder the responsibilities.

The Need for International Financing

It is our responsibility to design the financial architecture which turn our common goal to fight climate change into actions to reduce emissions locally and to help the developing countries, and especially the least developed countries to cope with the consequences of climate change. There is a wide range of estimates of the investment needs. The European Commission estimate, endorsed by the European Council in October, is of 100 billion per year.

This funding will take place through domestic and international public and private channels, private investments profitability being supported by the establishment of carbon markets and clean development mechanisms. However, most of the funding for adaptation in low-income countries will have to come from international public sources.

The question for us is, building on lessons learned from development finance, how to build a financial architecture that allows us to mobilise sufficient funds and to allocate these funds to those that need them? Three challenges shall be met: scaling up of climate public funding with a factor ten magnitude, to reach tens of billions per year; responding to a wide set of needs: mitigation, capacity building, forestry, adaptation... ; coping with a fragmented institutional landscape.

Players in International Public Financing

Some structures do not have the necessary resources today and are not designed to use the considerable resources they will have to channel after 2012.

The existing players, some of which will have to be strengthened and reformed, include the Global Environment Facility, which finances the UN environmental conventions, Multilateral Development Banks, including the World Bank Climate Funds and Regional Development Banks, bilateral players – currently the main players within EU – such as the French Development Agency, the Adaptation Fund, the United Nations Development Program, the United Nations Environment Program, ...

Possible Future Architectures

We could combine all of these funds into one large fund and could match the fund to the needs of the beneficiary countries. The advantage of such an approach is that it would allow us to negotiate an instrument tailor-made to what is decided in Copenhagen. But would it be efficient? It would mean not taking advantage of the experience and expertise of existing players, and it may take a lot of time for setting up such a new structure.

The future architecture could also be largely decentralised. It would then request a coordinating mechanism to make sure that there is an adequate matching between needs and finance.

Building Trust

For a financing system to succeed, all of the parties have to trust it. First, they shall all have trust in the governance of the institution. There is balanced governance in institutions like GEF, with parity between the developed and the developing countries and double majorities. In any event, the voice of the least developed countries must be safeguarded.

To build the trust of the contributors, one of the challenges is to ensure that the funds that are set up in the system are truly in line with the objectives that have been laid down and that they reach the stated objectives. The contributors need to be sure that the structures are sufficient. It is also important for them to know that finance is taking place in a global

low carbon and climate-resilient strategy of sustainable development, which may be a sensitive question for beneficiaries if perceived as conditionality.

Building the trust of the beneficiaries is even more important, because appropriate and predictable funding will be a key element in their willingness to join an agreement. In order to achieve this, negotiators are looking for clearly defined funding sources and contribution mechanisms.

The Allocation System

We shall build upon development finance experience. In some cases, allocation has been based on performance. In others, it has been based on the needs or requirements of the country or on its vulnerability. For adaptation, vulnerability criteria, to be designed, could be appropriate.

The Link between Climate Change and Development

We need to agree on whether the financial commitments related to climate change should be additional to official development aid commitments. The answer to this issue is largely a political one.

From a technical point of view, climate and development challenges should not be opposed. We want development projects to be carried out in full respect of climate challenges, understanding that there will always be situations in which contradictions will arise. We need to keep sight of the different priorities, which in some situations may be the development impact.

DISCUSSION

From the Floor

I have a question for Cyril Rousseau. When we find finance for a given problem, there are certain contradictions that have to be tackled. You have to develop infrastructure in the poor countries, but the infrastructure might worsen climate problems, which in turn will require more finance that will come from other forms of infrastructure. It is a vicious circle. The IMF has shown us that if we do not set up indicators to measure the relative impact of what we are going to do, all will be worthless.

Cyril ROUSSEAU

This is very much in line with our analysis. For climate change, we have to set up mechanisms that measure impact. When looking at the trade-off between climate change and development, we have to develop the frameworks that will allow us to move forward, and to deal with contradictions with full awareness and sufficient knowledge.

Mark HALLE

In the discussions on financing climate change action, there was no mention of making a distinction between costs and investment. In the public rhetoric, we talk a lot about how the first movers will have enormous commercial benefits from the development of deployment and technology for clean energy. If it is good for them, why are more countries not undertaking unilateral action? If you look at the WTO, a good deal of trade liberalisation takes place through unilateral moves. The countries have figured out that instead of trying to wait and trade off for some benefit in another area, they can have an immediate benefit.

Also, the whole finance question was mentioned as if we needed to identify and deploy new funding, rather than rethinking the existing funding and using it better for public policy goals. The most obvious case is that of subsidies to fossil fuels. The G20 picked up on that and called for countries to reduce or eliminate fossil fuel subsidies because they are a financial inducement to act in opposition to the goals of carbon reduction.

Jorge Braga de MACEDO

I have two questions for Valli. First, I do not think the geographic initiative is as important as the effectiveness with which a particular player plays the game, precisely because a number of issues are already difficult to carry out at the national level. To say that it is European or American or Chinese or Indian to me is not the key. For what exact reason besides some historical stereotype have you made that point? Second, some people think South Africa is so different from Sub-Saharan Africa that Africa is forgotten by the G20. Will you comment?

Patrick GUILLAUMONT

Regarding Cyril's presentation, we see that climate change financing might learn from development financing. I find it somewhat amusing to see that development financing might profit from some of the ideas that have been launched for climate change financing. One of the main ongoing debates concerns the ways in which development aid is to be allocated. For the multilateral development banks, we ask if we should be changing performance-based allocation for vulnerability-based allocation. When you look at financing adaptation and listen to what is said about the criteria for an adaptation fund, it seems that people are ready to admit that a climate change vulnerability criterion would be far easier for countries to agree upon than the economic vulnerability criterion is today for development aid. If that is true, it would be an excellent argument to take back to development financing.

I would like to address my second question to Valli. We heard this morning that G5 was set up for a clear reason, to bring about a frank discussion, without bureaucracy, amongst the main heads of state. We then heard that as the years went by, things changed until the G5 became the G20 with the ensuing red tape. We seem to have understood that nothing can be done efficiently if it is not done within the framework of the United Nations. If that is so, is the G20 as it is today nothing more than an intermediate step, almost a structure of the United Nations?

Claude MARTIN

I have a question with regard to the financial architecture of the future climate change structure. UNEP counted over 100 financial instruments that deal with climate change. It would obviously be nice to have a single financial architecture under the UNFCCC that could be allocated in a way that satisfies the needs of developing countries, lets them participate, and shares the power equitably, with responsibility and accountability. This discussion recalls the idea of the World Environment Organisation that has been around for about 20 years. We have not gotten anywhere with it because of political exits. Is there a risk, if you come up with this nice financial architecture, that you would have an instrument that could only be a wonderful displacement mechanism in the negotiation round?

Arunabha GHOSH

I am in qualified agreement with both of Mark's comments. Subsidy reform would probably be politically difficult, but on the spectrum of the strategies we could adopt, it is probably one of the lower hanging fruits we could pick.

As to making a distinction between costs and investment, if adequate data were available on scale efficiencies and operational costs, some of the estimated incremental costs could decline over time. They would be treated as investments, provided the projects are viable as a result.

But as to your political question as to why there is not more unilateral action, I would have two responses. First, I draw a distinction between the climate issue and trade. Unilateral trade liberalisation is welfare-enhancing in theory. Yet the trade regime in itself is a mercantilist regime. The climate regime is also a mercantilist regime, but we are dealing with global public goods, not tradable commodities. Any unilateral action on behalf of one entity, even if that entity benefits, is free-riding by the others. That is why it is treated as a cost and not solely as an investment.

Secondly, we do not have an existing set of technologies on the shelf that would enable the first one into the shop to win the game. Many of the technologies need more research and development. The investments do not guarantee returns. That is why we need an element of public support to cover the incremental costs

of such investments.

To reply to Claude's question as to a possible risk that seeking a single funding facility could result in missing opportunities to start providing financing, I agree that it is a real risk. However, each of the existing funding facilities was created because the previous one was a failure, often due to governance deficits. We have to draw lessons from our governance failures if we want to progress.

Cyril ROUSSEAU

To answer Mark's question, I think what is turning a cost into an investment is the setting up of a carbon market, which by internalizing the externality makes projects profitable and fundable by the private sector.

To answer Claude's question, we favour a refurbishing of existing institutions so that funding may come sooner to the beneficiaries. That is why we support this coordinating mechanism. Some call for as much reutilization as possible in order to prevent the kind of delay you have indicated.

Valli MOOSA

To reply to Mark's question: We see some trends in investments. Germany is investing in solar power technology, Japan in hybrid motor vehicles, France in nuclear energy technology. These could be seen as a first mover advantages. The South African government gives subsidies to households that switch to solar heating and gives tax breaks to businesses that introduce energy efficiency technologies, because it sees the future value of becoming an energy efficient economy.

Jorge asked me some very difficult and provocative questions.

In tackling climate change, the nature of the problem is such that we have to take historical realities into account. It is more than a perception. The United States is responsible for almost a quarter of the world's greenhouse gas emissions while the entire African continent is responsible for about 5%. It can be argued that poor Africans have been subsidising the industrial development in the United States. If you do not factor that in, no solution will work. India's per capita argument is not helpful, but it has a moral force you cannot escape from. It places the question of ethics on the table.

We are not going to be able to run away from

these "geographical blocks". The G77 plus China is one of the biggest obstacles to agreement in Copenhagen. It is useful for those countries politically because it gives them a way out if they do not want to agree. The fast-developing countries need to be a block because they need to take on some targets. The least-developed countries should form a block, as should the oil-producing countries. If you put this all together, you do not have a recipe for coming to an agreement, but only a recipe for the G77 not agreeing to anything.

To reply to Jorge's next question, South Africa is extremely different from the rest of Africa. Taking energy as an example, the entire African continent has an electricity generation capacity of about 80 000 megawatts of which half is accounted for by South Africa. Having said that, there is great value in the manner in which African countries conduct themselves in global negotiations. Collectively, they act as a constructive block. In climate change negotiations, South Africa is quite happy to put its own targets on the table. At the same time,

South Africa is capable of putting in more resources in negotiating the positions for the African countries.

To reply to Patrick's question, I think the G20 is very useful. It played a valuable role in seeing through the financial crisis. It can make a valuable intervention on climate because it can take its own unilateral decisions on deep cuts and has the responsibility of doing so. Questions regarding global environmental organisation or governance should not be separated from the United Nations. There needs to be a connection and an integration.

Conclusion

Laurence TUBIANA

Founder of IDDRI

There have been a number of questions about the Initiative taken by our two institutions and on how we can move forward to tackle these global challenges.

The first major pillar is the big issue of defining our major goals and in setting priorities in the international community.

The second major pillar is the issue of governance.

Most of our discussion today on the implementation of what we may reach in Copenhagen has to do with the Measurable-Reportable-Verifiable procedure related to the assessment of commitments and actions taken.

In the midst of negotiation, as the level of demands go down, peer review might be a solution. This mechanism has virtues, but when you look at it in various institutions, you see that it is not completely sturdy. We need to draw lessons from the WTO and the OECD, who use peer review as a basic tool.

We also have to determine what to do when we reach limitations. Incentives might contribute to solving collective actions regarding property and usage rights, economic instruments, and market creation.

The time has come to look at what has been done and to understand the limitations of the past. We need financial as well as political economists. We also need to consider the legal aspects. We want to use the best academic research to see what we can do concretely.

We need to be aware of the wide diversity of perspectives and to choose the images that will be most constructive for collective action. We need to anticipate the consequences of the instruments we are producing.

We cannot say that environmental issues can be reduced to development issues. We cannot deal with the problems only on a local level. With the collective mechanisms of IDDRI and FERDI relying on academic units in an inter-

national framework, we can move forward. We need to keep the balance between the discussions in preparing the G20 summit and the reflections on strategies. That is how we can make this debate move forward without becoming overly theoretical. I think we are off to an excellent start. I hope you will continue to support us.

Patrick GUILLAUMONT

Chairman of FERDI

This day has shown how rich and productive the coming together of our different cultures and perspectives can be. We have been fortunate in having excellent and diverse speakers. They have shown different perspectives, coming from economic, environmental, academic, and political backgrounds. The discussions have proven extremely useful and certainly justify the relation between IDDRI and FERDI under this Initiative for Development and Global Governance.

The Initiative has been launched. It was made possible through the French Development Agency with the support of the French authorities. It has taken some time because we wanted to make sure we laid the proper foundations and formulated the proper objectives.

We acknowledge the need for more debate ahead of negotiations, giving priority to consistent, fact-based rules that can be enforced and that enable policy-makers to take ownership of the process. The rules need to be based on the best scientific research, on an understanding of policy-making constraints, and on adapted measures.

I certainly hope that we will continue this very fruitful

CONFERENCE PROCEEDINGS

The “Bottom Billion” and Climate Change in the Context of the Global Crisis



IDDRI

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FOUNDED IN PARIS IN 2001, the Institute for Sustainable Development and International Relations (IDDRI) is born from three assumptions: the global changes resulting from human activities are unsustainable over the long-term; a complete transformation of development models is needed; this is possible if coherent policies are soon implemented at the global level to bring about changes in lifestyles.

IDDRI is an independent institute which aims to bridge the gap between research and decision-making: it uses scientific research to shed light on

political issues which have an impact on sustainable development and on key challenges to the transformation of development models. By coordinating dialogue between stakeholders whose interests are often at odds and mobilising teams of researchers through an extensive international network, IDDRI promotes a common understanding of concerns, while at the same time putting them into a global perspective.

IDDRI issues a range of own publications. With its *Idées pour le débat* collection, it quickly circulates

texts which are the responsibility of their authors; *Synthèses* summarize the ideas of scientific debates or issues under discussion in international forums and examine controversies; *Analyses* go deeper into a specific topic. IDDRI also develops scientific and editorial partnerships, among others *A Planet for Live. Sustainable Development in Action* is the result of collaboration with the French Development Agency (AFD) and editorial partnership with Les Presses de Sciences Po.

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