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From summit to summit – and nothing achieved?

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Bonn, 19 December 2011. 2011 can be considered a lost year for the so urgently needed collective action to protect the global commons. Like everything else associated with global economic cooperation this year, the G20 summit held in Cannes in November was completely overshadowed by the European debt crisis. The risks that European mismanagement entails for the world economy are enormous. It is not only the USA and other industrialised countries but also, and above all, the emerging economies that look forward with a mixture of nervous anxiety and shaking heads to the next in the seemingly unending series of European summits. They realise that wealthy Europe does not have the strength to solve what was, at first, a comparatively manageable financing problem and agree on one thing in particular: there will be no appreciable help for Europe unless it comes forward with a convincing strategy for resolving the crisis. It would, of course, be a welcome move if all the major economic nations gave southern Europe a little breathing space and so some leeway for structural reforms by taking coordinated action through the IMF, as was proposed at the EU summit on 9 December 2011. But if Germany is not prepared to make a larger contribution, why should China or Brazil? And so the buck is being passed back and forth, to the detriment of the international community. Did these international connections, the interdependencies and the need for national decisions to take account of their international implications play any part in the German *Bundestag's* recent debates on the European debt crisis? No, only German is spoken there.

The outcome of the Durban Climate Conference was equally disappointing. There was relief at the mere fact that everyone finally agreed that there should be negotiations by 2015 on a new climate protection regime for the post 2020 period. But, to take a negative view, this simply means the waste of another ten years in the fight against climate change.

There was one ray of hope in Durban, however, one that attracted little public attention: the launching of the Green Climate Fund (see "The Current Column" of 12 December 2011). Another supranational financing instrument, then, the question being as ever: who pays and who decides? The Fund, from which the developing countries are to receive an annual total of USD 100 billion from 2020 – and rising amounts before that – for adaptation to the inevitable climate change and for measures to reduce greenhouse gas emissions, will emerge as a new institution as early as 2012. The fact that some of the groundwork will be done on the premises of the UN climate secretariat in Bonn has prompted Federal Environment Minister Norbert Röttgen to mention the possibility of Germany hosting the Fund and to put EUR 40 million on the table as support for the next two years.

Who will be paying into the Fund? It was agreed long ago in the context of the UN Framework Convention on Climate Change (UNFCCC) that the industrialised countries will pay in and the developing countries will benefit from the Fund's resources. But in principle the Durban agreement permits other sources of finance. They include, for example, the proceeds from international emissions trading, some of which might be paid into the Fund, international levies on air transport and even a tax on international financial transactions. All these are, of course, highly controversial topics, on which the leading actors have yet to agree. The advantage of such sustained financial sources is that the Fund would not be dependent on budget commitments by the industrialised countries. The G20 would be the most suitable framework for the discussion of these financing issues, not in competition with the UNFCCC, but as a platform for a debate on the future architecture of the financing of the global commons, where, after all, more than the protection of the climate is at stake.

And who will decide what the Fund is to do? Like the IMF and World Bank, the Fund will have a management body consisting of 24 executive directors, each seat on the board representing a group of countries. Unlike the Washington institutions, on the other hand, the Green Climate Fund will feature equality of representation on its management board: the developing countries will have the same number of seats as the industrialised countries, and, again in contrast to the IMF and World Bank, seats will not be allocated in proportion to the amount of funding provided, but will alternate within the regions of the world. This means that Europe will be represented by at most three or four of the 24 executive directors, rather than as many as eight, as it is in Washington.

Many of the important issues associated with the design of the Climate Fund are to be resolved as early as next year: the managing director and the composition of the executive board, the financing instruments and the allocation of funds to various uses. What is clear is that some of the resources will go to the poorest countries in grant form for adaptation to climate change. Other resources will undoubtedly have to be used as a lever to mobilise private investment, since the enormous sums required for, say, the transformation of the energy sector in developing countries can be raised only on the capital markets, not from national budgets. There is, after all, enough capital in the financial markets looking for yield that could be guided into "green" investment, given suitable incentives. The World Bank will act as trustee and administer the Fund's resources for the first three years, once they begin to flow in. After the three transitional years, the developing countries are likely to want an independent institution governed directly by the UNFCCC to take over the administration: there is too much scepticism about a World Bank still headed by an American. But would this still be the case if the next World Bank president came from a developing country? This will no doubt be a suitable topic for the next G20 summit, to be held in Mexico in June 2012.

With its comprehensive goal of coordinating policies for the sustainable growth of the world economy, the G20 should be able to focus on the future financial architecture for the global commons. The Green Climate Fund is but one of many, and the numerous existing instruments used to finance development on the one hand and climate policy on the other will need to be closely coordinated. Otherwise, there will be a danger of further fragmentation, entailing serious losses of efficiency. The G20 is again the right forum for this, since it alone can transcend the post-colonial discourse that enlists the wealthy in the North to compensate the poor in the South financially. At a time of growing inequality in and between countries, the newly gained wealth in the emerging market countries must also make a contribution to general welfare in individual countries and globally. International levies on CO_2 emissions or financial transactions to which not only the industrialised countries contribute are therefore suitable sources of funding.

It can be said equally of the European crisis and the fight against climate change that the demands on coordinated action have increased. The fundamental dilemma that remains unresolved for the time being is the inability of the political processes to keep pace with the processes of change. In 2012 the question will again be: how to govern a globalised world?