



Enhancing Transparency and Accountability of Domestic Climate Public Finance

This brief aims to underline the need for accountable and transparent domestic climate finance to ensure informed and judicious utilization of resources, thus enhancing the value of investments in climate change. The brief will provide a brief description of the nuanced connotation of accountability and transparency for domestic public climate finance and then will delve into the benefits of having accountability and transparency mechanisms and what to consider for accountable and transparent climate finance.

The importance of strengthening transparency and accountability for climate action at the country level

A sound transparency and accountability framework for domestic climate finance can lead to better coordination, improved decision-making processes and spending allocations, better monitoring and evaluation of mitigation and adaptation results against established climate goals, enhanced identification of responsible stakeholders, coherence and harmonization of country assistance and finally, can help in improved access to international and alternative sources of finance.

The global climate financing context as well as related reporting requirements warrant a strong transparency and accountability framework at all levels – from developed to developing countries, donor and recipient countries, and international to local level. Transparency of information is critical for the countries to contribute

to the implementation of the Paris Agreement through compliance with global reporting under the Enhanced Transparency Framework (ETF) and the Biennial Transparency Reports (BTR). In addition to contributing to global reporting, this also helps developing countries track their progress in mitigation and adaptation.

With climate finance increasingly becoming a significant source of development assistance at the country level, transparency and accountability in the utilization of climate finance is critical for sustainable climate action. There is a strong connection between transparency and accountability however, merely having institutional mechanisms and an enabling environment for one cannot lead to the success of the other. For example, transparent information and data are necessary for accountability but are not a sufficient condition for ensuring accountable climate finance.

'Transparency' is availability and accessibility of reliable, timely information/ data about existing climate finance and related decisions and actions. 'Accountability' in climate finance is engaging independent entities (parliaments/oversight institutions, think tanks, research organizations, media) and people to first have a say in decision making and subsequently holding decision-makers accountable for effective and equitable climate finance and action.'

¹ Countries have also used the Climate Public Expenditure and Institutional Review, some of these after conducting CPEIR have moved to the CBT while others like Cambodia have been undertaking CPEIR regularly on periodic basis.

Transparency for climate action aims to:

- ▶ Promote openness of and access to information related to climate change financing, mitigation, adaptation and overall climate-resilient development

Accountability aims to:

- ▶ Improve checks and balances through clear intra-governmental accountability lines
- ▶ Improve engagement and accountability of the private sector
- ▶ Strengthen climate change policies and plans and their implementation
- ▶ Increase spaces for public engagement in climate change policies and plans

Countries need to put in place systems and channels for information management, planning and reporting of climate finance flows- this includes the climate budget tagging system¹, and expenditure reporting formally in the budgets. These systems, while helping to report on ETF and BTR, will also help in enhancing the value of public expenditures through better tracking, information on the beneficiaries and the impact that can be created. Integrating climate change considerations in development planning and expenditure reporting can help in establishing a transparent database of public sector allocations and expenditures on climate change.

However, transparency cannot lead to the effectiveness of climate finance unless there are accountability mechanisms in place. The executive and decision makers are responsible and answerable for the effectiveness of climate finance that encompasses their

If the systems are not in place to manage, channel and monitor these financial flows well, at worst, vulnerable people and countries' economies will fall victim to the adverse effects of climate change. The absence of effective systems and reliable data creates opportunities for corruption through the deliberate misuse of funds. Weak budgeting systems risk generating losses in efficiency through the misallocation of funds or failure to ensure that budget allocations are used for their intended purpose.

– Tackling Climate Change through Budget Transparency | World Resources Institute (wri.org)

policy actions, formulation and implementation of climate-related development projects, budgeting, and the impact of climate finance.

Having transparency and accountability mechanisms is not a panacea, but it can help countries enhance climate finance flows and the value of money being mobilized and spent.

Generation of transparent data on climate finance, data on the results of climate finance utilization and reporting progress on emissions and adaptation can help in the following:

- ▶ **An increase in climate finance flows from multilateral funding mechanisms** like the Green Climate Fund because many countries struggle to meet the [public financial management standards](#) required for accreditation to directly manage international funds.² Instituting an expenditure tracking system and information on climate-related projects can improve the authenticity and credibility of information.

Climate Budget Tagging (CBT)

CBT is a budget tool for monitoring and tracking of climate-related expenditures in the national budget system. It provides comprehensive data on climate-relevant spending, enabling government to make informed decisions, prioritize climate investments, and incorporate climate considerations in project design from early stages. The tool also enables public scrutiny on government and donor spending towards addressing climate change issues. CBT has to be considered and implemented in the context of a Climate Fiscal Framework (CFF) and other public financial management reforms. CBT is part of the wider efforts contributing to country readiness for new climate finance such as the Green Climate Fund (GCF). Several countries in the Asia-Pacific region have implemented CBT, including Bangladesh, Indonesia, Nepal and the Philippines.

- ▶ **Transparent information on climate finance can help to identify financing gaps** and facilitate investment by multilaterals, the private sector and alternative sources of financing. For example, institutionalization of expenditure reporting can help in knowing the public investments in climate change.

² [The Paris Agreement depends on improving accountability in climate finance - SEI](#)

Complimentary information on the financing needs either through dedicated studies or the NDC and NAP financing needs can be instrumental in assessing the gaps.

Strengthening the accountability mechanisms available within the government system and by drawing in on the role of civil society, research entities and parliament can help in looking at the appropriateness and effectiveness of climate finance. This can help in:

- ▶ **Informed decisions based on data from the tracking of the climate-related expenditures.** However, mere production of data may not be enough to make informed decisions as policy makers also need to see the value, targeting and effectiveness of expending climate finance on adaptation and mitigation and also the benefits or implications for vulnerable population. The information on value and effectiveness can be made possible by having accountability tools, including but not limited to performance audits and/or assessments of effectiveness of expenditures, in place.

Improved transparency and accountability can help in assessing the effectiveness of current policies and allocations in promoting mitigation and adaptation, facilitate iterative policy process within the public sector as well as enable engagement of other actors in the policy processes.

- ▶ **Facilitate iterative and participatory policy processes for climate action.** In addition to identifying financing and utilization gaps, meeting mitigation and adaptation needs requires countries to rethink their policies across sectors, develop new policy frameworks as well as establish guidelines to mainstream climate change considerations in all aspects of public administration (including procurement of goods and services). It can facilitate an iterative policy process within the public sector if it is also complemented by supportive policy and governance architecture which for instance can include climate change integrated sector plans, climate fiscal risk assessments, coordination mechanism between the Ministry of Finance and Planning, sector ministries and the Ministry for Climate Change/Environment.

Climate Financing through Greening Public Procurement

Global expenditure in public procurement is estimated at nearly 9.5 trillion US dollars or on average about 13 percent to 20 percent of a country's GDP. About 70 percent of public procurement is limited to just six sectors – defense, security, transport, waste management, construction, industrial products, and utilities. Greening public procurement, though expensive in the short term, can spur innovation, boost green economy by \$4 trillion, create around 3 million net new jobs, lower emissions and considerably reduce the social cost of carbon. Many countries as well as municipal governments have pledged, during COP26, to make their procurement processes greener.

However, there are several challenges that need to be addressed to green public procurement processes, including fragmented national systems, limited access to public procurement by SMEs, technical capacity of procuring officers, and budget practices. A number of practical solutions can make green procurement more effective. These could include developing public procurement decarbonization strategy, formulation of innovative tenders through market dialogues between procurers and potential suppliers, integrating life-cycle costing in value-for-money assessments for public tenders, encourage new business models through the provision of services, rather than products, that could support lower material use and environmental impacts.

Source: OECD (2016), *The Role of Public Procurement in Low-carbon Innovation*; World Economic Forum (2022), *Green Public Procurement: Catalyzing the Net-Zero Economy*, WHITE PAPER

- ▶ **Strengthen social inclusion and equity.** All sections of the population are vulnerable to climate change, however to a distinctly varying degree. The vulnerability of already socially and economically marginalized areas and people is expected to increase dramatically. The poor, women, and indigenous peoples are often particularly vulnerable as they have limited access to assets, services, and networks, and may face a range of constraints to improving their livelihoods and building resilience. In the absence of well-designed and inclusive policies and climate finance interventions, climate change can place a higher burden on poor households and specific

groups. Improved accountability mechanisms can highlight the impact of climate change and the distributional impacts of mitigation and adaptation measures on socially and economically vulnerable areas and populations, and whether a sub-set of policies and measures are required to address specific vulnerabilities. Such a focus would ensure that the principle of “leaving no one behind” is adhered to and that social inclusion and equity is promoted. Coupled with iterative climate change policy processes this can increase awareness and involvement of wider public in mitigation and adaptation measures, and reduce stress on natural resources, which in turn could minimize risks of public dissatisfaction, instability and conflict.

- ▶ **Improved governance in the country is both a cause and effect of integrating transparency and accountability mechanisms in climate-related policies and expenditures can also help to improve overall governance.** Specifically, intergovernmental relations between core (planning and financing) institutions and line (implementing) ministries, departments and agencies can improve, especially around policy setting, and implementation. This requires coordination amongst the different entities for example between the Ministry of Climate Change and the Ministry of Finance on the data around climate expenditures and financing needs and evaluating this in the context of country priorities as envisaged in the medium-long term development plans, Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAP). Research and analysis of data will help in facilitating the assessment and evaluation of the efficacy of current policies and allocations in promoting mitigation and adaptation. In addition, inter-governmental relations between the executive and the oversight institutions (including audit institutions, and parliament) could also be strengthened to monitor the effectiveness of climate change policies and climate finance.
- ▶ **Improved coordination between different tiers of government.** There is an increased recognition of the role that local governments can and should play in tackling climate change, particularly around adaptation and risk integration in development planning-improved systems can help in policy transmission, improved coordination and effective implementation of climate action. Sub national governments in India and Indonesia have started to improve climate budget tagging system; a few state governments in

India like Karnataka have introduced green budgeting. India is also currently working on harmonization of climate budget tagging ([G20 Side Event on Climate Budget Tagging in partnership with India's Ministry of Finance \(Official PIB Press Release\)](#))

Promoting transparency and accountability for climate action: *Strengthening governance and data management*

Despite the importance of promoting transparency and accountability of climate finance widely acknowledged, several existing governance gaps affect both transparency and accountability. These include gaps in legal frameworks, weak institutional capacity, opacity of systems and processes, and poor quality of, and access to, public information (especially related to climate change). In addition, public sector accountability is also affected by lack of political will, a weak legal framework, unclear and overlapping division of roles and responsibilities between institutions at different levels of government, weak capacity and inter-relations between different oversight institutions, and inadequate or non-existent spaces for civic engagement.

Leadership and political will

The challenges that climate change poses require championing of this agenda from the top leadership. The political leadership through policy actions should establish climate change as a key priority area for financing and then take strategic and administrative steps for the availability of verifiable and authentic data and then have monitoring and accountability processes for example climate performance audit for the appropriate channelization and effective utilization of resources.

Strengthen legal and policy framework

Legal and policy frameworks related to public disclosure of information, and accessibility of information is fundamental for promoting transparency. Governments should make it mandatory to have a system that helps in tracking resource allocation and expenditures. Establishing climate budget tagging can help but then government should also publish this information either as part of its budget documents and/or through expenditure reports. Climate finance dashboards should not only provide expenditure data but

also assess emission reduction and strengthened resilience as a result of public investments.

Furthermore, legal and policy reforms need to also focus on improving accountability for climate action – especially within public sector institutions and between oversight institutions and public as well as the private sector. Towards this end, new policies and guidelines need to be issued to clarify roles and responsibilities of different institutions related to climate change including through development or adoption of climate or/and green taxonomies, institutionalization of reporting, improving data consolidation and information sharing within public sector institutions, and promoting access to public information, enhancing engagement with civil society, etc.

In the Philippines, new policies or legislation are followed by "implementing rules and regulations" - these outline which agencies have which responsibilities from the national down to local levels as well as horizontally for those requiring inter-agency collaboration.

At the same time, at national and local levels, legal, policy and regulatory frameworks should not be limited to public sector institutions and processes, they also should cover private sector disclosure on their emissions and sustainable green economy practices.

Engage sub national governments

Sub national and local governments can play a significant role in climate action. Several adaptation and mitigation actions are assigned to the local governments that include laying down clean energy standards and clean transportation policies, smart and green building codes, risk reduction approaches, climate conducive health and sanitation. The sub national governments, particularly the cities and municipalities, are also trying to access innovative sources of finance; some sub national governments recourse to national resources through the fiscal transfer system. The increased flow of resources and responsibilities thus required improved coordination with federal government to benefit from climate related policies and financial system. It also requires capacity strengthening and introduction of systems that can determine the requirements, investments, and inflows of climate finance.

Strengthen institutional capacities

To achieve the above objectives, the capacities of key institutions – such as Ministries of Finance, sector ministries, departments, local governments, audit departments and agencies responsible for implementing NDCs and meeting international reporting obligations can be strengthened. Critical capacities include:

a. Data management, and integrity:

The various reporting obligations necessitate collection, verification, and analysis of data – especially related to GHG emissions, and climate change mitigation and adaptation as well as climate change planning, budgeting, and NDC implementation. Integrity of this data is essential for future prioritization and decision making and so is accessibility of data to the non-state actors. Therefore, overall systems and processes that enhance public sector capacities related to data management and integrity needs to be improved. In addition, where public sector capacities are limited in collecting and managing data, non-state actors (including private sector, NGOs and academic institutions) can also provide support in collecting and analyzing data. Therefore, mechanisms for non-state actors to contribute to climate data should also be established.

b. Access to information:

In addition to legal and policy frameworks, the capacity of the public sector also needs to be strengthened to implement the policies – including on proactive disclosure of information on climate change mitigation and adaptation, and results achieved. Here institutional capacities are critical including systems, processes for example dashboard on climate finance, budget reports containing expenditure information, information on key performance indicators as part of the medium-term budget and the consequent impact on emissions, adaptation; and of equal importance, individual capacities of public officials to translate policies into action.

c. Intra-governmental transparency and accountability on climate action:

While countries have developed the criteria for climate budget tagging (CBT) and included CBT as part of the government accounting system, limitations remain. Specifically, expenditure data generated by CBT may not be complete, as often CBT is not applied at the level of activities and projects, particularly at the sub-national level.

NDCs and Climate Change Financing Frameworks (CCFF) could offer an entry point to promote transparency in allocations for climate action. Coordination and accountability within the public sector are critical for ensuring that NDCs are implemented and intended results are achieved. Strengthening intra-governmental accountability will also help to identify and address gaps in implementation.

Enhance the role of oversight institutions for augmenting accountability

Parliaments given their representative, legislative and oversight functions – are critical for promoting climate action. As part of their legislative function, parliaments can ensure the integration of international and national commitments on climate action into national laws, policies and plans. In addition, a parliament can use its convening role to seek expert opinion from a range of actors – including civil society. Through its oversight function, Parliament has a mandate to ensure that funds are used properly, efficiently, and effectively to achieve the above objectives. Parliaments work through the committee system and can initiate public hearings during the budget formulation process to better understand some of the issues raised by civil society groups and concerned citizens on climate change and the needs of vulnerable populations. While

Climate Budget Briefs

The Philippines Climate Change Commission is an independent and autonomous body established under the Republic Act 9729 (i.e. Climate Change Act of 2009). The commission, in collaboration with the Department of Budget and Management produce Climate Budget Briefs, as part of the process to monitor implementation of the National Climate Change Action Plan (2011-2028), and to institutionalize the Climate Change Expenditure Tagging (CCET). The budget briefs promote budget transparency. The 2021 budget brief also features: (1) CCET's harmonization with the Program Convergence Budgeting – Risk Resiliency Program, (2) Monitoring process of the 2021 Climate Change-related General Appropriations Act Provisions; (3) CCET as a tracking tool for NDC unconditional policies and measures; and (4) Linkage of CCET and the Gender and Development Budgets.

The budget briefs allow different actors, including parliaments and civil society, to identify gaps in policies and allocations, and to assess governments performance against established mitigation and adaptation goals.

the role of parliaments is important its accountability is marred by the overall gaps in scrutiny and oversight of budget, issues that are beyond climate change. To hedge the risk of overlooking climate finance it should be made part of the rules of business for either the budget committee or/ and of the environment committees. Parliaments should also hold dialogue with civil society and at the same time ask the executive for briefs on climate action and on the effectiveness of climate related expenditures.

Audit institutions, in addition to assessing fiscal compliance, can play an important role in assessing and determining whether resources have achieved the intended results. In other words, audit institutions can conduct performance audit to measure plans and programmes against stated results and propose recommendations to government ministries, department and agencies to achieve development results.

Climate Performance Audit, Bangladesh

Bangladesh was a pioneer in developing the Climate Performance Audit (CPA). The Office of the Comptroller and Auditor General (OCAG), in collaboration with the Financial Management Academy (FIMA), and the Finance Division of the Ministry of Finance and with support from UNDP developed the CPA. Climate dimensions were included as addenda to the existing Audit Code, Auditing Standards, and Performance Audit Manual of OCAG to guide auditors in conducting climate performance audit of climate change relevant projects/programmes included in the development budget. Criteria for conducting CPA and guidelines for planning a CPA, in line with INTOSAI standards, were also developed.

Supreme Audit Institutions (SAI) or the highest independent auditing body of a country can strengthen the performance of climate change plans and programmes and improve the overall transparency and accountability of climate actions by planning for and setting standards and guidelines for climate performance audits (CPA). CPA support government institutions to develop climate-inclusive policies and programmes, and also strengthen intragovernmental accountability and coordination on climate action.

Civil Society, CSOs, as key *accountability actors*, are vital for holding institutions and decision-makers to account on climate action. In addition, CSOs have a critical role to play in fostering partnerships for climate action – including through raising the awareness of the public (such as budget analysis through climate lens etc.) and creating spaces for multi-stakeholder engagement on climate policies and actions. With the availability of increased information, there is ample room for the CSOs on the analytics and advocacy, though the role has been less than optimum. Collaborative research, though sparingly used, involving the government and CSOs can be a useful tool to provide grassroots information to government for improved climate-informed project formulation. Civil society, media, research entities and parliament should aim at ‘hard accountability’³, thus not only looking at answerability for their decisions on resource allocations, effective and honest implementation of projects and for the impact of climate change related investments but also possible sanctions for any misuse or gaps in utilization of climate finance.

CSO support to integrate climate change in local budget and local investment planning

UNDP has provided small grants to civil society organizations in three CSOs in the Asia-Pacific region to integrate climate change in local budget and investment planning. Though specific activities vary based on the local context, the CSOs have engaged with local level officials and local communities to raise their awareness of climate change, and the importance of integrating climate change consideration in local planning processes. Engagement of local communities (especially vulnerable sections of the population including indigenous women and youth) has helped to highlight the impact of climate change at the local level, and specific adaptation interventions that can be supported at the local level.

Media is another key accountability actor that can both raise awareness of the public, and also hold state institutions and the private sector to account. The media’s capacity to understand and communicate climate change data and foster dialogue needs to be improved. UNDP has previously developed media handbooks to train journalists (for example: in Pakistan) on climate change and how to report on climate change and influence national and local policy dialogue.

³ [The Uncertain Relationship between Transparency and Accountability - GSDRC](#)

Citizen’s Climate Budget, Cambodia

The NGO Forum on Cambodia released Cambodia’s Citizens Climate Budget in 2020. This initiative was supported by UNDP/ Climate Finance Network (CFN). This report presents user-friendly information on the national budget for climate change in key related ministries based on official data from Cambodia’s budget laws, the 2017 Climate Public Expenditure Review, as well as other government sources and reports. The report notes that nearly one million households in the kingdom suffered from extreme weather from 2000-2017. The impact climate change is expected to have on Cambodia’s gross domestic product (GDP) is only expected to grow, knocking 0.4 percent off GDP by 2020 and causing GDP to be a 9.8 percent lower than planned by 2050.

How can UNDP help?

Through the Climate Finance Network (CFN)’s and other initiatives, the UNDP can help countries enhance transparency and accountability for climate action with the aim to:

- ▶ Strengthen legal and policy framework, as well as mechanisms for transparency and accountability
- ▶ Strengthen the institutional capacity of oversight institutions, and non-state actors
- ▶ Green public procurement
- ▶ Promote transparency and accountability of the private sector on green practices and climate finance

For more CFN information please contact:

Mr Asad Abbas Maken,
Regional Public Climate Finance Advisor

asad.maken@undp.org

Website:

<https://www.undp.org/asia-pacific/projects/climate-finance-network>

