Toward Mutual Accountability

The 2015 Adaptation Finance Transparency Gap Report

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Adaptation Watch

adaptationwatch.org

Executive Summary

Every year, many billions of dollars are provided as loans and grants from developed to developing countries for climate change. This money has two acknowledged goals and one unstated purpose. Its stated goals are to help developing countries reduce or avoid greenhouse gas emissions and to help them cope with rising climate impacts. Its normally unstated purpose is to build the mutual trust needed to allow global climate change negotiations to continue.

However activists, academics and recipient governments all dispute the amounts contributing countries say they have given in climate finance. How much is being given? Where exactly is it going and what impact is it having? We do not know the answers to these questions, and the continuing doubt increases mistrust between donor and recipient countries, as well as governments, taxpayers in rich countries and the intended beneficiaries. This lack of trust inhibits climate finance from reaching the vulnerable people who need it most.

A number of important research reports in the past five years have tried to put a number on international climate finance flows, but have decried the lack of solid data and transparency in international climate adaptation funding[1] due to fragmentation and lack of regulation. The problem of clarity and transparency is bad for funding to reduce greenhouse gas emissions (mitigation finance), but it is worse for assistance in coping with climate impacts (adaptation finance). Unlike measuring tons of carbon emissions avoided, adaptation is much harder to define and measure, and there has never been a global effort to define what should count as adaptation finance.

1 E.g. Buchner et al. 2010; 2012; 2013; 2014; 2015; IIED 2011; 2012; Nakhooda et al. 2013; OECD-CPI 2015; UNFCCC SCF 2014a; WRI 2013; 2015.

This report shares our findings based on three major pieces of original empirical research into the transparency and consistency of climate adaptation reporting. It then sets out a series of ten recommendations that seek to encourage the UN, contributor nations and recipients alike to improve the systems of tracking climate adaptation finance for the construction of a more resilient global society. Our research explores three areas:

Is provided finance genuinely categorized as adaptation finance? This chapter reviews climate adaptation project categorization under the OECD Rio marker system of projects and financial assistance provided to developing countries (Chapter 3).

How transparent are donor countries in their reporting of climate finance? This chapter provides an assessment of the finance sections of developed countries' first Biennial Reports to the UNFCCC (Chapter 4).

How effective is project prioritization and justification at the recipient level? This is an assessment of Least Developed Countries' National Adaptation Programmes of Action, project prioritization and transparency up and down the chain of project planning and implementation (Chapter 5).

Our main finding is that, almost a quarter of a century into climate change negotiations, we still lack an adequate system for defining, categorizing, tracking, and evaluating climate change finance.

— We identified what appeared to be rampant mis-categorization of projects under the OECD Rio marker system. Many projects categorized as having

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adaptation as a principal or significant objective were only tenuously linked to climate change adaptation.

— Our assessment of developed countries' Biennial Reports found wide variation in transparency in contributor-country reporting, illustrating the need both for greater efforts by individual countries but also for clearer and more stringent UNFCCC guidelines.

— Our research into the Least Developed Countries Fund and National Adaptation Programmes of Action suggests that the planning process was hampered by the complexity of the systems involved. We found that almost half of countries prioritized at least one project under their National Adaptation Programmes of Action that had no climate adaptation or vulnerability justification at all, and our study of national adaptation planning in several Latin American countries found a lack of commitment to transparency at all links in the chain.

It is evident that clear definitions and standards, as well as consistent application, review and penalties for non-compliance are fundamental to the transparency revolution needed in climate adaptation finance.

Summary of recommendations

This report sets out ten achievable steps that could bring a quantum-leap in the transparency and effectiveness of international adaptation finance (Chapter 6). These would go a long way to establishing a system of rules based on true mutual accountability, building trust to boost the negotiations and heighten resilience. These recommendations can be found in full in Chapter 6 of this report, and are summarized here. Several of these could be accomplished with a one-year Work Programme on the monitoring reporting and verification (MRV) of Finance, agreed in Paris:

1. **Empower the UN Standing Committee on Finance to build a real system to replace the existing 'non-system' of climate finance accounting and reporting.** Clearly this cannot happen in isolation: a renewed commitment by the Parties to the UNFCCC is needed to build a real system of climate finance, from definition to delivery, tracking, and evaluation.
2. **Agree and enforce consistent definitions and valid flows in order to build trust in a new round of climate agreements and support real action.** This would mean establishing and promoting a consistent set of definitions of what counts as climate finance for both developed and developing countries under the UNFCCC, to be agreed upon by the COP and perhaps carried out by the Standing Committee on Finance.
3. **Abandon the OECD Rio Marker system of project categorization and create a new clear, consistent, and rigorous framework to explain and verify how projects are categorized as climate adaptation.** Transparent reporting tying project activities to the specific climate vulnerability of communities would be required of contributing countries, which would then be independently reviewed by a UNFCCC-authorized panel (or equivalent) to ensure consistency of approaches. The multilateral development banks' three-step approach should form the basis for a replacement for the Rio marker system.
4. **Agree on the types of private flows that count as climate finance, and those that don't.** Methodologies need to be developed under the UNFCCC for the tracking

of private climate finance, so that this information may be included in the developed countries' Biennial Reports in a transparent and consistent way that developing countries accept.

5. **Clarify guidelines for the preparation of Biennial Reports to enable the independent review of climate finance claims, and for researching and improving effectiveness of this spending.** In particular, we recommend that complete project-level data be a requirement in biennial reporting.
6. **Streamline funding procedures to increase transparency and the likelihood of project implementation.** This can potentially happen through more effective use of Aid Management Platforms and improving dashboards for organizations like the Global Environment Facility. For the Least Developed Countries, the LDC Fund has built a connection with LDCs and should be supported and assisted in building upon that.
7. **Make planning and governance of projects more transparent for and receptive to input from beneficiaries.** Some possible strategies include making all government agency decisions impacting climate adaptation public and available on the web and translating them to local languages. Significant support will be needed to build local capacity to access and understand the information, and to formulate and deliver input to governments.
8. **Require georeferencing of activities** to keep local communities informed about projects planned for their area, allow coordination among agencies and implementing NGOs working in the same places, enable assessment of whether projects are being located in areas that are the most vulnerable, and to bring substantial improvements in evaluation and analysis of project outcomes.
9. **Harmonize monitoring and evaluation across climate finance activities and introduce a commonly accepted set of best practices to measure and compare the effectiveness of adaptation actions.** The Standing Committee on Finance might be an institutional home for this effort, and civil society organizations would play an important role to ensure the indicators chosen assure activities benefit all and particularly those most vulnerable to climate change.
10. **Track progress through crowdsourcing systems to build a detailed picture of climate finance flows, vastly improve monitoring and evaluation at the project-level and empower civil society, leading to more effective adaptation efforts.** Information should be included from contributor country governments, recipient national and local governments, implementing agencies, watchdog citizens' groups and community members.

Considering the great human need and the billions of dollars that will be spent on international adaptation finance in the next decades, a better and more transparent system of financial accounting is needed to ensure adequate provision of resources to those who need them most.

Full report available at www.adaptationwatch.org