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AN ASSESSMENT OF CLIMATE CHANGE FINANCE ACCOUNTABILITY IN BANGLADESH, INDIA, NEPAL, AND THE PHILIPPINES

SUMMARY REPORT









Budgeting for a greener planet: An assessment of climate change finance accountability in Bangladesh, India, Nepal, and the Philippines - Summary report

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Acronyms

AFAI	Adaptation Finance Accountability Initiative
BCCRF	Bangladesh Climate Change Resilience Fund
BCCTF	Bangladesh Climate Change Trust Fund
CAG	Comptroller and Auditor General (India)
CBGA	Centre for Budget and Governance Accountability
COA	Commission on Audit (Philippines)
CODE	Caucus of Development NGOs
CSO	Civil Society Organization
DBM	Department of Budget Management (Philippines)
GHG	Greenhouse Gas
IBP	International Budget Partnership
iCSC	Institute on Climate and Sustainable Cities
IFMR	Institute of Financial Management and Research
INDCs	Intended Nationally Determined Contributions
LGU	Local Government Unit
MDAs	Ministries, Departments, and Agencies
MDB	Multilateral Development Bank
MP	Minister of Parliament
NAF	National Adaptation Fund (India)
NAP	National Action Plan
NAPA	National Adaptation Plan of Action (Nepal)
NAPCC	National Action Plan on Climate Change (India)
NCCAP	National Climate Change Action Plan
NCEF	National Clean Energy Fund (India)
NDCs	Nationally Determined Contributions
OBI	Open Budget Index
OBS	Open Budget Survey
OCAG	Office of the Comptroller and Auditor General (Bangladesh)
ODI	Overseas Development Institute
OECD-DAC	Organisation for Economic Co-operation and Development-Development Assistance Committee
PFM	Public Finance Management
PHP	Philippines Piso
PSF	People's Survival Fund (Philippines)
SAI	Supreme Audit Institution
UNDP	United Nations Development Program
UNEP	United Nations Environment Program
UNFCCC	United Nations Framework Convention on Climate Change
WRI	World Resources Institute



1: Introduction

In December 2015, 195 countries committed through the Paris Agreement to dramatic reductions in their greenhouse gas emissions (referred to as "mitigation") and protection of communities and vulnerable people from the impacts of climate change (referred to as "adaptation"). Estimates of the new funds that will be mobilized globally for an improved response to climate change amount to hundreds of billions of dollars per year.[1] The funds will be coming from both international and domestic private and public sources, and national and subnational governments will manage most of the climate change efforts, particularly for adaptation, through their domestic budgeting systems.

There is need to ensure that governments use climate change financial resources efficiently and effectively to implement their climate response commitments. This will require that countries have strong public finance accountability systems. There also need to be strong "accountability ecosystems" through which a range of actors, including civil society, government, legislatures, auditors, and the media can ensure that the systems produce good results in terms of policy choices, implementation and outcomes.

The UNDP's Governance of Climate Change Finance Team partnered with the International Budget Partnership (IBP) to assess the accountability ecosystems for climate change finance in four countries (Bangladesh, India, Nepal, and the Philippines) in the Asia-Pacific region. The emphasis in the assessments was on civil society organizations (CSOs) and media. This summary of the findings is intended to share information, draw lessons, and guide global and local actors on entry points to strengthen systems.

The full report on the assessment can be found at:

https://www.climatefinance-developmenteffectiveness.org/.

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1 See, for example, World Bank, "Generating the Funding needed for Mitigation and Adaptation," in the World Development Report 2010 (Washington, D.C.: World Bank, 2010), p. 257.

Scope and audience

The country assessments were undertaken in August and September 2016. They examined:

- **Public accountability**: the capability of actors outside of the executive to ensure that climate funds are managed effectively and with full accountability. The assessment of "capability" encompasses both the *capacity* of actors to play an effective role in budgetary decision making and oversight processes and whether the *policy and political environment* allows them to utilize this capacity.
- **Domestic climate change budget expenditures**: the primary focus was on climate change finance, whether from domestic or external sources, managed through domestic budget systems.
- **Expenditures**: the emphasis was on accountability for the volume, allocation, and use of climate change expenditure, rather than on revenue and regulatory issues.

The primary audiences for the findings of the assessment are the UNDP Bangkok regional hub and IBP, as well as other external organizations that support public finance accountability actors in respect of climate change finance.

Structure of the report

This report is structured as follows:

- Section 2 discusses climate change finance accountability.
- Section 3 describes the accountability systems for climate change finance in each of the four case studies.
- Section 4 presents findings, conclusions and recommendations.



2: Climate change finance accountability

2.1 Climate change commitments

At Copenhagen in 2009, developed country Parties to the United Nations Framework Convention on Climate Change (UNFCCC) committed to a goal of jointly mobilizing $100 billion a year by 2020 from public and private sources to support climate action in developing countries.[2] In the run-up to the Paris Agreement of 2015, countries publicly outlined Intended Nationally Determined Contributions (INDCs) that identified what post-2020 climate actions they intended to take under the new international agreement. The INDCs convert to NDCs when a country ratifies the Paris Agreement.

2.2 Accountability in public finance

Accountability of governments for climate change finance management is very similar to accountability for public moneys used for any other public policy objective. As with expenditure for other purposes, climate change finance accountability requires:

- the government to make publicly available information on the raising and collection, allocation, use, and performance of resources;
- state and non-state accountability actors to have the capacity, agency, and opportunity to use the information to hold executive actors accountable; and
- the actions of accountability actors to have consequences for executive actors.

2 M. Westphal, P. Canfin, A. Ballesteros, and J. Morgan, "Getting to $1Billion," World Resources Institute, May 2015.

The model of climate change finance accountability used for the assessments rests on the three pillars of accountability that IBP has identified for all public finance management systems: transparency, public participation, and strong public oversight institutions.[3]

Transparency: Public access to comprehensive, timely, and useful information on all climate-relevant revenues and expenditures is essential.

Participation: By providing both informal and formal spaces for the public to influence budget processes, the government benefits from a diversity of views on policies and priorities and from monitoring information on how budget decisions are implemented on the ground.

Strong public oversight institutions: In particular, legislatures (parliaments) and supreme audit institutions (SAIs) must have the authority, independence, and capacity to fulfill their formal mandates to ensure that public funds are collected and spent as intended.

The first two aspects are especially important for the two actors – CSOs and the media – on which the assessment focused. These two aspects are elaborated in Table 1.

Table 1: Core elements of budget transparency and participation

Transparency

- Comprehensive information publicly available on recurrent and development expenditure, including sufficient detail to allow understanding of how climate change relevance is classified in the budget and the assumptions behind the classification
- Information published in a timely way so that it can be used by accountability actors to participate effectively throughout the decision making, execution, and audit processes
- Information presented in language and formats that can be widely understood by those with little or no technical knowledge
- Information available in easily used, machine-readable formats

Participation

- Formal opportunities/mechanisms for direct engagement between the public and the government (includes the executive, legislatures, and SAI) throughout the budget process, such as legislative hearings at which the public can testify on budgets of government agencies that administer climate-related resources; online mechanisms for gathering public input on the executive's proposals for climate expenditure and revenue policies, and hotlines for submitting potential audit subjects for the supreme audit institution
- Sufficient notification of the opportunities to participate and accommodation for those with impediments to full participation
- Feedback on how public inputs are reflected in decisions
- Accountability actors who are able and willing to take up opportunities for participation

There are some challenges that are specific to climate change finance accountability. The first challenge relates to demarcating what constitutes climate change expenditure. Further challenges are associated with three aspects: multiple sources and channels of financing, multiple actors implementing activities across multiple sectors, and the fact that some activities that might be climate change relevant might not be new, or "additional" as required by the Paris agreement.

3 For a more in-depth discussion of the International Budget Partnership's model of strong public finance accountability, see "Open Budget Survey 2015: Open Budgets. Transform Lives." International Budget Partnership, September 2015, at http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/publications-2/full-report/

2.3 Demarcating climate change expenditure in budgets

Some government actions might specifically target climate change. However, most actions around mitigation and adaptation are part of a country's overall development plans and activities. For example, a development project for a road intended to improve transport to markets for farmers may include a climate-specific component.

Some countries have developed "tags" or budget codes for mitigation and adaptation and expenditure weighting schemes for this purpose. However, identifying what constitutes a climate change activity is often difficult.

Table 2 presents two approaches that are commonly used by international development partners, namely the OECD-DAC "Rio Markers" and the Joint Multilateral Development Bank approaches.

Table 2: Identifying climate change expenditure

Approach	Mitigation	Adaptation
OECD-DAC	An activity contributes to the objective of stabilization of greenhouse gas (GHG) concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration.	An activity intends to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks by maintaining or increasing adaptive capacity and resilience.
MDB Joint Approach	Activities involve efforts to reduce or limit GHG emissions or enhance GHG sequestration.	A project activity must fulfil three design process criteria for finance to be reported as adaptation: • include a statement of purpose or intent to address or improve climate resilience; • set out a context of climate vulnerability (climate data, exposure, and sensitivity); and • link project activities to the context of climate vulnerability, reflecting at least one of the following categories: addressing current drivers of climate vulnerability; building resilience to current and future climate risks; incorporating climate risks into investments, especially for infrastructure with a long lifespan; incorporating management of climate risk into plans, institutions, and policies.

Source: K. Baboyan and H. Le, "Climate Budget Tagging: Country Driven Initiative in Tracking Climate Expenditure," United Nations Development Fund, Bangkok, 2015.

The approaches are sometimes difficult to apply. The main challenge is that many large development expenditures may have some relevance for climate change, but climate change is not one of the main purposes of the expenditure. It would therefore be questionable to claim the full expenditure as climate change.

Two main approaches have been adopted for identifying climate change relevance. The first focuses on the explicit and implicit *objectives* of the expenditure. This approach is relatively easy to apply. However, the judgements are subjective and there is a tendency to overstate the importance of climate change in the objectives. The second approach bases the scoring of relevance on the extent to which climate change affects the expected net *benefits* of the expenditure in question. This can be assessed through cost-benefit analysis or expert opinion using a structured assessment of the relative importance of adaptation/mitigation benefits, compared to economic, social and environmental development benefits.

Meaningful tagging and scoring can be done only if expenditure data is available at a relatively detailed level of organizational unit. In most cases, this will need to be at least two levels below that of a ministry or agency and often three or four levels below. The economic classification of the budget (i.e., into salaries, operating costs, interest, etc.) cannot be used for climate change tagging or scoring.

2.4 Additional challenges

The multiple sources of climate change funds include both external (bilateral and multilateral aid and overseas private investments provided as grants and loans) and internal sources (such as public revenues generated domestically and local private sector investments). The multiple channels include the government's annual budget, special "off budget" funds, and direct project funding.

In addition, funds may be managed by a range of government ministries, departments, and administrative units at both the national and subnational level, as well as by private companies or nongovernmental organizations at the project level. This complexity means that the information needed is usually scattered across many different information sources.

A further concern relates to "additionality." Because of calls at the global and country levels to mobilize new funds, donors, governments, and private sector actors have a strong incentive to claim as much expenditure as possible as relevant for climate change.

Finally, coding/tagging cannot tell the full story of whether resources are being used as intended. It can provide for accountability around whether the level of investment in the government's response is adequate and whether it is invested in appropriate programs and activities. However, to ensure that allocations result in expenditures that are managed properly and effectively to achieve the intended results, one needs monitoring of what is happening at the level of service delivery. This is where CSOs, media, and other accountability actors can play a useful role in gathering project-level data.



3: Climate change finance accountability systems in four countries

3.1 The case study countries in the global climate change context

Three of the four case study countries — Bangladesh, India, and Nepal — submitted their instruments of ratification to the UNFCCC by the 7 October 2016 Paris Agreement deadline. The Philippines had signed the Agreement and submitted an INDC, but has not yet submitted its instrument legally binding it to the Agreement. The Climate Change Commission of the Philippines is currently working to develop and finalize the NDC by 2019.

All four countries have relatively or very substantial populations and all the countries are highly vulnerable to climate change effects. In the Global Climate Risk Index the Philippines was the fifth most affected country between 1996 and 2015, and Bangladesh the sixth, while India ranked 14th and Nepal was 24th.[4] In all four countries climate change has brought extreme temperatures, erratic rainfall, floods, drought, landslides, and soil erosion, all of which affect livelihoods and food security, access to clean water, sanitation, and the safety of households. Bangladesh, India, and the Philippines are affected further by the impact of climate change on oceans. In their INDCs/NDCs all four countries note the impact of climate change on poverty reduction and development, and the shift in challenges as populations urbanize.

4 S. Kreft, D. Eckstein, L. Dorsch, and L. Fischer, *Global Climate Risk Index 2017* (Berlin: Germanwatch, 2017).

Bangladesh and Nepal are more centralized states, while India and the Philippines are federal states in which subnational units have significant taxing, spending, and borrowing powers and expenditure competences. These institutional setups affect the complexity of monitoring and accountability for climate change finances.

3.2 Legal, policy and institutional environment

Legal framework: The Philippines and Bangladesh have overarching acts that set institutional frameworks for the governance of climate change action. In both countries, the laws establish a separate fund to finance climate change measures: the Philippines' People's Survival Fund, which was established in a 2012 amendment to the Climate Change Act of 2009, and the Bangladesh Climate Change Trust Fund. In both countries, however, these funds manage only a small portion of total climate change expenditure.

Policy frameworks: The Philippines has a national climate change strategy, as well as a National Climate Change Action Plan (NCCAP) that sets out both mitigation and adaptation programs. Climate change planning started with a National Adaptation Program of Action (NAPA) in Nepal (2005) and Bangladesh (2009). In Nepal, this was followed in 2011 by a Climate Change Policy, which establishes the institutional framework and guiding principles for climate change action. India's National Environment Policy similarly sets the principles for climate change action. In addition to its NCCAP published in 2009 and known as the Bangladesh Climate Change Strategy Action Plan (BCCSAP), the Government of Bangladesh prepared a Climate Change and Gender Action Plan in 2013.

India, Nepal, and the Philippines have also provided for subnational versions of national action plans: the State Climate Change Action Plans in India, the Local Adaptation Plans of Action in Nepal, and the Local Climate Change Action Plans in the Philippines.

Executive institutional framework

Lead ministry: All countries have designated the ministry with responsibility for the environment as the lead ministry for climate change policy and international engagement on climate change with the UNFCC except for the Philippines where this rests with the Climate Change Commission. They are also the Joint Focal Points for international funds such as the Global Environment Facility in collaboration with Ministry of Finance (Bangladesh and India) or Ministry of Foreign Affairs (Philippines). In Nepal, the Ministry of Finance is the sole Focal Point.

In Bangladesh and Nepal, the focal point responsibility for the Green Climate Fund is with the Ministry of Finance. In India and the Philippines, it is with the Ministry of Environment, Forests and Climate Change and Environment Natural Resources respectively.

Coordination, monitoring, and evaluation functions: India, Nepal, and the Philippines have created new institutions linked to the highest executive office of central government to coordinate climate change activities. For example, in the Philippines, in addition to the Climate Change Commission, a Cabinet Cluster on Climate Change Adaptation and Mitigation monitors the delivery of results against the national strategy. In Bangladesh, the environment, forests and climate change ministry is responsible for coordination.

Planning and Financing: In all countries, the planning bodies and finance ministries are playing growing roles in mainstreaming climate change into planning and budgeting cycles as detailed in the sub-section below.

3.3 Public finance management context

The bulk of financing for climate change measures in each of the countries is managed through the core PFM system. The PFM systems of the four countries share some key characteristics.

In all four countries, the **budgetary process** follows a standard cycle of preparation of the proposed budget, adoption of the budget by parliament, implementation of budget proposals, audit of budget execution and, ideally, assessment of achievements against policy goals. At the central level ministries, departments and agencies (MDAs) prepare budget proposals in accordance with the guidelines provided by the finance ministry and the countries' planning bodies.

In terms of the **planning bodies**, in India the National Planning Commission has recently been replaced by *Niti Aayog*, which has reduced responsibilities. In Nepal, the Planning Commission annually approves the plans of all government entities before these are forwarded to the finance ministry for consideration. In the Philippines, the National Economic and Development Authority prepares a public investment program, coordinates donor assistance, and approves projects over a PHP1 billion threshold. In Bangladesh, the Planning Commission prepares the development budget, while the finance ministry prepares the operational budget.

Bangladesh, Nepal, and the Philippines follow a **budget structure and classification** that sets out the budget by administrative unit, followed by a program/sub-unit and economic classification. India has to date set out its budget as Plan (related to the current Five-Year Plan) and Non-Plan expenditure for each ministry and department, followed by five or six levels of administrative subunit. Bangladesh also still has an explicit development budget, planned separately from the operational budget. However, it brings the two components together in a medium-term budget framework. In Nepal, the development budget is an extract of the overall budget.

Medium-term budget frameworks are in place in all four countries.

3.4 Mainstreaming progresses in planning and budgeting cycles

In Bangladesh, the Planning Commission has mainstreamed climate change into the 5 Year National Development Strategy and the planning guidelines for development projects whereas the Ministry of Finance is currently working on developing a tagging system into the country Government Financial Management Information System known as iBAS. In India, the National Planning Commission was recently abolished. The Ministry of Finance is however, leading all efforts on climate financing matters including developing an identification and measurement methodology for climate change finance spent through the budget. In Nepal, the planning body has played a key role in the initiation and development of the tagging system and currently quality assures the tagging of budget expenditures for climate change relevance. These efforts are complemented by the Ministry of Finance who does the reporting and the qualitative narrative in the Annual Economic Survey. In the Philippines, the National Economic and Development Authority leads on the mainstreaming of Climate Change into the National and Regional planning whereas the finance ministry (the Department of Budget Management in the Philippines) has been implementing the tagging system jointly with the Climate Change Commission.

In Nepal, the Ministry of Federal Affairs and Local Government supported the Ministry of Population and Environment and the planning body in ensuring that climate change concerns are mainstreamed in subnational plans. In India state governments have substantial financial autonomy, but the central government influences state finances through the financing of national schemes and the criteria for transfers from the center to the provinces. These criteria, for

example, have recently included a 7.5 percent weight to reflect the public goods provided by forestry, including avoiding GHG emission from deforestation, and the direct and opportunity costs of maintaining forest area.

3.5 National measures to manage climate change funds

The assessment found two types of public finance mechanisms that are specific to climate change finances: the use of dedicated climate change funds (Bangladesh, India and Philippines) and tagging of expenditures identified as climate change relevant (Nepal and the Philippines).

Dedicated or earmarked climate change funds[5]

Bangladesh, India, and the Philippines have set up earmarked national funds to finance climate change measures. In Nepal, the Climate Change Policy raised for discussion the creation of an earmarked fund, but such a fund has not been established to date. In all cases these funds manage only a small portion of total expenditure related to climate change. For example, in the Philippines an estimated 99 percent of climate change finance is financed through the main budget.

In Bangladesh, the **Climate Change Trust Fund (BCCTF)** was established to identify climate change adaptation and mitigation needs, particularly those of vulnerable populations; develop plans to meet those needs; and review and fund proposals for mitigation and adaptation projects and activities. The Fund's Board of Trustees is chaired by the Minister of Environment and Forests. Of the 17 members, two are from CSOs and the rest are from government ministries and departments. The Technical Committee consists of 12 members, who are responsible for reviewing proposals and advising the Board of Trustees. The Technical Committee can form sub-technical committees to review the technical feasibility of project proposals. Six sub-technical committees have been formed, each of which has representatives from government, academia, and civil society.

The BCCTF is not subject to significant scrutiny from independent non-state accountability actors, although a lot of information on projects is provided online. Proposals to fund projects are reviewed by the Climate Change Trust. The BCCTF board includes some CSO seats, but civil society trustees are in a minority so the extent of this direct influence is limited. While the BCCTF board has the authority to audit the projects it funds independently of the Office of the Comptroller and Auditor General (OCAG), a Transparency International Bangladesh report noted that the BCCTF could not conduct evaluations of completed projects due to capacity limitations.[6]

In the Philippines, the Climate Change Act was amended in 2012 to create the **People's Survival Fund (PSF)** within the Treasury with a board chaired by the Department of Finance to provide local government units (LGUs) and communities, including CSOs, with direct access to financial support for adaptation programs, activities, and projects. PHP 1 billion (US$22 million) is allocated annually to the PSF. The PSF is administered by a board that includes representation from the Department of Finance, the Climate Change Commission, other government departments, civil society, academia, and business. After two years in existence, the PSF has yet to disburse any

5 This section excludes national mechanisms to manage international vertical funds, such as the Adaptation Fund or Green Climate Fund, insofar as these are not the focus of this assessment, have common mechanisms across countries, and have already been discussed, albeit briefly, in the institutional section.

6 Transparency International Bangladesh, "Experts Call for Ensuring Accountability and Transparency in Climate Adaptation Fund," 29 March 2016, accessed on 9 September 2016 at https://www.ti-bangladesh.org/beta3/index.php/en/activities/4922-experts-calls-for-ensuring-accountability-and-transparency-in-climate-adaptation-fund

funds. The lack of disbursements is attributed to lack of local level capacity to formulate plans that will meet the criteria set by the Board.

In India, the main earmarked funds are the **National Adaptation Fund (NAF)** and the National Clean Energy Fund (NCEF). However, the central government also set up eight "Missions" to implement the National Climate Change Action Plan. The NAF was launched in 2014 to assist states that are most vulnerable to climate change. By late 2016 it had been allocated US$49 million and is managed by the National Bank for Agriculture and Rural Development. Projects submitted by states are funded by the NAF according to a competitive application procedure. The NCEF was created in 2010-11 and is funded by a cess on coal sales of Rupiass400/ton (about US$3 to $6/ton). NCEF funds are available to private and public applicants. The funds can cover up to 40 percent of total costs of clean energy investments. Project selection is done by an inter-ministerial group. By the end of the 2015-16 fiscal year, an estimated US$2.5 billion had been transferred to the NCEF since its inception for financing projects.[7] The eight missions cover both mitigation and adaptation and aim to spend roughly US$1 billion each year across the eight missions.

Tagging of climate change expenditures

Expenditure tagging does not involve a new budget code. Instead it means marking expenditure as climate change relevant in order to enable a composite picture of all climate change funding to be presented. Tagging is neither necessary nor sufficient for climate change finance accountability as the information can be put together in other ways. Further, the tagging information on its own, without opportunities to use it to influence decision making or oversight processes, is insufficient. However, tagging can facilitate accountability.

Nepal and the Philippines have developed climate change tagging systems and institutionalized the application of tagging in their budget systems. Table 3 provides more information on these systems, including their typology, who does the tagging, and the public availability of the information. In India tagging is used in some of the states, including Odisha. However, the system in Odisha is a simple yes/no system — i.e., expenditures are either tagged as 100 percent climate change relevant, or 0 percent.

7 Ministry of Finance of India, "National Clean Energy Fund Brief," accessed on 19 December 2016 at http://www.finmin.nic.in/the_ministry/dept_expenditure/plan_finance2/Latest_NCEF_Brief.pdf

Table 3: Nepal and Philippines climate change tagging systems		
	Philippines	**Nepal**
Tagging typology	The tags identify the NCCAP programs that expenditures are aligned with, and whether an expenditure is mitigation or adaption. If a program is considered wholly climate change relevant, it is tagged as 100 percent; if only a component of a larger program is climate change relevant, then only the portion of the program's total expenditure that is for the component is tagged as 100 percent.	Programs, activities, or projects for which more than 50 percent of the budget is allocated for climate change-related activities are categorized as "highly relevant," those with 20-50 percent are coded as "relevant" to climate change, and those below 20 percent are considered "neutral." The tagging applies to both mitigation and adaptation efforts.
Who tags?	MDAs identify which programs, projects, and activities (or components of these) are climate change relevant when preparing their budget submissions. Only the expenditures of relevant components are tagged.	MDAs tag during the annual budget preparation process, identifying the relevance percentage of each and every budget head.
Public availability of tagging information	The DBM and the Climate Change Commission publish the People Climate Budget which informs the public on the findings from the tagging exercise. The Government publishes the comprehensive data set on its Open Date Philippines website.	The Budget Speech, which is published on the finance ministry website, includes an annex that provides the relevance score by budget head. The detailed estimates of expenditure also provide this information.

All tagging has an element of subjectivity and this reduces reliability. In Nepal, over three years of implementation the amount of resources tagged grew. However, respondents said that they did not know whether this growth is on account of a real resource increase for climate change measures, or whether it is because existing expenditures are being tagged inappropriately given the incentives in place for MDA heads to show higher climate change expenditures.

In Bangladesh, the tagging efforts in the Government Financial Management Information System are on-going. However, the Ministry of Finance submitted along with the FY 2017-18 national budget a "Climate Protection and Development: Budget Report, 2017-18" on 1 June 2017. Six ministries were part of this pioneering effort: Ministry of Agriculture; Ministry of Environment, Forests and Climate Change; Disaster Management and Relief Ministry; Ministry of Water Resources; Local Government Division; Ministry of Primary and Mass Education. Linking national budgets to climate change-related policy objectives and targeted results is one of the broad objectives of the project.

The report is intended to shed light on climate-related spending as a share of total public expenditure and draw attention to the government's commitment to address the adverse impacts of climate change. The analyses in the report also present the distribution of climate spending across six thematic areas set out in Bangladesh Climate Change Strategy and Action Plan (BCCSAP). The FY 2017-2018 report with its limited coverage will pave the way for presenting a comprehensive report using more robust methodology in the next fiscal year.

3.6 Pillars of climate change finance accountability

For there to be true accountability the three pillars of accountability — transparency, participation, and strong formal oversight institutions — must be in place. This section discusses the extent to which these pillars are present and functioning in the assessment countries.

Transparency and participation

The International Budget Partnership's biennial Open Budget Survey (OBS) measures the extent to which the three pillars of accountability are present in over 100 countries around the world. Each country receives an Open Budget Index (OBI) "transparency" score between 0 and 100. Table 4 reveals that the Philippines provides substantial budget information to the public in each of the phases of the budget cycle, but the information provided by India and Bangladesh is limited. Nepal provides minimal information.

In addition, the OBS 2015 found that the governments in Bangladesh, India, and Nepal provided minimal opportunities to participate in budget processes, while the Philippines provided adequate spaces and mechanisms.

Table 4: Open Budget Survey 2015 findings (Scores are from 0 to 100)

Country	Open Budget Index (transparency)	Participation Score
Bangladesh	56	23
India	46	19
Nepal*	24	19
Philippines	64	67

*It should be noted that when the study was conducted in 2013, there was no Parliament to discuss the budget. The government in that year was a provisional government formed to just conduct elections to the Constitution assembly and therefore the enactment procedure was not completed. However, regular processes resumed starting 2014.

Source: International Budget Partnership, Open Budget Survey 2015 Results by Country, available at: http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/country-info/

Looking beyond the summary scores, the systems in the four countries make some information publicly available and provide some opportunities for CSOs, the media, and citizens to participate at different stages of the budget process.

Transparency: The Executive's Budget Proposals in Nepal and the Philippines include estimates of the volume and distribution across government of climate change-relevant expenditure. The Philippines also provides information on whether expenditure is for mitigation or adaption and the NCCAP program under which the relevant expenditures fall. The Philippines maintains several online sources of the data.

In Nepal, in 2015 the Executive's Budget Proposal was published late, thus limiting the opportunity for CSOs to analyze and comment on proposed climate change expenditure prior to the legislature approving the budget. In India, the Executive's Budget Proposal has no specific climate change finance content and is not detailed enough or organized in ways that will allow CSOs and the media to do their own analysis of public expenditures for climate change. Whether the Climate Budget Report that was recently published in Bangladesh will allow such involvement of CSOs and Media remains to be seen.

There are also problems in accessing the information that exists. In Nepal MDAs are supposed to publish information on contract awards and progress on their websites, but this does not happen. In India, ministry websites are incomplete, and it is often difficult to find the information sought. In all four countries, there is even less information available at local levels than at the national level.

Access to information on expenditure outturns (actual money spent) is also limited. The Philippines government makes the standard key reports available, but the reports are neither comprehensive nor detailed. In Nepal, too, the in-year reports lack detail. In India, the OBS 2015 identified problems with the timeliness of reports.

Transparency of donor-financed climate change expenditure: Three of the four countries – all except India – have aid management platforms that provide public information on donor programs and projects. The lack of such a platform in India is partly explained by the complex relationship between donors at different levels of government and the fact that donor programs are relatively small compared to domestic finance.

The aid management platforms typically classify donor finances by donor, type of financing (grant, loan or technical assistance, for example), modality, recipient organization, location of the project (if relevant), and whether the financial information relates to commitments or disbursements. In Nepal, there is an in-built filter that allows users to extract information related to climate change. Because these databases typically capture only the information that donors provide to governments, in all countries the platforms are unlikely to include all donor funding.

Participation: In India and Nepal, governments engage CSOs in climate change policy discussions and planning exercises. Engagement is often by invitation only or exclusive to capital-based or "elite" CSOs. Nepal has, however, established village and municipal level planning processes that are participatory, including participation by community-based and local CSOs. These processes are required to include a climate change focus. Village-level committees are required to hold formal annual participatory social audits on the delivery of projects and services. The planning processes are often coordinated by larger CSOs, while smaller community-based organizations act as representatives of citizens. In the Philippines and Nepal CSOs have formal opportunities to participate in government audits.

In the Philippines, the Budget Partnership Agreement initiative requires MDAs to engage with CSOs during budget preparation. To date, however, this has not included civil society consultations on MDAs' tagging of proposed spending.

In most countries, CSOs have been engaged in the development of the NAPs at both national and subnational levels. There is, however, less engagement of CSOs in the routine annual planning and budget process.

Oversight institutions

The **legislatures** in all four assessment countries play a significant role in the discussion and approval of budget proposals, as per their respective Rules of Procedures. However, the Open Budget Survey 2015 found that the strength of the legislature to play its public finance oversight role effectively is weak in all four countries.[8] This assessment relates to the general budget but would also apply to climate change finance. In addition, there is rarely discussion of climate change finance in legislative committees.

8 For this and all references to the Open Budget Survey or Open Budget Index in this section: IBP, Open Budget Survey Results by Country at http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/country-info/

Nepal and the Philippines have specific committees for climate change. These committees discuss climate change budgeting issues to some extent, but the core of budget examination is done by the budget/finance committees. In the Philippines Senate, the chair of the senate budget committee is also the chair of the climate change committee. This ensures that climate change issues are systematically taken up in legislature budget discussions. This combination is, however, not institutionalized and may not persist when there is a change in senate membership.

In India, there is collaboration between MPs and CSOs around climate change policies and implementation. For example, there is important work being done by a CSO called Climate Parliament, on renewable energy incentives and financing.

In Nepal, the Committee for Environmental Protection has both legislative and oversight functions, including in respect of climate change. The committee has recently formed a climate change working group with the aim of building the capacity of parliamentarians on climate change. UNDP Nepal is engaging parliamentary committees on Climate Finance Scrutiny. A draft Climate Budget Review Toolkit for parliamentarians has been shared with members of the Standing Committees on Finance and Environment which have approved it. The toolkit is being jointly published by the two committees of the Parliament.

Table 5: Open Budget Survey 2015 findings (Scores are from 0 to 100)

Country	Open Budget Index (Legislature Strength)	Open Budget Index (SAI Strength)
Bangladesh	49	75
India	39	75
Nepal*	18	75
Philippines	36	92

*It should be noted that when the study was conducted in 2013, there was no Parliament to discuss the budget. The government in that year was a provisional government formed to just conduct elections to the Constitution assembly and therefore the enactment procedure was not completed. However, regular processes resumed starting 2014.

Source: International Budget Partnership, Open Budget Survey 2015 Results

The **Supreme Audit Institution (SAI)** is responsible for the financial and regulatory audit of all government funds. In the four case study countries, the SAIs also undertake performance/value for money audits of select programs and activities. The Open Budget Survey 2015 found that the strength of the SAI in all four countries is adequate to fulfill their oversight role. However, none of the SAIs has a specific climate change-oriented function, so they treat climate change funds in public budgets on the same basis as all funds.

In Bangladesh, the Office of the Comptroller and Auditor General (OCAG) has audited more than 100 climate change projects, with qualified audit findings in each case.[9] There is no involvement of civil society in its work. It has also recently issued directives to two relevant audit directorates (the Foreign Aided Project Audit Directorate and Civil Audit Directorate) to take up the performance audit of two climate change projects (a BCCTF project and one from BCCRF). The necessary technical support for developing relevant criteria for inclusion of climate dimension in audits is being provided by the climate change finance mainstreaming program located in the Ministry of Finance.

9 "CAG Office Finds Audits on Climate Change Fund Authentic," The Financial Express, 30 March 2016, accessed on 9 September 2016 at: http://www.thefinancialexpress-bd.com/2016/03/30/23673

In India, the Comptroller and Auditor General (CAG) has an advisory committee that includes civil society representation, although actual representation has been intermittent. CSOs have also met with CAG officials to submit written recommendations on potential audit subjects, but this is by invitation only. There is an informal symbiotic relationship between the CAG and the media in that the CAG's office regularly scans the press to determine subjects for audits, and media regularly cover CAG reports. To date, however, none of the issues covered has been about accountability for climate change funds, although the CAG has provided strongly critical assessments of the effectiveness of government expenditure on flood protection as part of several audit reports at state level.

In Nepal, the Office of the Auditor General of Nepal in 2013 started undertaking performance audits with civil society and citizen participation. The office has worked with a multi-stakeholder group, including civil society partners, to develop the framework for citizen participation in performance audits. Initial audits with such participation have been conducted in health and transport. Topics for performance audits are selected by the SAI, with support from an advisory committee. The SAI has agreements with partner CSOs that clarify which groups are working in which sectors. CSOs assist with the implementation of the audits, including organizing focus group discussions with users of services.

In the Philippines, the Commission on Audit (COA) has a public hotline and fraud alerts desk through which people can report potential problems with the use of public funds. In addition, the COA interacts with the public in general, and CSOs through the Citizen Participatory Audit, in particular. In a Citizen Participatory Audit, the COA includes the public, primarily through CSOs, in audit teams to provide inputs into audit objectives, methodology, and scope; to gather data; and to assist in assessing the data for the audit findings and recommendations. The most recent climate change-related Citizen Participatory Audit assessed how the government managed the funds for the response to the devastation caused by Typhoon Yolanda.

Box 5: Intersection of Climate Change Finance and Gender

The assessments found that in all four countries studied, there were explicit links between climate change action and concerns about vulnerable populations, particularly women and the poor, in policy and legal frameworks.

- In Bangladesh, the Climate Change and Gender Action Plan (2013) establishes the framework for mainstreaming gender equality into climate change policies, strategies, and interventions, as well as addresses the need to integrate women into the planning and policy process.
- In India, the National Action Plan on Climate Change acknowledges the particular vulnerability of women to the impacts of climate change and calls for special attention to be paid to aspects of gender in all adaptation programs.
- In Nepal, the National Adaptation Programme of Action to Climate Change specifies gender as a cross-cutting sector and calls for gender to be taken into account in the development of all adaptation strategies due to women's particular vulnerability to climate change impacts.
- In the Philippines, the National Framework Strategy on Climate Change calls for ensuring "equal and equitable" protection of women and other vulnerable groups, and the National Climate Change Action Plan identifies gender mainstreaming as one of the main cross-cutting actions that are to be integrated into the six strategic priorities identified in the plan.

By integrating these commitments to gender equity and ensuring the resilience of women, and other vulnerable populations, into their climate change plans and strategic frameworks, the governments in the four countries have provided a foundation for holding government to account for its commitments around gender and climate. However, just as with climate change finance in general, translating the potential for accountability into real accountability around gender requires there to be a fully functioning formal system of accountability and a fully functioning accountability ecosystem. Advocates for women and gender equity will need the same access to detailed, comprehensive, timely data on how climate change-related expenditures address gender, as well as opportunities to use this information to participate through the budget cycle. Unfortunately, the gender component of climate change-related expenditures is a further layer of detail that the governments of the study countries are currently failing to publish, as it often depends on the preliminary existence and capacity for gender analysis and gender responsive planning and budgeting. Overall, the same weaknesses in the formal systems around participation the assessment found for climate change finance accountability apply to gender, as well.

In terms of the accountability ecosystem, it will be imperative for CSOs that focus on gender equity and women's issues to begin to get engaged in climate change processes. This was not happening significantly, or at all, in any of the four countries, primarily because these groups are not fully aware of the connections between an effective climate change response and efforts to improve the lives of women. However, there are some promising signs of movement toward bringing women's groups into climate change accountability efforts, particularly by CSO networks and coalitions, like Social Watch Philippines, that include in their membership a range of CSOs with specific sector or issue agendas. After its work on tracking the government's response to Typhoon Yolanda, Social Watch has called on its member organizations to apply a climate change lens to their individual agendas.

This is a good opportunity to inform gender-focused groups, as well as those working on behalf of other vulnerable people, about how climate change can have specific impacts on women and the poor and to formulate concrete steps (including identifying climate change finance capacity gaps) for ensuring that climate change mitigation and adaptation activities and programs address the needs of the most vulnerable.

3.7 CSO and media engagement in climate change finance accountability

The study reviewed media and CSO participation on climate finance to identify enabling factors and challenges.

Both the media and CSOs have been involved in examining budgets in relation to climate change finance accountability in all four countries but they face challenges such as event-driven approaches to news, lack of access to information and other constraints.

BANGLADESH

There are very few cases of CSO climate change finance monitoring, tracking, or analysis in Bangladesh. There are significant examples of CSOs working on good financial governance issues generally. These include the Manusher Jonno Foundation, engagement in climate change work with communities by BRAC and the Coastal Development Partnership, lobbying of government on climate change by the Climate Change Development Forum and the Climate Change Governance Program of Transparency International Bangladesh.

Where CSOs do engage on climate change finance, it has been primarily around urging more domestic budget allocations; greater transparency on climate change funds channeled to Bangladesh or allocated by government; and better integration of the NCCAP with the national development plan and the national budget. To date, however, the efforts do not seem to have extended beyond workshops, regional dialogues and general statements although the Assessment of Climate Change Finance Governance published by Transparency International Bangladesh in 2013 is considered a reference on the issue.

There are no formal provisions for CSO participation in the national budget processes, and little tolerance for what can be construed as criticism of government. Engagement with parliament on climate change finance is limited, and nonexistent with the SAI.

An important challenge for budget work is that the technical budgets and statements are generally too complex for CSOs or journalists to understand. Both journalists and CSOs struggle to make budget discussions and issues accessible to lay people.

Although the constitution provides for freedom of expression, subject to "reasonable restrictions," the press is constrained by national security legislation as well as sedition and criminal libel laws. Currently Bangladesh is considered as not having a free press in practice. However, media can and sometimes does play a key role in the accountability ecosystem there. For instance, the *Daily Prothom ALO* broke a story of suspected mishandling of funds in the Bangladesh Climate Change Trust Fund and has since published several articles on the implementation of climate change projects. Other print, radio, and television outlets have produced several reports on climate change adaptation and climate change impacts. In general, however, coverage of the budget is more about broadcasting government plans and reports than raising accountability questions.

INDIA

There are few CSOs in India working on climate change finance, although climate change groups have engaged in the development of climate change strategies like the NAPCC and in estimating the cost of implementation.

CSOs such as the Delhi Science Forum, the Centre for Science and Environment, the Vasudha Foundation, Centre for Budget and Governance Accountability (CBGA), the Centre for Policy Research, and the Institute of Financial Management and Research (IFMR) have undertaken studies that touched on the financing of climate change. These studies tend to focus on mitigation, with little work on tracking adaptation spending. The exceptions include the CBGA's study of 2009 that assessed the Union budget from the lens of climate change.[10] The IFMR reviewed all public expenditure in the state of Odisha and applied a systematic approach to classifying expenditure. This was used to influence the way in which the state government classifies climate change expenditure. The CBGA has also attempted to build the capacity of climate change/environmental CSOs to read, analyze, and monitor how the government is financing climate change responses through the budget.

The experience of civil society and academic analysts and researchers is that, in most states, gaining access to information requires personal relationships or Right to Information requests, which can be complex and time consuming. However, there are some states for which public finance data are available online at a level of detail that is sufficient for climate change classification.

India has a vibrant media sector, which is considered to be the most free in South Asia. The quantity and quality, and the frequency, of the media coverage of climate change has improved over the years, but it is centered on coverage of events like Paris negotiations and natural disasters. There is much less coverage of the government's management of climate change finances, unless there is a scandal involving corruption or mismanagement.

The media, like CSOs, also struggles with access to information. The formal route for media to contact officials with questions is through the public information bureau officer within each ministry. However, government officers tend to agree to meet the press only when they want to communicate information, not when they are being questioned.

NEPAL

A number of national and international CSOs are active on climate change issues in Nepal. There are also several CSOs working on general budget issues, such as the National Council for Economic and Social Research and the GoGo Foundation. However, very few CSOs undertake work on climate change financing.

For the groups that are starting to do work in this area, the catalyst was working on the Nepal leg of the Adaptation Finance Accountability Initiative (AFAI), a joint project launched in 2012 by Oxfam, the World Resources Institute, and the Overseas Development Institute. The AFAI worked with CSOs to understand and track international climate change financial flows in Nepal, the Philippines, Uganda, and Zambia. The partner in Nepal was the Clean Energy Nepal, which also engaged other groups.

10 K. Ganguly and G.R. Panda, "Adaptation to Climate Change in India: A Study of Union Budgets," Centre for Budget and Governance Accountability and Oxfam India, 2009.

The Prakriti Resource Centre is continuing the work started under the AFAI initiative but is now also turning to the domestic budget. It has published on climate change finance governance and is supporting government to access global financing such as through the Green Climate Fund. The Digo Bilkas Institute is working on setting up a website that will enable visitors to use open government data to track information on the financing of climate change adaptation, track money from national to local level, and create data visualizations. The Freedom Forum has completed with UNDP support a Public Expenditure Tracking Survey (PETS) of a Cooperative Farming, Small Irrigation and Transportation of Seeds and Fertilizers program. It then produced a Citizen Climate Budget in August 2017.

Practical Action Nepal, the local office of the international NGO, has provided support to ministries and government entities to integrate climate change into their planning and budgeting frameworks. In addition, a number of individuals working in civil society organizations, and in some cases the organizations themselves, are directly involved in supporting government as consultants or contracted support organizations. This is a very direct pathway of influence, but may not necessarily deliver accountability in all cases.

Press freedom in Nepal is guaranteed under the constitution but, in practice, government struggles to uphold this principle.[11] While there are environmental journalists in Nepal, as well as journalists covering public finance, the newsrooms tend to be organized by "beats" and the economics/finance beat and the environment/climate beat do not connect consistently on climate change finance. The result is that while the media does cover climate change issues, this coverage is rarely about government financing. There is, however, at least one example of CSOs using the media to win an important demand. This occurred when CSOs campaigned for support from development partners for climate change adaptation measures to be provided as grants rather than loans, as was the original intent. The media took up the issue and contributed to the pressure that resulted in the campaign's success.

THE PHILIPPINES

The Philippines has a broad-based, vibrant, and skilled civil society, with a number of CSOs that work on public finance management and others that work on environmental and climate change issues. There is some overlap between the two groups but in general the CSOs working on climate change have undertaken very limited work on climate change in budgets, and have limited capacity to do so. At the same time, there are few "budget groups" currently undertaking climate change-related budget analysis, monitoring, and advocacy. Over the last few years, however, there has been growing interest in and engagement on climate change finance by both environmental and budget groups.

Much of the indirect engagement around climate change finance monitoring in the Philippines has centered on tracking the use of climate disaster reconstruction funds and supporting other accountability actors. Social Watch Philippines is a CSO network of over 100 organizations and individuals which aims to strengthen the capacities of poor and vulnerable people to engage in government budget processes, particularly at the local level. The network's public expenditure tracking surveys of Typhoon Yolanda expenditure is an important example of climate change finance work. The Philippines Center for Investigative Journalism is a long-time IBP partner. It did not engage deeply in climate change-related finance issues until it worked with journalists

11 Freedom House, Nepal summary, 2015, available at: https://freedomhouse.org/report/freedom-press/2015/nepal

of the government's management of funds for the rehabilitation and reconstruction effort after Typhoon Yolanda. CODE was beginning a project around the time of the fieldwork for this assessment to partner with other CSOs to monitor how disaster relief funds are budgeted and utilized at the local level.

The available evidence suggests that there are screening processes that may be exclusionary before CSOs are invited to participate in such spaces as legislative hearings, Citizen's Participatory Audits, and Budget Partnership Agreements (in which line ministries consult with CSOs in the budget process). The CSOs most likely to be engaged are those with scientific or technical expertise. For those CSOs invited to participate, the spaces tend to be more on the policy side than the budget.

The Institute on Climate and Sustainable Cities (iCSC) is the Philippines research partner for the AFAI. The AFAI work has not been taken forward as envisioned due to shifting funding priorities after Typhoon Yolanda. However, the iCSC is a member of the People's Survival Fund board and has used this position to reach an agreement with government to support LGUs to formulate proposals to the fund. It has also tracked projects at the local level with findings on weak engagement with local communities and lack of accountability around procurement. The iCSC also engages with the legislature, including on budget formulation and oversight.

The Philippine Movement for Climate Justice is a broad civil society movement that comprises 103 national networks and coalitions and local organizations. Their main climate change finance focus to date has involved advocacy for more international assistance on the basis of "climate justice." It has not played a substantial role in domestic climate change finance accountability.

Within academia, the Ateneo School of Government at Ateneo de Manila University undertakes work on budgets and climate change policy.

The assessment revealed that CSOs engaging in climate change finance did not have a good grasp of how the climate change tagging system works. Further, even if they were able to use these codes, access to detailed budget information on climate change-related expenditures that includes location and purposed of projects, procurement procedures, timelines, success indicators, and progress is severely limited.

The media in the Philippines is considered to be one of the most free in the South-East Asia region, and there is a history of a strong, independent, and critical media. However, on climate change financing, journalists suffer the same access to information challenges as CSOs. Reporting is also issue-based, with events and launches covered, but no follow-up on progress unless there is an issue like corruption. Many journalists struggle to understand the scientific and technical language of climate change discussions and to make them accessible to the public.



4: The "Accountability Ecosystem": Findings and recommendations

In order for there to be full climate change finance accountability, there needs to be a well-functioning "accountability ecosystem" in which state (legislatures and SAIs) and non-state (CSOs, media, academia, and citizens) accountability actors engage with one another and the executive to improve climate change-related budget policies, monitor execution, and contribute to oversight.

4.1 Defining and demarcating climate change financing

"Mainstreaming" climate change into development plans and budgets: The need to invest in mitigation and adaptation actions is often seen as competing with other development priorities, such as poverty reduction, health, food security, and job creation. This perspective is derived largely from a lack of understanding from those inside and outside of government of the links between climate change and these issues. In all four countries, there needs to be greater awareness of how the impacts of climate change (e.g., extreme weather events like drought and flooding, which can lead to food shortages, spread of illness and other health crises, destruction of homes and shelters, loss of income security for those like fisher folk and farmers, among others) threaten progress on efforts to address these issues. Indeed, climate change adaptation attempts to ensure that development continues to take place, despite the threats from climate change.

The assessment identified some promising examples of how this lens is increasingly being applied. In Nepal and Bangladesh, for example, climate change is incorporated as a key theme in the periodic national development plans of these countries.

Recommendations: Those engaged in climate change both at country and international levels need to raise awareness of the link between climate change and development priorities. Country-level actors could undertake awareness raising activities such as:

- *briefings by those in civil society and government with knowledge of climate change to various stakeholders, including media, CSOs outside of climate change circles, and formal oversight actors*
- *public education campaigns that might involve partnerships between government, CSOs, and media.*

Lack of a clear definition of climate change actions and financing is a stumbling block for accountability, particularly for adaptation finance accountability: In all the case study countries, the priority focus within climate change finance is adaptation, although India also emphasizes mitigation. Mitigation measures can be seen as highly technical and therefore likely to have fewer accountability actors who can effectively engage the executive than adaptation. Meanwhile, the fact that adaptation measures are so embedded in "ordinary" development measures means that these are less discrete, and therefore more difficult to identify and track.

Climate change finance accountability therefore suffers from the lack of a clear and agreed upon definition of what qualifies as climate-change related expenditures, particularly for adaptation. This means that MDAs in the countries with "tagging" systems face difficulties in applying the tagging. Accountability actors also find it difficult to identify what counts as a climate change expenditure and thus needs to be monitored and evaluated.

*Recommendations: **National lead agencies** on climate change should broaden processes that decide how climate change financing is to be defined, classified, and calculated to include external accountability actors. Once definitions are accepted, these agencies should ensure that accountability actors fully understand the framework.*

4.2 Transparency on climate change finance

Climate change tagging is possibly more useful for internal government purposes than for public accountability: The generation of aggregate information on resource allocation and use for climate change mitigation and adaptation allows countries to track the implementation of action plans and/or report on international commitments. It may also assist domestic accountability actors to track whether government is fulfilling its commitments and addressing the needs of communities.

However, bottom-up accountability might require different and more information than what is provided in the aggregate, standardized virtual climate change "budgets" resulting from tagging systems. In neither Nepal nor the Philippines has the availability of aggregate information on climate change expenditures led to the use of this information by the relevant committees of the legislature, or extensively (or even at all) by civil society organizations interested in climate change financing. One reason for the lack of take up by CSOs in Nepal is that they doubt the reliability of the tags.

Meanwhile, in the Philippines the iCSC has tracked climate change projects at the local level, and Social Watch Philippines has supported public expenditure tracking surveys of Typhoon Yolanda reconstruction and rehabilitation effort in communities. In Nepal, the Freedom Forum tracked a climate change adaptation spending project from national to local level and published a Climate Citizen Budget with the support of the UNDP Governance of the Climate Change Finance regional program. In India, the CBGA analyzed the climate relevance of the Union Budget in the absence of any tagging system.

Three of the four countries have right to information laws. The Philippines does not have a law, though the president signed an Executive Order in July 2016 requiring all entities within the executive to provide complete access to information. Even where there are laws, there are challenges in implementation and governments' response rates are low and slow.

Recommendations: At the country level, ***national governments*** *should integrate climate change into the work of institutions that are involved in transparency for development programs rather than creating new and parallel institutions. If a tagging or coding system is used, external accountability actors should have access to MDAs' reasons for tagging individual expenditures.*

Climate change finance information, particularly on adaption, is required at the local level but is commonly not available in the case study countries: In all four countries, both budget and climate change-specific information is more readily available at the central level than local levels. However, in India the intermediary-level states provide information in a manner that is more typically associated with the national level.

Available evidence suggests that community action is more likely if information is available on service provider inputs (such as teacher absenteeism) than where the information focuses on results (such as test scores); where the information provided relates to a particular situation rather than compares the situation with that elsewhere; where information is available on rights as well as on performance of service providers; where both subjective and objective information is available; and where there were clear actions for citizens to take in response to the information.[12] The overall message is that citizens are more likely to get involved when they receive simple, clear and concrete information that relates to their own situation.

The assessment found a few examples of national governments starting to build better contexts for local level accountability for climate change financing. In Nepal, for example, all infrastructure projects must provide onsite information on the service provider, budget, and timeline. Meanwhile the work of Social Watch Philippines is a good example of how civil society organizations can compensate for the lack of local level information on climate change financing.

Recommendations: ***National and subnational governments*** *need to provide accountability actors with the right information at the right time. To avoid fragmentation and improve accountability local climate change responses should be integrated into the work of institutions involved in transparency for development, rather than by setting up new institutions.*

4.3 Civil society participation and media engagement

Civil society engagement in climate change finance accountability requires skills and knowledge on both climate change and public finance and budgeting: CSOs that have the capacity to play an effective role in public finance accountability are scarce. There are good examples in the four countries of climate change organizations and experts learning the skills for budget work, and vice versa. At the same time however, there appears to be little cooperation between climate change groups (that do not do budget work) and budget groups (that do not do climate change work).

Recommendations: ***International actors*** *should support short-term engagements between climate change and budget organizations. This collaboration could be supplemented by a more traditional program of capacity building for both types of organization that would strengthen their ability to*

12 S. Kosack and A. Fung, "Does Transparency Improve Governance," Annual Review of Political Science, Vol. 17: 65-87, 2014, pp. 19-20.

contribute to climate change finance accountability. Other approaches could also be tested, including those that involve, in addition to CSOs, universities, and local governments.

CSO climate change finance accountability work is beset by the same constraints as work by the CSO sector in general - limited capacity, poor sustainability, poor access to reliable financing, suspicion by government, and lack of incentives for coordination among CSOs: Climate change is a long-term problem and requires dedicated and sustained accountability capacity. Sustainability of any climate change finance work that is undertaken and skills developed is vulnerable to changes in financing and staff turnover common to the CSO sector across countries and sectors. Sustainability is threatened, in particular, by erratic availability of CSO funding. Meanwhile, the activities undertaken by CSOs in developing countries are too often determined by available program financing from donors and paid consultancy work from government than by their own agendas. Further, competition for funding can discourage collaboration between CSOs.

At the same time, engagement on climate change interventions and their financing is less difficult than many CSOs may believe, because some of the skills required are common to other development projects. In particular, most adaptation measures are also "ordinary" development measures. Calculating the proportion of the financing that is climate change oriented in the construction of a bridge might be technical, but monitoring project implementation and reporting on it is very similar to what one would do for the bridge as a whole. The challenge is how to use existing systems and skills, such as those in social auditing, in climate change tracking.

*Recommendations: **International actors** interested in improving climate change finance accountability, and building the capacity of CSOs to engage, should consider the incentives for CSO behavior, and their financial needs. Short-term project financing may build skills, but does not facilitate sustained engagement. Technical support for climate change finance work should be accompanied by either direct longer-term financing or assistance in securing this.*

***International actors** should emphasize that climate change accountability and development accountability coincide, and that the former can be incorporated into the work of existing organizations with existing skills.*

CSOs often rely on indirect pathways of influence. The direct influence opportunities that exist are limited and not always in the budget process: There are very few formal opportunities for CSO participation in the budget process in the four countries, whether in executive, parliamentary or audit processes. One reason for the lack of formal opportunities is caution on the part of governments, parliaments, and audit institutions. Among the potentially legitimate concerns are those around CSO capture by narrow interest groups and political opposition. However, in some cases where this concern is raised, governments are using it as a smokescreen to avoid accountability. Ultimately it must be recognized that accountability is not possible without broad public and civil society participation, and governments cannot choose who should participate.

Formal access to climate change policy processes is more common. In all four countries, the formal coordination institutions include civil society representation on councils, boards, or advisory groups. However, the civil society representatives that are invited or take up these opportunities have climate change rather than budgeting expertise. The ability of CSOs to hold governments to account for climate change financing is also limited by how regularly the bodies and institutions with which they engage meet and their actual impact on climate change finance accountability.

There are some good examples of CSOs that use their access to these institutions to influence climate change policies and implementation. For example, the iCSC in the Philippines advocated for the creation of the People's Survival Fund, serves on its board, and is entering an agreement

with government to support LGUs. Overall, the assessment confirmed that the appropriate pathway is specific to the CSO, its relationships, the timing of work, and the country context.

*Recommendation: **International actors** could broaden governments' and oversight institutions' understanding of the benefits of engagement through:*

- *organizing workshops for governments, including officials from MDAs and oversight actors, to present evidence on the benefits of greater public engagement in public finance processes, share experiences, and discuss how to improve participation; and*
- *conduct or commission further research on promising climate change finance participation initiatives and approaches.*

Media and journalists are key players in the climate change finance accountability landscape given the common utilization of indirect pathways of influence: The media not only create pressure on decision makers by setting agendas and exposing issues, but also inform and mobilize the public. However, their capacity is low from both a climate change and a public finance perspective. Coverage of climate change finance issues in all countries is intermittent, driven by events and scandals. Journalists who specialize in environmental issues and those who cover public budgets, seldom work together or overlap.

*Recommendations: **International actors** can support institutions that build media capacity (either generally, or specifically in climate change or budget work) to develop their own capacity in climate change financing work. If such institutions do not yet exist in countries that are climate change focus countries, alternative means of building media capacity should be explored. For example, a think tank/CSO could be financed to produce a regular column/blog/audio or video input on climate change financing to key media outlets. International actors can also support regular platforms for civil society/media information sharing and joint capacity building and story generation.*

International NGOs and donors can play an important role in the climate change finance accountability system through their support for domestic actors: The Oxfam/WRI/ODI Adaptation Finance Accountability Initiative introduced key climate change groups to budgeting issues in both Nepal and the Philippines. In Nepal, most of the existing work has its roots in the Initiative's processes. Donors have also financed the development of tagging systems and mainstreaming of climate change into local government processes in Nepal.

Usually donors support projects or streams of work by either a CSO or a media organization or formal accountability institutions. This builds the capacity of individual accountability actors, but does not necessarily contribute to collaboration and stronger relationships between actors. However, the case studies identified efforts that brought CSOs together with media (PCIJ's work with journalists around Typhoon Yolanda reconstruction), oversight institutions (Climate Parliament in India), and government (Equity BD's workshop with the Ministry of Finance in Bangladesh and the iCSC work with local government in the Philippines), which contributed to capacity building, as well as trust building.

Donors can, however, also undermine climate change finance accountability. This happens, in particular when they channel financing for climate change mitigation and adaptation through parallel systems such as the climate change resilience fund in Bangladesh which is a World Bank-managed trust fund.

*Recommendations: **International actors** should use local organizations for key studies, thereby building local skills and methodologies. International actors can also conceptualize projects that would be relevant to a range of climate change finance accountability actors and dependent on collaboration among these actors, in order to test effective approaches to building strong accountability ecosystems.*

One such project could be around bringing state and non-state actors together to review, assess, and improve implementation of tagging systems in Nepal and the Philippines. Another could be around bringing CSOs, government, donors, and journalists together to develop consolidated climate change finance databases that provide one-stop access to comprehensive information on funds available for mitigation and adaptation.

4.4 Formal oversight institutions in climate change finance accountability

In the case study countries, legislatures are a weak point in the formal climate change finance accountability system, though some play a stronger role than others: This weakness is not specific to climate change finance, but a common problem affecting all sources and uses of public money. Also important is the lack of consensus on how to define and interpret climate change finance.

Recommendation: ***International actors*** *should consider including legislatures when supporting interventions in developing countries related to climate change financing. The support could include components that build capacity in the legislature, for example, to understand the climate change tagging systems used in national budgets, link climate change action plans to budget allocations, or build formal and informal relationships between CSOs and parliamentary committees.*

In all four countries assessed, the SAIs have the capacity and authority to play a strong climate change finance accountability role, but to date have rarely done so: The increasing engagement between SAIs and CSOs, particularly in Nepal and the Philippines, is encouraging although to date it has not focused on climate change finances. One aspect that may merit SAI attention is auditing whether executive tagging and scoring of expenditures as climate change relevant is reliable. This would extend the SAI role from simple financial audit to performance audit of the quality of the way climate change has been integrated in the design of a program, since that design should provide the evidence for scoring.

What may be a higher priority focus of SAIs would be to integrate climate change into their routine performance audit functions. For example, the CAG in India have undertaken a number of performance audits of flood protection programs. At the moment, climate change has been acknowledged only in general comments, but in future SAIs could comment on the quality of the way climate change has been integrated into the design and management of a program. The SAI of Bangladesh is going into this direction as per the Climate Fiscal Framework recommendations and plan to audit two projects funded under the BCCRF and the BCCTF in coordination with the Ministry of Finance.

One challenge in pursuing these ideas is that SAIs are generally already overburdened in terms of the work they are mandated to undertake.

Recommendation: ***International actors*** *could consider supporting a project that engages a wide range of actors, including government, CSOs, legislatures, and media to understand, develop review/ audit protocols, and use findings to improve implementation of the tagging system. International actors can more generally encourage engagement between CSOs and the SAIs.*



5: Conclusion

Climate change finance accountability formal systems and ecosystems in the case study countries are at best emerging. Signs of good progress are nascent within civil society work on climate change financing with the associated development of approaches and skills; the establishment of climate change finance policy and governance institutions, and the implementation of climate change tags in two countries (Nepal and Philippines) and on-going work to do so in Bangladesh and India.

These emerging systems exhibit common constraints, including the lack of country-determined definitions of climate change financing, and the approach to quantify it; weak functioning of the executive and accountability actors; weak linkages between the climate change policies and budgets, and the institutions that manage and account for these; and the use of earmarked funds outside of core formal accountability systems without adequate compensating transparency.

These accountability fault lines are for the most part not specific to climate change, but instead a function of the public finance management and accountability ecosystem overall. Because climate chance expenditure is so closely integrated into development expenditure, the need for specific accountability for climate change finance is limited to a few specific functions, in particular, the definition and measurement of climate change finance. Consequently, climate change accountability may be best served by strengthening the core PFM and accountability system, with appropriate emphasis on open budget mechanisms, and then by making some relatively modest additions to ensure that climate change concerns are included in the strengthened system.

However, when core systems are weak, strengthening them often may take several years. In the meantime, there are examples in the country case studies that point to work that CSOs undertake with good impact on accountability, even if they do not have good access to formal processes or to information. Until the core PFM accountability ecosystem is strengthened, such activity will happen mainly on an occasional basis, particularly as much of this CSO-led work depends on external financial and technical support. However, there are potentially substantial returns on investments in building the field of civil society climate change finance accountability work at this early stage.

A final key point from the case study is that none of the countries had significant examples of collaboration and engagement between actors. Parliaments do not engage with CSOs to boost their own capacity - and CSOS engage in a very limited way with issue-focused partners as well as other CSOs outside of their direct sector. The media also suffers from capacity shortfalls, and is only weakly connected to other actors, which limits their access to credible sources outside of government and ability to forecast coming issues. A key area for intervention and support is building the collaborative approaches between actors.

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