



WRI-IBP Seminar “Making It Count: Accountability in Climate Finance” 12 June 2018, Washington, D.C.

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Thank you, Rebecca and Nisha, for providing us with an overview for this morning’s discussion, and thanks to WRI for convening us on this important topic. To date much of the conversation around climate finance has focused on the international flows — from developed to developing countries and how at-risk countries can access international climate funds — but what happens with climate finance management at the country level is going to be critical to effective climate action.

By way of background, IBP works with civil society partners around the world — and engages governments and international stakeholders — to make government budgeting more transparent and inclusive and to hold government to account for raising and spending public finances in ways that reduce poverty and inequality and ensure human rights. Over the past few years, we’ve embarked on climate-related budget accountability work as it became clearer to us that climate change, by threatening the natural systems that our lives, societies, and economies depend on, is simultaneously an environmental, economic, and developmental issue.

And, it’s also an equity issue. If you’re poor, female, or otherwise marginalized, your risk of losing your already limited assets, livelihood, and potentially your life from climate change impacts is far greater. Failure to address this vulnerability as we tackle climate breakdown will deepen existing poverty and inequality.

As you know, the global community has committed to mitigating the causes of global warming and protecting vulnerable people, communities, and sectors from climate hazards and building resilience to unavoidable climatic changes through adaptation actions. An adequate response to the climate crisis

will require massive investments of public and private money, with estimates topping hundreds of billions of dollars per year.

While preventing climate catastrophe is a daunting task, given the urgency and high stakes involved along with the cross-cutting nature of the response and the massive amount of financial resources that will be mobilized to respond, the climate crisis may turn out to be our greatest opportunity to develop sustainable, equitable, and resilient societies. Whether we realize this vision will be determined largely by the way these funds are managed.

Responding to climate change will be one of the greatest public finance challenges for the foreseeable future. Though funds for climate action come from both international and domestic private and public sources, national and subnational governments will play a substantial role in both mitigation and adaptation. Some of this will be through regulations and other policies, but much will be through domestic public finance systems, either through revenue policies, like carbon taxes, that indirectly influence investor and individual behavior or direct spending on infrastructure, programs, and services.

[Slide 2] Unfortunately, IBP's biennial assessment of government budget transparency and accountability, the [Open Budget Survey](#), has found that many of the countries that will manage large shares of climate-related funds have some of the least transparent, inclusive, and accountable public finance systems in the world. And such weak public budget accountability can seriously undermine effective climate action.

We know that countries must build and sustain strong formal public finance accountability systems and practices. In addition, there is growing evidence of the positive impact that civil society engagement in budget processes can have on policies, execution, and outcomes, indicating that climate finance accountability is most likely to happen when you have strong formal systems that are complemented by what we call "accountability ecosystems" [Slide 3] in which a range of civil society actors (i.e., policy think tanks, sector-based advocates, community-based organizations and so on) engage with one another and with other state and non-state actors, like legislatures, auditors and the media, over the use of climate-related financial resources.

So what needs to be in place? While there are some technical challenges specific to climate finance, the accountability of governments for managing climate-related finances is really no different than that for managing public moneys in general. So IBP's approach to climate finance rests on the same three pillars

of accountability that we've identified for all public finance management systems: transparency, public participation, and strong formal oversight institutions.

[Slide 4] Transparency is at the heart of public finance accountability. Broad public access to comprehensive, timely, and useful information on all climate-relevant revenues and expenditures will be essential in all countries. Yet, while true public accountability is nearly impossible without transparency, access to information alone is not enough to ensure that climate funds will be managed efficiently, effectively, and as intended. Governments must also provide opportunities throughout the budget cycle for citizens, CSOs, and others to **[Slide 5] participate** in decision making and oversight. By providing both formal and informal public participation spaces in budget processes, the government benefits from diverse views on needs, priorities and policies and from engaged monitoring of how budget decisions are actually being implemented on the ground.¹

But for this participation to lead to accountability, CSOs, journalists, and others must have the capacity (skills, relationships, and resources) to take up these opportunities. We have identified a substantial lack of capacity for budget analysis and advocacy, particularly among climate-focused groups, so IBP, WRI and others at the international and country levels are seeking to strengthen this capacity.

The third pillar on which climate finance accountability stands is the presence of **strong formal oversight institutions**, **[Slide 6]** primarily legislatures and supreme audit institutions (SAIs), that have the authority, independence, and capacity to fulfill their formal mandates to ensure that public funds are collected and spent as intended.

The presence and integration of these three pillars are essential to robust public finance accountability. If any of these core elements are not present, or are weak, it can undermine the entire system, making it less likely that government will raise and spend public funds effectively and in line with its goals—and more likely that such funds will be subject to leakages from mismanagement and corruption.

¹ The Global Initiative for Fiscal Transparency (GIFT) has drafted a set of principles that should govern public participation in public finance, which is available at: http://fiscaltransparency.net/PP_Approved_in_General_13Dec15.pdf

We know that CSOs and others outside government have an essential role to play, and there are a number of potential spaces at the national, subnational, and local level through which CSOs, either directly or through strategic relationships, can influence policy choices, monitor whether public money for climate action is spent according to plans and has the intended impact, and hold the government to account when it falls short. [\[Slides 7-10\]](#)

We're already starting to see a growing number of promising cases of how civil society, government, and others are engaging in strengthening climate finance accountability. In addition to the work we'll hear about today, other examples include:

- Five counties in Kenya that, along with CSO support and partnerships with ward communities and the National Drought Management Agency, have [set up devolved climate funds, partially funded through mandated annual budget allocations](#), that engage communities in setting priorities and allocating funds.
- IBP has supported Freedom Forum in Nepal and NGO Forum in Cambodia to produce Citizens Climate Budgets, easily accessible presentations of their government's climate-related budget policies, which they plan to use to engage a broad range of CSOs at the national and local level over how the government is addressing climate change through the budget and identify a shared civil society accountability agenda.
- In Bangladesh — where the government generally resists civil society input, particularly on public finance — a broad coalition of environmental think tanks and advocates, social justice groups, and the Citizens Budget Movement was able to get the ear of the government on [its response to the proposed 2018-19 climate budget](#).

The examples I've mentioned and those you will hear about now demonstrate the potential for effective co-governance in climate finance, but this is still a new field. Most of the examples are nascent, experimental, and localized, so I look forward to our discussion on how the field might evolve in ways that support co-governance at scale across countries and at all levels of government.

To end, I'd like to emphasize that, in addition to the technical challenges of climate finance accountability, there is also the political one — the ability, and willingness, of state and non-state accountability actors to engage throughout the budget process.