TIB-TM Integrity Talk on climate finance governance

Plenary 1:
Transparency in Climate Finance: Perspectives from SDG and Paris Agreement

M. Zakir Hossain Khan
TI-Bangladesh

25th April, 2018, Bangkok
Climate fund flow from developed to vulnerable countries

**Developed Countries**
(Japan, USA, UK, Germany, Norway, France, Netherlands, Spain, Canada, Australia, New Zealand)

**Bilateral**
- International Climate Initiative (Germany)
- International Climate Fund (UK)
- International Forest Climate Initiative (Australia, Norway)

**Multilateral**
- **UNFCCC**
  - Adaptation Fund (AF)
  - Green Climate Fund (GCF)
  - Least Development Country Fund (LDCF)
  - Special Climate Change Fund (SCCF)
  - Global Environmental Facility (GEF)
- **Multilateral Development Banks**
  - Pilot Programme for Climate Resilience (PPCR)
  - Climate Investment Fund (CIF)
  - Clean Technology Fund (CTF)
  - Forest Carbon Partnership Facility (FCPF)
  - Forest Investment Programme (FIP)
  - Scaling Renewable Energy Programme (SREP)

**UN/Others**
- UN-REDD (UNDP)
- Global Climate Change Alliance (GCCA)

**Vulnerable Countries**
- National Trust Fund/Budget
Climate Finance and Paris Agreement

- Developed countries will continue funding for ‘meaningful mitigation actions and transparency on implementation’ with a ‘floor’ of $100 Billion, and to set a new goal in 2025 (54).

- Green Climate Fund (GCF) and the Global Environment Facility (GEF) will continue to co-exist as operational entities for Climate Finance under the Agreement.

- The GCF will also be enabled to provide support for LDCs and preparing the National Adaptation Plans (NAP).

- Continue to serve Kyoto Protocol (KP) and Adaptation Fund (AF) will not be dried out.
SDG13: Take urgent action to combat climate change and its impacts

13.1 - Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

13.2 - Integrate climate change measures into national policies, strategies and planning

13.3 - Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

13.A - Implement the ----to a goal of mobilizing jointly $100 billion annually by 2020 from all sources ---- in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund ---as soon as possible

13.B - Promote mechanisms for raising capacity for effective climate change-related planning and management in LDCs and small island developing States (SIDS), including focusing on women, youth and local and marginalized communities
Climate Finance under SDG13 in light of SDG16: “Whole-of-Governance” Perspective

- Effective, accountable and transparent institutions pertaining to climate finance at all levels (16)
- Possibility of substantially reduced corruption and bribery with respect to climate funding (16.5)
- Responsive, inclusive, participatory and representative decision-making on climate finance at all levels (16.7)
- Prospect of public access to information relevant to climate finance, both national and international (16.10)
Enhanced Transparency Framework – Paris Agreement

- Develop ‘modalities, procedures and guidelines’ following A13.13, to be presented to 1st CMA, but would be ‘considered’ at COP24 on 2018-
  - Promote transparency, accuracy, completeness, consistency, and comparability
  - Avoid duplication/double accounting
  - Avoid ‘undue burden’ on climate vulnerable countries
  - Ensure environmental integrity
  - Improved/Quality of reporting and transparency over time
  - ‘Flexibility’ for developing countries given capacity
  - Consistency between INDC reporting (actions, and plans, including NAP), and progress, methodologies
  - Information on
    - biennial assessments, financial reports
    - social and economic impacts of response measures
Transparency in Climate Finance and Paris Agreement

Enhanced Transparency Framework

Transparency of Action
- Mitigation
  - GHG Inventories
  - Tracking NDC Progress
- Adaptation

Transparency of Support
- Finance
- Technology Transfer
- Capacity Building
  - Support Provided
  - Support Needed
  - Support Received
Climate Finance Mechanism

- Transfer of funds from the developed to the developing countries either bi-lateral or through multilateral institutions

- Monitoring, reporting, and verify (MRV) financial flows, expenditures, results of projects, and accuracy of information

- Country’s ability to both access finance directly for project, as well as from multiple sources in order to support projects

- Prioritization and Allocation by Developed Countries

- Country utilize funds based on climate vulnerability, adaptation plans and prioritize actions in planning stage

- Access

- Deliver/Utilize of funds

- Monitoring Implementation
Transparency in Allocation of Climate Finance

- Developed country Parties shall, and other Parties that provide support should, provide information on financial --to developing country Parties

- Developed country Parties shall biennially communicate indicative quantitative and qualitative information on projected public finance to developing country Parties --- (9.4)

- Developed country Parties shall provide transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially (9.6)

- shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the LDCs and SIDS (9.8)
Allocation of Climate Finance: Transparency and Unburden to LDCs

Developed country Parties should continue to take the lead in mobilizing climate finance - such mobilization should represent a progression - noting the significant role of public funds.

Against the requirement of at least additional US $4 billion to implement all of the LDCs' NAPAs public finance from the OECD predicts to the highest of US$67 billion in 2020.
Allocation of Climate Finance: Effectiveness, Transparency and Accountability

Source: Overseas Development Institute (ODI), 2017
Transparency of Developed Countries on Reporting to the UNFCCC for bilateral public climate finance

Source: Adaptation Finance Transparency Gap Report 2016 by Adaptationwatch (Page 53)
based UNFCCC 2016 Biennial Reports
Supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties especially the LDC and SIDS

Received only around **7% of total adaptation finance in 2017** by top 7 most climate vulnerable countries (Haiti, Zimbabwe, Fiji, Sri Lanka, Vietnam, India, Bolivia according to the Global Climate risk Index 2018)
Access to Climate Finance: Transparency, Accountability, Equity/Undue Burden

![Bar chart showing pledged and deposited amounts in USD billion for various climate finance funds.](chart.png)
Access to Adaptation Finance: Responsiveness and Equity

Should aim to achieve a balance between adaptation and mitigation in funding to Developing Countries

Among top 10 climate vulnerable LDCs, only Bangladesh and Pakistan were awarded 4 adaptation projects from GCF

Green Climate Fund (GCF), provided only 31% of its funds for adaptation only
Enhanced Transparency Framework and Climate Finance: Developed Countries

**Transparency**
- Both proactive and on-demand disclosures of complete/accurate information on fund delivery
- Easy access to information about the availability, allocations, disbursement

**Accountability**
- Timely, predictable delivery of *grant-based* climate finance and finance for loss and damages giving priorities to local vulnerability
- Accurate and improved reporting
- Introducing of accountability mechanism/tools e.g. Code of conducts for the concerned stakeholders, reduce scope of “Free Riding”

**Integrity**
- Practicing integrity and strong moral uprightness - no double counting of ODA and CF as “New” and “Additional”, proper tagging with RIO marker
- Practices environmental integrity in project selection
Transparency Framework and Climate Finance: Developed Countries

Participation/Inclusiveness

• Proper consultation with the developing countries in fund prioritization

Equity

• Avoid imposing ‘undue burden’ on vulnerable countries e.g. conditional grant, loan
• "Fair shares" and "fair opportunities" in the distribution of and access to finance made available to the most vulnerable LDCs and SIDS

Coherence/Consistency

• Strict compliance with the UNFCCC funding principles/strategies and also national policies and priorities
• Consistency between INDC reporting (actions, and plans, including NAP), and progress, methodologies
Delivery/Utilization of Climate Finance: ‘Flexibility’ for developing countries: “Whole-of-Governance” Perspective

- Paris Agreement is silent about how “capacities” will be judged – whether the UN criteria for the identification and graduation of LDCs and the World Bank’s criteria for classifying countries by income level would be considered.

- Allowing discretion to LDCs and SIDS to report financial support needed and received might hinder
  - understanding of redundancies and/or prediction/gaps in funding for the most vulnerable nations
  - state of transparency, accuracy, consistency with Article 7
  - State of environmental integrity, community participation

- How consistent - NDC (actions, and plans, including NAP), and progress, methodologies with global goal

- It is also unclear what will happen if mismatch in data about
## Delivery/Utilization of Climate Finance by Developing Country: Transparency and Integrity Perspective

<table>
<thead>
<tr>
<th>The Most Vulnerable Countries</th>
<th>Climate Risk Index 2016</th>
<th>Corruption Perception Index (CPI) (Score out of 100)</th>
<th>CPI Ranking (From the Top)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honduras</td>
<td>1</td>
<td>30</td>
<td>123</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2</td>
<td>28</td>
<td>136</td>
</tr>
<tr>
<td>Haiti</td>
<td>3</td>
<td>20</td>
<td>159</td>
</tr>
<tr>
<td>Philippines</td>
<td>4</td>
<td>35</td>
<td>101</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>4</td>
<td>26</td>
<td>145</td>
</tr>
<tr>
<td><strong>Bangladesh</strong></td>
<td><strong>6</strong></td>
<td><strong>26</strong></td>
<td><strong>145</strong></td>
</tr>
<tr>
<td>Vietnam</td>
<td>7</td>
<td>33</td>
<td>113</td>
</tr>
<tr>
<td><strong>Pakistan</strong></td>
<td><strong>8</strong></td>
<td><strong>32</strong></td>
<td><strong>116</strong></td>
</tr>
<tr>
<td>Thailand</td>
<td>9</td>
<td>35</td>
<td>101</td>
</tr>
<tr>
<td>Guatemala</td>
<td>10</td>
<td>28</td>
<td>136</td>
</tr>
</tbody>
</table>
Transparency Framework and Climate Finance: Developing Country Perspective

Transparency

- Both proactive and on-demand disclosures of complete/accurate information on vulnerability assessment, fund allocation, project/program actions fund requirements
- Easy access to information by stakeholders especially community

Accountability

- Introducing of accountability mechanism/tools e.g. Code of conducts for the concerned stakeholders
- Proper environmental, social and economic impact assessment
- Due consideration to country-driven policies e.g. National Adaptation Plan (NAP), indigenous knowledge
- Proper prioritization of project/programs
- Gender-sensitive, consideration marginalized community
# Transparency Framework and Climate Finance: Developing Country Perspective

<table>
<thead>
<tr>
<th>Category</th>
<th>Points</th>
</tr>
</thead>
</table>
| Participation         | • Introduction of community-led Adaptation planning  
                        • Participation of community in climate finance related decision making  
                        • Independent/Citizens-led MRV mechanism                                                                                       |
| Integrity             | • Practicing integrity and strong moral principles;  
                        • Proper estimation and proper utilization of funds  
                        • Environmental integrity in practices                                                                                      |
| Equity                | • "Fair shares" and "fair opportunities" in the distribution of fund to the most vulnerable areas/communities                          |
| Coherence/Consistency | • Coherence/consistency with Adaptation Principles in the Paris Agreement and also strict consideration of the national climate change vulnerability assessment, policies |
Monitoring implementation and application of Social Accountability Tools: Experiences of TI-Bangladesh

Interview and Discussion with beneficiary communities

Public hearing: Interface between authority and communities

Disseminating project information
Consideration for COP24

A robust and meaningful Enhanced Transparency Framework focusing on “Whole-of-Governance” should be adopted

To ensure “Whole-of-governance” in CF under both the SDGs and Paris Agreement

- Developed countries have more obligations (‘shall’)
- Developing countries (‘should’) will be pro-active for effective adaption for millions of vulnerable people

LDCs and SIDS should work together to propose the robust measurable indicators of CF, transparent MRV process with anti-corruption safeguards

Under the “‘Capacity-building Initiative for Transparency’ (CIT) for the affected LDCs, SIDS adequate resource should be mobilized immediately to meet the standards in accessing funds

Adaptation communications, capture common points, sort out the differences and draft guidelines as per Article 7.5 of the PA
Thank You

Email: zhkhan@ti-Bangladesh.org
Reporting Approaches for Financial Support Received by Developing Countries

<table>
<thead>
<tr>
<th>Non-Member Party</th>
<th>Reported in Tabular Format</th>
<th>Allocation Channels</th>
<th>Sectors</th>
<th>Financial Instruments</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Armenia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Chile</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Colombia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Indonesia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lebanon</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Malaysia</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mauritania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Mexico</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Montenegro</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paraguay</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Peru</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Moldova (R. of)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Tunisia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Viet Nam</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Weikmans and Roberts (Forthcoming); Data extracted from UNFCCC (2016).