CLIMATE FINANCE

Mutual accountability in use

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Climate finance has been at the core of negotiations under the UN Framework Convention on Climate Change (UNFCCC) for over two decades. The reason is obvious – poor countries as nano-emitters are hit hardest from increasing climate impacts, while they have the least capacity to adapt. But the Climate Finance agenda remains the most rancorous for years, with no agreement on its level and nature. The issues of transparency and accountability of both support and utilisation of Climate Finance (CF) further bedevil the negotiations, to the utter detriment of the vulnerable communities.

Mutual accountability – An agenda agreed since 2005

The principles of mutual accountability, transparency and shared responsibility, ownership and partnership have been agreed in Paris, Accra and Busan meetings on aid effectiveness in 2005, 2008 and 2011 respectively. Accordingly, the industrial countries agreed to provide timely, transparent and comprehensive information on aid flows to developing countries. The developing countries have committed to strengthen as appropriate the parliamentary role in development activities and budgeting and reinforce participatory approaches in decision-making. Also, both sides have committed to jointly assess mutual progress in implementing agreed commitments on aid effectiveness.

It was assumed that transparency in decision making will ensure accountability and ownership of aided projects and programmes will be ensured through a partnership approach. However, this mutual accountability principle was agreed under the dispensation of overseas development assistance (ODA). But developing countries continue to differentiate ODA from climate finance for right reasons, i.e., ODA is voluntary-based assistance to the poor for their basic development. On the other hand, the Industrialised Countries (IC) are obligated to provide CF under Article 4 of the UNFCCC, which would be "new and additional," "adequate and predictable." The Paris Agreement (Article 9.1) also obligates the industrial countries to provide climate finance under the UNFCCC principles.

The understanding was that climate finance will be over and above the agreed ODA level of 0.7 percent of industrial countries national incomes. Unfortunately, on average half of that level is being provided now, though some major industrial countries already contribute the target level, while some others are lagging far behind. Thus climate finance has been agreed to be qualitatively different from the ODA. This issue has been analysed in the book: *Toward a Binding Climate Change Adaptation Regime*, written by this author and published by Routledge in 2014. So this differentiation should not bypass the need for mutual accountability in support and utilisation of climate finance by the industrial countries and the developing countries, because mutual accountability is good to both sides for right reasons – for ensuring transparent flow and its accountable utilisation to benefit the poor.

Transparency of support and support for transparency in climate regime

Over the years since 1992, the UNFCCC and the subsequent decisions have laid out the framework of reporting by the industrial countries on their climate finance support to the developing countries in their national communications every four years to the UNFCCC Secretariat. Since the Conference of the Parties Thirteen (COP13) of the UNFCCC held in Bali in 2007, the measurability, reporting and verification (MRV) of finance has been strengthened. COPs 17 and 18 in Durban and Doha further strengthened the climate finance reporting guidelines, under which the old industrial countries assumed obligation to report on climate finance in details both in their National Communications and in their Biennial Reports. It was also agreed in Doha that the Industrial Countries Parties will submit such information in a "common tabular format." COP21 held in Paris in 2015 also requested the Subsidiary Body on the Scientific and Technical Advice (SBSTA), the technical arm of the Convention, to work out modalities for accounting of finance provided and mobilised from public sources. The PA also established "an enhanced transparency framework" for action and support. Also a Capacity Building Initiative for Transparency (CBIT) was established under Article 13 of the PA, "to build institutional and technical capacities" in the Developing Countries (DC). It was decided that the developing countries will report too on their financial needs and the climate finance received for project implementation in their Biennial Update Reports.

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Reality of Transparency and Accountability (T&A) in the Industrial Countries

The status of T&A in the industrial countries is not satisfactory, despite their commitment to do so. The following are a set of indicators to establish the fact that their T&A remains poor and the processes continue to remain opaque.

Defining what CF is continuously resisted by many ICs in the UNFCCC negotiations. So there is lack of a uniform or comparable CF accounting modality. Even under the agreed Rio Markers adopted by the Organisation of Economic Cooperation and Development (OECD) in 1998 to track financial support for promotion of Rio Conventions in the DCs, donors use differing formats and criteria of reporting on finance to the OECD Secretariat. Based on the projects' environment-related goal as "principal" or "significant," they were classified as support for the Rio Conventions. But because of continued subjective considerations, there is triple/quadruple counting of financial support. Further, there is a lack of granularity in project data – most countries submit aggregate information, without giving project level detailed data.

The discrepancy between the claims and actual delivery of CF is Himalayan. At COP21 in Paris, when the ICs claimed of providing USD 62bn as CF in 2014 to the DCs, India instantly produced their research on CF showing that only USD 2.6bn has been actually received by the DCs. The introductory Statistics lesson taught us that such a wide variation in range is not statistically valid. Further, analyses of IC think tanks and NGOs like the Climate Policy Initiative (CPI), Climate & Development Lab at Brown University and Oxfam America have shown about 80 percent of CF so

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