

### **Short WORKSHOP REPORT FORM**

**Number and title of workshop:** 3.2 Climate Change Finance, Ensuring Accountability and Effectiveness.

**Coordinator:** Robert Onus, UNDP Asia Pacific Regional Centre

**Date and time of workshop:** Thursday 11 November; 9-11 am

**Moderator:** Martin Krause, UNDP Asia Pacific Regional Centre

**Rapporteur:** Mari Huseby, UNDP Cambodia

#### **Panellists**

Luis Gomes-Echeverri, Executive Coordinator, Global Energy Assessment

Professor Charles Sampford, Director, IEGL, the Institute for Ethics, Governance and Law

Trusha Reddy, Senior Researcher, Institute of Security Studies, South Africa

Renato Redentor Constantino, Executive Director, Institute for Climate and Sustainable Cities

#### **Main Issues Covered**

The workshop highlighted the challenges of delivering climate change finance in the context of accountability, transparency and effectiveness, and sought solutions to these challenges. Discussants looked at this issue through multiple lenses including at the international, national and sub-national level.

Mr. Gomez-Echeverri emphasised that the existing global climate finance structures are in need of reform. The current governance structures at the international and national level are hampered by a proliferation of funding arrangements, unclear functions, in-country priorities driven by the prospect of funding rather than needs, weak national structures and capacities, and low levels of investment in capacity development. Addressing these problems will require action on many levels, including by strengthening oversight systems in recipient countries. However, the effective oversight of climate change financing will also require investment in specific climate change capacities and accountability structures at the international, national and local level.

Mr. Sampford argued that carbon trading schemes might actually perpetuate unjust and unsustainable models of consumption, by creating property rights based on unsustainable models of living and allocating rights to those who live the most unsustainable lifestyles. A Carbon Added Tax, functioning like a value added tax, where carbon taxes are paid for by the consumer and redistributed to those who consume less, was presented as a more just and sustainable model for climate finance. However, this new model also produces new corruption risks. To avoid the siphoning off of these funds by elites, the money should be transferred directly to individuals, rather than to governments. States that do not honour the commitment of passing the payments on to citizens will not be entitled to the transfers. However, economic

incentives alone would not be sufficient to create a more sustainable way of living. Institutional reform and strengthened integrity systems at the global, national sub-national, professional, corporate and NGO levels would also be needed to redefine the 'good life'.

Ms. Reddy highlighted the challenges faced by current climate finance structures at the national and sub-national levels. There is a lack of alignment between climate finance and national priorities. Furthermore civil society groups and communities are rarely properly consulted in climate change policies and national and sub-national institutions are unclear about their roles and responsibilities. Funding tends to be tied to conditions that are not necessarily favorable to the host country and its people, and funds are rarely evaluated on the basis of integrity. Addressing these issues will require more than a technocratic solution. For climate change funding to succeed at the national and sub-national levels it will be necessary to develop national and local integrity systems. Engaging communities and civil society in the process will be critical.

Mr. Constantino discussed the relationships between aid effectiveness and climate change finance. He emphasized that climate change and aid effectiveness are two distinct frameworks. While they may share some of the same objectives, it is essential to understand the differences between the two arenas to help us mitigate risks, and move towards common goals. A conference on climate change and aid effectiveness held in Bangkok last month began the process of delineating the needs, responsibilities and opportunities of funders and recipients in the climate financing/ aid arena: the conference highlighted that developing countries need to ensure political leadership, set clear priorities and ensure transparency and monitoring of funds and implementation. Funders at the local level need to ensure that financing is not supply driven, that funding is aligned with national fiduciary processes, and that coordination efforts are strengthened. Global funders on the other hand should increase the volumes of funding, ensure predictable funding, reduce transaction costs, and provide their support within the UNFCCC framework

### **Recommendations, Follow-up Actions**

- Donors need to ensure better predictability of funding, better clarity surrounding pledges and should provide their funding under the framework of the UNFCCC.
- A one-pass-through fund in the UNFCCC with a reliable treasury and monitoring mechanism could help address the proliferation of funds.
- Climate change finance and subsequent interventions need to be aligned with and driven by national priorities if they are to be successful.
- Better coordination and harmonization at the national level is needed.
- Accountable climate change financing will require specific climate change related capacities at the international, national and local level, in addition to financial management capacities.
- Increased investment in capacity development related to climate finance is needed.
- International and national institutions should avoid the creation of parallel structures. However, climate finance does require specific legal structures to ensure compliance, and these will need to be developed and supported.
- The issues of ethics and integrity are crucial to the climate debate and the interaction of individuals, institutions and nations in 'integrity systems' is important to consider in climate responses.
- The role of media and civil society as safeguards that can help ensure transparency and accountability in the priority setting, distribution, use and implementation of climate change funds is critical.

**Workshop Highlights (including interesting quotes)**

Climate financing is not synonymous with aid and requires climate change specific capacities to ensure effectiveness and accountability in disbursement and implementation.

The issue of justice is intrinsically tied to climate change and should be brought back into the climate financing debate.

Structural reforms are needed at international and national levels to ensure that climate finance is effective. However, ensuring climate finance effectiveness requires more than technocratic solutions and will require the development of functioning integrity systems at the local, national, and international levels.