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Scoring fast-start climate finance: leaders and laggards in transparency

Policy pointers

- **Transparent reporting on** climate finance is essential for governments to plan mitigation and adaptation activities and for civil society to hold contributors and recipients to account for how climate funds are spent.
- **Overall transparency of fast-**start climate finance reports submitted to the UN in May 2011 is weak.
- **In particular, many** countries fail to identify the rationale behind how much money they have committed or the baseline used to determine whether this funding is new and additional.
- **A registry of funds should** be established — and supervised by the UNFCCC Standing Committee — to provide comprehensive, detailed and consistent oversight and accounting of national climate finance practices.
- **While this registry is in** development, the UNFCCC should establish a common template for contributor countries to use in reporting their fast-start finance activities.

In 2009, developed countries pledged US$30 billion of 'fast-start climate finance' — new and additional funding, with 'balanced' allocation between mitigation and adaptation, to be provided during 2010–12. The need for transparency in how these promises are fulfilled is plain: unless developing countries know how much money to expect, when and for what, they cannot effectively plan their efforts to address and respond to climate change. But a new scorecard, based on the extent to which developed countries meet a set of common-sense criteria in their climate finance reports to the UN, reveals that we have a long way to go in making climate finance transparent. Even the highest-scoring countries — Norway and Japan — barely reach a 50 per cent score across the 25 criteria evaluated. We urgently need an international registry of funds that provides comprehensive, detailed, consistent and transparent accounting and reporting measures at the project level.

Transparency matters

On the surface, promises of fast-start climate finance made by developed countries in the 2009 Copenhagen Accord seem straightforward: US$30 billion of 'new and additional resources' will be provided during 2010–12, with 'balanced allocation between adaptation and mitigation'. But, now more than halfway through the fast-start period, a look at how funds are being allocated reveals a murky and complicated underside to the commitments made two years ago.

Countries must be transparent about how they fulfill their climate finance promises. Unless developing countries know how much money to expect, when and for what, they cannot effectively plan their efforts to address and respond to climate change.

There are grave concerns that funds previously promised or expected for basic needs such as health and education are being diverted for climate projects. There are related concerns about the lack of: a common framework to oversee, monitor and evaluate fast-start funds; a clear baseline against which to measure new and additional funding; and a shared commitment to transparency among contributor countries.

A transparency scorecard

Fast-start finance promises made in Copenhagen were reaffirmed at last year's climate negotiations in Cancun, Mexico, where developed countries[1] were invited to report their progress by May 2011.

Also in Cancun, parties decided to establish a Standing Committee to improve "coherence and coordination in the delivery of climate change financing", including the "measurement, reporting and verification of support provided to developing country Parties." This decision clearly reflects the need to set up a formal system to adequately keep track of and coordinate climate finance.[2]

Most contributor countries did submit a report to the UN by the May deadline[3] — but these varied considerably in content. To evaluate the transparency of the May reports, we created a scorecard based on 25 criteria in three sets (see Making sense of the scores, overleaf).

Criteria set 1: Reporting summary information

Not all climate finance goes through the UN — most is distributed through bilateral, regional and other

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We have a long way to go in making climate finance transparent

multilateral channels. But there is no globally agreed framework to assess this fragmented landscape and measure, report and verify how much climate finance is being introduced. This means developing countries cannot know what assistance to expect, or whether climate funds are simply replacing money previously committed to address other development needs. Long-term planning for climate change in this context is nearly impossible.

A lack of transparency in climate finance also hinders governments, non-governmental organisations (NGOs) and communities from monitoring where the money goes and ensuring it is spent responsibly.

In evaluating the climate finance reports, we scored contributor countries on:

Timely reporting. We gave one mark for submitting a report by the May 2011 deadline.

Clarity of funding levels and channels. We gave one mark each for reporting: (a) the total amount of money committed for 2010–12; (b) the amount committed for 2010; (c) the amount disbursed in 2010; (d) the amount given as grants and loans; (e) the historical rate of climate funding; and (f) information about the channels used to distribute funds.

Balance of funds. We gave one mark for identifying the proportion of funds allocated to adaptation. This figure is especially important to the Least Developed Countries and other particularly vulnerable countries, who want funding equally split between adaptation and mitigation.

Geographical spread of funds. We gave one mark each for reporting: (a) the proportion of funds flowing to the countries identified as most vulnerable[4]; and (b) the geographical spread of spending — a major concern since the great imbalance seen in Clean Development Mechanism activities.

Accessibility and usability of data. We gave one mark for providing clear data that were easy to access.

Making sense of the scores

To evaluate the transparency of the May reports, we created a scorecard based on 25 criteria in three sets:

1. Is the summary information adequate and clear?

2. Are the methods for measuring and allocating climate finance clearly defined?

3. Are data adequately presented for individual projects?

For each criterion, we identified best practice and then scored contributor countries according to how well they adhere to this, awarding marks of 0, 0.5 or 1 to represent no adherence, some adherence and most or all adherence.

Each country's overall score is the percentage of the total count across all 25 criteria.

Of course, our scores only reflect performance in the reports submitted to the UN: it is possible that countries have provided more information elsewhere — on a website, in a press release or in a separate document. But grading reports submitted to the UN is appropriate because having accessible and transparent data on climate change finance requires that they be consolidated transparently in the UNFCCC.

Criteria set 2: Measuring and allocating funds

The Copenhagen Accord may have committed developed countries as a whole to deliver US$30 billion during 2010–12, but it left much wiggle room for individual contributors to decide how much of this sum they are responsible for, which countries they should support and how they measure what counts as new and additional funding. This has led to confusion about what promises meant and the extent to which they've been fulfilled. Clear information about how each country measures and allocates climate finance is needed to accurately assess the quantity of climate finance available.

In evaluating the climate finance reports, we scored contributor countries on:

Baseline definition. We gave one mark for being clear about the baseline used to define new and additional funding, even if the baseline itself is weak or unsound[5].

'Fair share' rationale. We gave one mark for explaining the formula and rationale used to determine how much funding was provided, particularly in relation to the total US$30 billion pledged.

Allocation rationale. We gave one mark for clearly specifying how decisions are made to allocate funding, and according to what priorities. For example, is funding allocated based on how much a country can help prevent climate change or on how vulnerable to climate change a country is? Understanding the allocation rationale of contributors is important to understand why some regions or countries receive more money than others.

Criteria set 3: Project data

Our experience tracking development aid shows that individual project data are necessary to verify summary numbers, understand where the money goes, and improve transparency, effectiveness, and coordination among contributors, recipients, implementing agencies and civil society. Robust project data is important so that watchdog groups and citizens in recipient nations can hold decision makers to account for the climate funds they receive. And it is fundamental for development agencies and national and local administrations to make and coordinate effective plans.

In evaluating the climate finance reports, we scored contributor countries on:

Comprehensiveness. We gave one mark if all projects were accounted for in the report.

Table. Transparency scorecard for countries submitting fast-start climate finance reports to the UN in May 2011.

Rank	Country	Summary information	Baseline definition	Project data	Overall score*
1	Norway	73%	33%	36%	52%
2	Japan	68%	0%	45%	50%
3	European Union	59%	0%	50%	48%
4	Australia	73%	17%	0%	34%
5	Switzerland	14%	67%	41%	32%
5	United States	36%	17%	32%	32%
7	Canada	55%	50%	0%	30%
7	Iceland	55%	50%	0%	30%
7	Liechtenstein	23%	50%	32%	30%
10	New Zealand	45%	50%	0%	26%

** Overall score is the percentage of points earned in all transparency criteria across sets.*
See www.iied.org/pubs/display.php?o=17100IIED for the full scorecard, which details scores for each of the 25 criteria.

Project funding basics. For each project listed, we gave one mark each for reporting: (a) the amount of money committed; (b) the amount disbursed; (c) the start date; and (d) whether the project is funded as a grant or loan.

Project details. We gave one mark for describing each project with enough detail to allow for a thorough understanding of the work to be carried out, which is essential for ensuring accountability on the ground. We gave a second mark for identifying whether each project focuses on mitigation or adaptation — important to verify summary statistics and provide accurate analyses of the balance in climate finance. A third mark was awarded for providing links to full pdfs of project documents. A fourth mark was given for georeferencing projects.[6] And we gave a fifth mark for providing project-level listings — including websites and contact information — of the national and international implementing agencies and all NGOs and private contractors brought on to carry out the project.

Accessible and usable data. We gave one mark for providing accessible project data. Ideally, this means adhering to the International Aid Transparency Initiative format or, at second best, providing data in a searchable online database.

Leaders and laggards

Norway emerged from our evaluation with the most transparent reports on fast-start climate finance — but still only scored 52 per cent, followed by Japan, with 50 per cent and the European Union, with 48 per cent. New Zealand scored worst, with only 26 per cent, followed by Iceland, Liechtenstein and Canada all with 30 per cent.

Across the group as a whole, the areas where country reports succeeded or failed varied tremendously.

Summary information. Australia and Norway did best on reporting summary statistics about fast-start climate finance in May 2011. Across the full group, we found no consistency in the time period covered by the reports. And no country provided data that were particularly accessible or well organised.

Although nearly all countries reported the total amount committed to fast-start climate finance, seven out of ten failed to report how much they'd disbursed in the first year, 2010. All countries except for Liechtenstein and Switzerland gave some or all information about the channels through which climate finance flows. Four countries — Australia, Liechtenstein, Switzerland and the United States — gave no information on the proportion of finance given as grants and loans. Only Australia, Iceland and Japan reported the proportion of funds allocated to countries identified as most vulnerable. And only Australia, New Zealand and Norway identified the geographical spread of funds. Most countries — with the exception of Liechtenstein and the United States — provided some information on the balance of funds across adaptation and mitigation. But only Canada offered any information about its past climate finance.

Baselines. Liechtenstein and Switzerland emerged as the leaders in transparency when it came to reporting baselines and allocation formulas. Four of the 'big' players — Australia, the European Union, Japan and the United States — provided no information at all about how they determined whether funding was new and additional. Neither did these actors report the formula and rationale used to establish their 'fair share' of the US$30 billion pledged. No country offered a clear allocation rationale, although most provided some indication of how they determined funding priorities.

Project data. At the top of the scoreboard for project data sits the European Union, followed by Japan and then Switzerland. At the other end, Liechtenstein and the United States scored low, but four countries — Australia, Canada, Iceland and New Zealand — got zeros for every criterion because they failed to provide a detailed account of any of their fast-start climate finance projects.

All countries except Liechtenstein provided an incomplete list of their projects in the May 2011 reports. And data about each project was similarly patchy: only Japan and Norway provided figures for money actually disbursed; only Liechtenstein and Japan gave the projects' start date; only the European Union, Liechtenstein, Switzerland and the United States presented information on implementing agencies; only the European Union and Norway identified whether projects are funded by grants or loans; and these countries plus Japan were also the only ones to identify whether projects focus on adaptation or mitigation.

None of the project data were presented in an accessible manner; and while the European Union, Switzerland and the United States gave some information on projects' locations, no country provided georeferenced projects. No country offered links to detailed project documents.

Calling for a registry of funds

A transparent system for reporting on fast-start climate finance is essential for ensuring coordination, accountability and learning for contributors and recipients across the myriad of channels used to deliver funds. Without one, we cannot track funds in a fragmented landscape, and it becomes harder to prevent corruption, inefficiency, inadequacy and redundancy in how funds are used.

The transparency scorecard shows we still have a long way to go in achieving transparent climate finance. Some contributor countries have provided excellent summary information on their activities and reported on individual projects. But all have failed on many counts. In particular, most were shockingly unable or unwilling to state the baseline used for claiming that funds are new and additional to money committed before Copenhagen.

Radically improving climate finance transparency is not an impossible task. A very modest investment would do the job and deliver vast benefits for planning by contributors and recipient governments, for project effectiveness and for providing civil society with the means to become watchdogs of project completion.

This December, at the UN climate negotiations in Durban, South Africa, the Conference of Parties should — in accordance with the intent of the Cancun Agreements — establish a registry of funds,[7] supervised by the Standing Committee, to provide comprehensive, detailed and consistent oversight and accounting of national climate finance, with information coming from both contributors and recipients.

This registry should:

- provide accessible and comprehensive national reporting including an assessment of whether or not funding is new and additional;
- provide detailed project data that allow civil society to verify that funds are delivered and used responsibly; and
- delineate public funds from private and carbon market funds, adaptation funding from other types of funding, and grants from loans.

In the mean time, as an interim solution while the registry is in development, the UNFCCC should immediately establish a common template for contributor countries to use in reporting their fast-start finance activities.

Improving the transparency of fast-start climate finance offers a significant opportunity for the international community to build much-needed trust and to jointly achieve the critical global goal to reduce emissions and protect those people most vulnerable to climate change. Let's be sure to take it.

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Notes

[1] The Copenhagen Accord and Cancun Agreements refer to the collective fast-start commitment of 'developed countries' but they do not clarify which countries exactly fall within this category. [2] Paragraph 112 of the Cancun Agreements; Standing Committee should not be confused with the Transitional Committee for the Green Climate Fund. [3] It is important to note that these reports have only been submitted by contributor nations; recipient nations are not yet required by the UNFCCC to report on their fast-start funding activities. The European Union submitted a combined report; member states did not report their fast-start finance activities to the UNFCCC individually. [4] As prioritised for adaptation funding in the Copenhagen Accord and Cancun Agreements, the most vulnerable countries include the Least Developed Countries, Small Island Developing States and African nations. [5] It is worth noting that being transparent about definitions is in itself not enough to ensure that climate funds are not diverted from other pressing development needs. [6] Georeferencing — which allows projects to be easily mapped — is important because it enables local residents to find out what's been promised for their area. It also allows NGOs to report the status of these projects. It helps recipient governments to coordinate and plan more effectively. And it supports international organisations to more equitably and intentionally allocate funds. [7] A UNFCCC registry is already on the cards but, according to the Cancun Agreements, will only be used to track Nationally Appropriate Mitigation Actions. A registry has yet to be planned in the UNFCCC to adequately track climate change finance.

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Copenhagen/Cancun fast-start finance transparency scorecard (based on reports filed to the UNFCCC 31 May 2011)

	Norway	Japan	EU	Australia	Switzerland	USA	Liechtenstein	Canada	Iceland	New Zealand
Overall Rank	**1**	**2**	**3**	**4**	**5**	**5**	**7**	**7**	**7**	**10**
Total score	**52%**	**50%**	**48%**	**34%**	**32%**	**32%**	**30%**	**30%**	**30%**	**26%**
Reporting of summary information	**73%**	**68%**	**59%**	**73%**	**14%**	**36%**	**23%**	**55%**	**55%**	**45%**
Filed report by May 31	1	1	1	1	0	1	0	1	0	0
Total committed 2010–12	1	1	1	1	1	1	1	0	1	1
Total committed 2010	1	1	1	1	0	1	1	1	1	0
Total disbursed 2010	1	1	0	1	0	0	0	0	0	0
Information about channels (bilateral, multilateral)	0.5	0.5	1	1	0	1	0	1	1	1
Proportion as loans and grants	1	0.5	1	0	0	0	0	1	1	1
Proportion to LDCs, SIDS and Africa	0	1	0	1	0	0	0	0	1	0
Proportion to global regions	1	0	0	1	0	0	0	0	0	1
Proportion to adaptation and mitigation	1	1	1	1	0.5	0	0	1	0.5	1
Annual historical climate funding	0	0	0	0	0	0	0	1	0	0
Accessible organisation of data	0.5	0.5	0.5	0	0	0	0.5	0	0.5	0
Baselines, 'fair share' and allocation criteria defined	**33%**	**0%**	**0%**	**17%**	**67%**	**17%**	**50%**	**50%**	**50%**	**50%**
Clarity of baseline definition	0.5	0	0	0	1	0	1	1	1	1
Indication of how 'fair share' calculated	0	0	0	0	0.5	0	0.5	0	0	0
Clear allocation rational	0.5	0	0	0.5	0.5	0.5	0	0.5	0.5	0.5
Project level data	**36%**	**45%**	**50%**	**0%**	**41%**	**32%**	**32%**	**0%**	**0%**	**0%**
All projects are reported	0	0	0	0	0	0	1	0	0	0
Amount committed to projects listed	1	1	1	0	1	1	1	0	0	0
Amount actually disbursed (status)	1	1	0	0	0	0	0	0	0	0
Start date/commitment of project	0	1	0.5	0	1	0	0	0	0	0
Description of the project listed	0	0.5	0.5	0	1	1	0.5	0	0	0
Grant/loan	1	0	1	0	0	0	0	0	0	0
Implementing agencies	0	0	1	0	1	1	1	0	0	0
Accessible database (PDF, searchable)	0	0.5	0	0	0	0	0	0	0	0
Adaptation or mitigation	1	1	1	0	0	0	0	0	0	0
Georeferenced location	0	0	0.5	0	0.5	0.5	0	0	0	0
Links to full project documents	0	0	0	0	0	0	0	0	0	0
Total count (of 25)	**13**	**12.5**	**12**	**8.5**	**8**	**8**	**7.5**	**7.5**	**7.5**	**6.5**

This online-only addition to the briefing gives full details of the transparency scorecard summarised in the table on page 3.