Measuring the effectiveness of public climate finance delivery at the national level

Neil Bird, Helen Tilley, Nella Canales Trujillo, Godber Tumushabe, Bryn Welham, and Pius Yanda

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Promoting Effective Climate Finance: ODI is building an evidence base on climate finance delivery and management through a number of country case-studies. How climate finance is accessed, managed and then spent in ways that effectively reduce vulnerability, promote development and gender equity, and reduce greenhouse gases represents a major challenge for national governments as well as the international community. The tracking of this finance, at both the international and national level, faces the problem that climate-related actions are difficult to identify with precision, and this lack of clarity leads to uncertainty over estimates of spending. This series of papers explores the concept of 'climate finance' and proposes pragmatic ways forward that will strengthen the policy debate.

Publications in this series:

1. Watson, C., September 2012. Defining climate-related forest activities, finance and expenditure in national budgetary systems. London: Overseas Development Institute. Available at: http://www.odi.org.uk/publications/6789-climate-finance-forests-expenditure-budgets-redd-climate-change

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Contents

Executive summary

This paper describes an approach to measuring the effectiveness of the national systems that underpin public climate finance delivery. It assesses three interlinked elements of government administration: the policy environment that supports climate change expenditures, the institutional architecture that determines relevant roles and responsibilities, and the public financial system through which climate change-related expenditures are channelled. It identifies key principles of effective climate finance delivery for each of these three elements, and formulates criteria and indicators that reflect a progression towards compliance with those principles. These indicators are not intended to reflect an ideal state, but provide a means by which current practice can be interpreted. They also highlight important areas for progress.

Four principles of policy development and implementation are relevant to the effective delivery of climate change finance: the ease of implementation, legitimacy, coherence and transparency. A further three principles relate to institutional performance: coordination, innovation and local anchorage. In terms of public expenditure, the four principles relate to the execution of the budget cycle: planning, execution, reporting and external audit. Collectively, these principles, criteria and indicators offer an explicit framework by which the strength of a national climate finance delivery system can be assessed, and from which its effectiveness can be considered.

1. Introduction

Climate change has emerged as a major new theme for public policy around the world. At the international level, the United Nations Framework Convention on Climate Change (UNFCCC) is intended to reach a global agreement that will avoid the dangerous impacts of global warming. One important component of the international response is to provide new and additional finance to support actions carried out within the world's most vulnerable countries. The commitment to secure such funding is recognised in the goal set by the international community to raise $100 billion per year by 2020. This is expected to come from public, private and innovative sources. However, based on the current level of international climate finance (Buchner et al., 2012), it is unlikely that the amounts raised over the next few years will be enough to meet all identified needs. This raises the question of how to prioritise the spending of limited financial resources.

The same issue arises at the national level, where budgetary resources are never sufficient to meet all public spending needs, making it important to consider the strength of the systems that manage climate related expenditure. However, measuring the effectiveness of public spending on climate change actions is fraught with difficulties, given the definitional ambiguity of such actions (Burton, 2004), the complexity of public funding flows, and a lack of clarity on what effectiveness actually means.

The framework described in this paper proposes a hierarchy of principles, criteria and indicators (PCI) that, taken collectively, can provide explicit guidance for the analysis of how public climate finance is managed. The principles are drawn from the international literature and indicate what climate finance delivery should look like in an ideal world. The criteria and indicators differ in nature, as they are limited to reflect a progression towards compliance with the principles. They are not intended to define the ideal, but provide a pragmatic challenge to current practice and highlight important areas for progress. The framework provides, therefore, an outline for 'lines of enquiry' rather than a 'best practice' ideal.

In many ways, the principles attempt to formulate what 'good governance' in the sphere of climate finance management should look like. Extensive literature supports, challenges and critiques the 'good governance' approach and the (mis)use of international 'best practice' formulas to guide development interventions in low-income countries. The debate often recognises the importance of 'good enough governance' (Grindle, 2004) rather than best practice, and the existence of effective governance in institutional forms that are far from the international best practice prescription (IDS, 2010). Indeed, some writers note the risks of 'good governance' approaches that aim to replicate ideal forms and simply result in 'isomorphic mimicry' where the form of best practice is adopted without having the corresponding functional effectiveness in place (Prichett et al., 2010). Conversely, it is noted that countries can make progress on development outcomes through institutional forms and governance systems that do not conform to international best practice (Booth, 2012).

Building on this discussion, it is important to recognise that most government institutions, their policies and spending patterns are often far from ideal. Country context varies enormously, from middle-income high-capability states through to fragile low-income states with weak government capacity. The application of this framework needs, therefore, to acknowledge these differing contexts and will depend on further country-specific refinement. This paper outlines a first generic approach to guide analysis of present day practice, upon which to build such country-specific work.

2. What makes climate finance delivery effective in the national context?

In the absence of an internationally agreed definition of what makes national climate finance delivery effective, we have identified three interlinked elements of national public administration that can provide information on the performance of the systems in place to manage climate finance delivery. These elements are not separate spheres of activity, but are intimately related, with many interactions:

- first, the overall policy environment that supports climate change expenditure, from the formulation of climate change policy to its linkages to spending through national strategies and action plans.
- second, the institutional architecture that determines the role and responsibilities of the different parts of the government administration involved in managing the response to climate change, and their interaction.
- third, the financial systems through which climate change-related expenditures are channelled, e.g. the national budget and other funding mechanisms. Such funding supports activities, projects and programmes that are recognised as being part of the national response to climate change.

This approach builds on the methodology adopted for a series of country studies implemented by the United Nations Development Programme (UNDP) in South-East Asia that began the detailed analysis of climate finance delivery at the national and sub-national levels (Bird et al., 2012).

There are already many methodologies and tools available to assess the effectiveness of public administration and public expenditure management in developing countries. There are both high level summary indices (e.g. the World Bank Institute 'World Governance Indicators') and very specific diagnostic tools (e.g. the Public Expenditure and Financial Accountability (PEFA) framework). The approach taken in this paper is to develop a more 'meso' or 'intermediate' level of analysis that is specific to climate change. This provides more detail than that found in high level indices – which do not have a specific 'climate financing' element – or those specific metrics that provide detailed scoring, such as PEFA. The hope is that this intermediate level of analysis will capture more contextual detail on the real day-to-day operation of policies, institutions and public expenditure management and make the analysis more relevant for both country governments and the international community.

3. Applying the principles, criteria and indicators (PCI) approach across three key elements of climate finance delivery

The PCI approach comprises principles (fundamental laws or truths, expressing a core concept), criteria (operational standards by which to judge the principles), and indicators (information to measure or describe observed trends) (Prabhu et al., 1996). This approach can be applied to each of these three elements of the national public administration to draw together a composite picture of whether or not finance for climate change-related actions is being delivered effectively. The next three sections list the principles, criteria and indicators that we have identified under each element.

3.1 Policy requirements for effective climate finance delivery

We identify four principles from the literature that underpin the development and implementation of policy, and are relevant to the effective delivery of national climate change finance:

- ease of implementation (Nill and Kemp, 2009; van den Bergh, 2013)
- legitimacy (Bierman and Gupta, 2011)
- coherence (Bird et al., 2012)
- transparency (Bird, 2010).

Climate change policies shall be designed for ease of implementation

Any framework to assess climate change policies needs to address the issue of implementation. Ultimately, the effectiveness of any policy is measured by its outcomes, as 'no matter how effective a policy may be at achieving certain goals in principle, it is useless if it cannot be implemented' (Thomas and Grindle, 1990: 1178). To allow for implementation, a policy should be costed (which is proving a major challenge for climate change policies), should have explicit, time-bound objectives and be supported by relevant instruments, including economic and regulatory measures as well as administrative norms. In short, if climate change policy is going to ensure the effective delivery of finance it needs to come with a set of implementing instruments and regulations: a complete 'policy package'.

The legitimacy of climate change policies shall be recognised by stakeholders

In many cases, climate change policies will require new governance arrangements and involve a wide set of stakeholders, as the response to climate change requires interdisciplinary and cross-sectoral involvement. In general terms, legitimacy refers to the procedural processes of decision-making as well as the related governance arrangements (Biermann and Gupta, 2011). Legitimacy in the policy-design process is aided by the representation of different stakeholders, including those at greatest risk from climate change (Burton et al., 2002). However, the equal representation of different groups is unlikely, in reality, as it depends on the relative influence of different actors. For instance, those directly affected by climate change at the local level are unlikely to have a powerful voice with which to influence the executive and policy-makers in government.

Climate change policies shall be coherent with national development policies

Climate change policies need to be coherent with policies related to national development (Nill and Kemp, 2009). The national climate change response is often characterised by several strategy and planning processes, and their integration to ensure the coherence of resource allocation is a major challenge. Although this challenge is not limited to climate-related policy, the interdisciplinary and cross-sectoral nature of climate change makes it essential to secure strong coordination and coherence, which may have to overcome vested interests.

Climate change policies shall promote transparency in climate finance delivery

Transparent funding decisions are essential to demonstrate effectiveness in climate finance delivery. Climate change policy should, therefore, contain appropriate guidance that commits all the key actors along the climate-finance delivery chain to high standards of transparency. Transparency of policies and public spending plans may be secured through the official records of the national legislature.

These four principles can be developed further by identifying criteria that are consistent with each principle, and indicators of compliance for each that reflect current-day practice (Table 1). These criteria and indicators are not intended to be comprehensive, but focus on areas where the authors have observed some debate and traction in policy circles.

3.2 Institutional requirements for effective climate finance delivery

Effectiveness is a performance measure and its scope depends on the identification of an objective or problem to be solved, which is determined within a particular context. In this case, an institutional assessment would help determine to what extent existing institutions enable or hinder climate finance delivery, allowing an understanding of their ability (or lack of ability) to achieve this objective. It is important to keep in mind that different disciplines 'look at effectiveness through different lenses

Table 1: Policy-related effectiveness principles, criteria and indicators (PCI) for climate finance delivery

Principle	Criteria	Indicators
Climate change policies shall be designed for ease of implementation.	• Policy objectives are clearly expressed.	• Targeted objectives are listed in the policy documentation. • Timelines to achieve the set policy objectives are articulated in the relevant policy documents. • The method for mobilising financial resources to implement the policy is contained within the policy statement.
	• Subsidiary instruments for implementation accompany the policies.	• Subsidiary instruments to achieve specific policy objectives are identifiable within the policy documents. • Timelines are in place to establish appropriate subsidiary instruments. • Appropriate subsidiary instruments are legally gazetted.
The legitimacy of climate change policies shall be recognised by stakeholders.	• Key stakeholders' interests are represented in policy-making processes.	• Policy-making platforms exist, where key policy decisions are made (e.g. policy working groups, expert working groups, sector working groups). • Existing policy platforms provide for representation of key stakeholders from both government and civil society. • Existing policy platforms provide opportunities for stakeholders to contribute to the policy-making process.
	• Policy-making is evidence-based.	• The policy formulation process is preceded by, and benefits from, background analytical work. • Policy think tanks and research institutions provide evidence-based analysis to support the policy process. • Relevant policy documents contain explicit references to background analytical work and contributions from policy think tanks.
Climate change policies shall be coherent with national development policies.	• Policy statements on climate change acknowledge national development goals.	• Reference is made to national development in the national climate change policy.
	• Climate change actions are consistent with strategies and planning processes for national development.	• Climate change strategy documents and national development goals refer to each other.
Climate change policies shall promote transparency in climate finance delivery.	• Climate change policies provide for the establishment and operationalisation of mechanisms and modalities to promote transparency.	• Mechanisms and modalities exist to promote transparency of climate finance.

and routinely reach divergent conclusions' (Young, 2003:99). An explicit analytical framework is needed, therefore, to conduct the assessment in a replicable manner.

The proposed approach consists of an investigation of public, private, and civil society organisations, as well as the rules governing their interaction and dynamics, as part of the institutional architecture for effective climate finance delivery. With this in mind, a literature review was conducted to identify common principles that underpin institutional performance.

We identified three principles from the literature that relate to institutional performance and that are relevant to the effective delivery of national climate change finance:

- coordination (Booth, 2010; Flynn, 2011)
- having the capacity to change and innovate (Imperial, 1999; Peters et al., 2012)
- use of locally-anchored institutions (Booth, 2010).

A national mechanism shall exist for coordination between institutions involved in climate finance delivery

Coordination implies the organisation of different participants to enable them to work together in a systematic way. A government-led process of service delivery is a co-production that involves the participation of diverse types of institutions, including government and non-government, formal organisations and informal collaborations. This mix of actors requires coordination capacity and incentive structures (Booth, 2010), as well as reporting systems (Flynn, 2011) across diverse levels of government.

Institutional coordination for effective climate finance delivery is made more complex by the fact that 'the governance of climate change is highly dispersed and fragmented. Responsibilities are shared among a multitude of actors operating across numerous scales and in a bewildering number of sites' (Newell, 2011: 34). In most cases, the Ministry of Environment holds the lead on climate change policy and is the national UNFCCC focal point, but decisions about the majority of climate-related public expenditures are often made in parallel by the Ministry of Finance or Planning (Miller, 2012). Fragmentation of inter-ministerial decision-making is exacerbated by multiple channels of external financial flows (Thornton, 2011). A robust coordination mechanism between national leads on climate change policy and expenditure would ensure that when national climate policies are put in place, those priorities are translated into expenditure decisions in the budgetary process.

When parts of external finance are channelled through extra-budgetary funds, donor agency programmes and civil society organisations, an extended mechanism would also involve liaison and, to some extent, coordination, with extra-budgetary fund administrators, multiple donors and civil society representatives.

Institutions shall demonstrate a strong ability to change and innovate

Ability to cope with high levels of complexity and uncertainty in the face of new challenges is crucial in terms of capacity for change (Harris and Penning-Rowsell, 2009). Considering that climate change policy – and hence its funding – is relatively new, and that the vulnerability context changes constantly because of the interactions between social and environmental conditions (Eriksen et al., 2011), the ability to demonstrate such innovation is an important institutional characteristic to secure the effective delivery of climate finance. Mapping how the current institutional infrastructure responds to such challenges indicates the level of change and innovation capacity of the institutions concerned.

Climate change institutions shall be anchored locally

'Meeting the needs of the most vulnerable to climate change will require a strong local financial delivery mechanism' (Bird, 2012: v). Such a mechanism will depend on the capacity of institutions that have a local (i.e. sub-national) presence or anchorage. Institutions that enable local collective action comply with a double sense of local anchorage: 'the rules they incorporate are problem-solving in the local context and they make use of institutional elements inherited from the past' (Booth, 2010: 34). This principle can, therefore, be expected to exert a strong influence on the effectiveness of climate change finance delivery. An increased role in the allocation and delivery of finance to local government is one way to ensure that climate finance reflects local priorities and needs.

The effectiveness of climate change finance delivery will depend on how far these three institutional principles are respected. Table 2 lists these principles, together with the criteria and indicators that we have selected to support the assessment of progress towards each of the principles.

Table 2: Institutional effectiveness principles, criteria and indicators (PCI) for climate finance delivery

Principle	Criteria	Indicators
A national mechanism shall exist for coordination between institutions involved in climate finance delivery.	• Leadership of the national response to climate change in terms of climate finance delivery is established within the government administration.	• The national lead institution has appropriate authority to determine or advise on what constitutes climate finance. • The national lead institution provides specific inputs and guidance into the budget process and the budget on what constitutes climate finance.
	• The roles played by actors in the delivery of climate finance are known by key stakeholders.	• All mandated national institutions report their expenditures on climate change activities each financial year.
	• Other actors within the policy-making process outside government (e.g. the legislature, party-governing committees or other political institutions) review and challenge policy.	• Relevant actors provide opportunities (presentation of memoranda, petitions, convening of public hearings) and encourage non-state actors working on climate change to present their voices.
	• Institutional arrangements are in place for inter-agency collaboration.	• Mechanisms for inter-agency collaboration between climate change institutions and other national institutions can be identified. • Reports on inter-agency collaboration and climate-financed activities are available to the public.
Institutions shall demonstrate a strong ability to change and innovate.	• The national response to climate change facilitates the adoption of change and promotes innovation.	• New institutional arrangements are established as demand occurs through appropriate policy, administrative or political action (e.g. through the production of national strategies and action plans).
Climate change institutions shall be anchored at the local level.	• Institutional arrangements respond and adapt to local needs.	• Funding is directed within the national budgetary system to local climate change institutions.

3.3 Public expenditure frameworks to assess the effectiveness of climate finance delivery

The previous sections have examined the policy and institutional system requirements that would support effective climate finance delivery, and have set out a typology of principles, criteria and indicators as an overarching analytical framework. Policies and institutions provide the guidance and background against which climate finance will actually flow and there is, therefore, a strong interrelationship and feedback across all three PCI elements.

An understanding of the political economy processes that structure and influence the budget process is necessary to interpret, frame and provide the context for such a framework. The national budget provides a source of money and patronage for powerful actors both inside and outside government. Typically, it is subject to political contestation and competitions for resources within, and outside, the formal budget management process (see Rakner et al., 2004, for a specific example from Malawi). Therefore, the results of the assessment of effectiveness of public expenditure management that emerge from this framework needs to be considered in light of the political nature of the budget-making process.

We will now examine what effective expenditure management systems should look like to support climate finance.

Principles for public expenditure management

High-level principles for effective public financial management (PFM) are set out in numerous handbooks provided by various leading donors agencies (e.g. Schiavo-Campo and Tommasi, 1999; Allen and Tommasi, 2001; Shah, 2007; Potter and Diamond, 1999). In addition, and as discussed earlier, the PEFA methodology represents the most developed and widely-used diagnostic tool to assess country performance in public expenditure management. As noted, the approach outlined here does not use the

PEFA methodology, as this approach aims to assess a more intermediate level of government effectiveness that allows for greater understanding of the context in which climate financing is being handled.

Climate change expenditure shall be planned and budgeted for in the annual budget formulation process

Good-practice budget preparation would involve the scrutiny and challenging of spending proposals, based on the results of the monitoring and evaluation of performance in previous years. It would also involve consultations with external stakeholders, such as local civil society institutions, culminating in detailed information on the proposed budget and an understandable public explanation of the budget's intentions.

This matters for climate change expenditure as it helps to guarantee compatibility with other areas of spending, ensuring that the adaptation and mitigation goals that are incorporated support climate-compatible development. Where climate spending is 'off-budget', such mainstreaming and scrutiny becomes less likely. An effective planning and budgeting process should require all climate-related expenditure bodies that submit expenditures to the Ministry of Finance to highlight their climate-related plans. A political process would then determine the relative priority of these proposals and generate agreement among climate expenditure agencies that they will abide by the results of the process. This prioritisation process should be informed by monitoring and evaluation of climate-related expenditure from previous years to give decision-makers an understanding of the progress being made against overall climate change adaptation and mitigation strategies.

The proposed budget would, ideally, identify climate-related expenditures across different categories of spending (e.g. current versus capital spending; allocations to different ministries) supported by publicly-available budget documents. This is, typically, an area of weakness for national budgets, as few have systems in place to identify climate-related spending, which makes it difficult to track. Ministries of Finance tend to approach budgeting on a case-by-case consideration of increases or decreases to a specific ministry's budget, rather than on the basis of a cross-government programme of expenditure, such as the response to climate change.

Climate-related expenditure shall be executed through government systems using the budget

Spending agencies should follow a standard process: commit expenditure, verify delivery of goods and services, authorise and make payment, and then record the transaction appropriately (Potter and Diamond 1999: Section IV). The Ministry of Finance, as the agency with overall responsibility for overseeing delivery of the approved budget, should have information systems that are robust enough to allow it to monitor and track expenditure on a regular basis. Ministries themselves should actively monitor and manage their expenditure to anticipate expenditure shocks, and to ensure that the climate-related activities they have outlined in their budget proposals are reflected in their expenditure.

Effective cash management is often a challenge as domestic revenue and international funding may not be spread equally across the budget period. This presents knock-on challenges for spending agencies that implement plans without sufficient funds to pay for the necessary goods and services. Such challenges are often particularly acute for sub-national governments (e.g. district and provincial authorities) as they are, typically, less powerful than central government agencies. They may not be fully connected to the integrated financial management system, while also facing communication difficulties because of sheer geographic distances. Many of these will have formal responsibility for the delivery of local services that may have significant climate-related impacts.

Given the challenges of identifying climate-related spending within the budget, regular reports for all expenditure generated by the Ministry of Finance are unlikely to provide information on the in-year position of climate-related spending. As donors are likely to have contractual requirements for spending reports on their financing, additional reporting requirements may well be in place for specific projects or funds. Although this means that the contractual requirements of the funds or projects can be met, too little information on climate spending is available to government and stakeholders.

Climate-related expenditure shall be subject to reporting and accounting

Ideally climate-related expenditure would follow the standard pattern of reporting and accounting, with PFM systems able to capture and record expenditure as part of a comprehensive system of accounting. Accounting for expenditure should be done on the same basis as the original budget, allowing for rapid and straightforward comparison of expenditure against original plans. In practice, this means classifying individual expenditures against the same coding system used in budget planning.

The climate public expenditure and institutional reviews carried out in South-East Asia[1] highlighted the progress needed to establish common financial reporting systems across government for climate change-related activities. It found that, in general, the systems in place are not comprehensive. In Nepal, for example, donors, central government and local government use different reporting systems, and in Bangladesh the budget submissions of ministries do not identify climate change activities (Government of Nepal, 2011; Government of

1. http://www.aideffectiveness.org/CPEIR

the People's Republic of Bangladesh, 2012). In Samoa, it was recommended that financial monitoring and tracking systems should be strengthened in terms of both inputs and outputs (ODI, 2012).

Analyses of spending on climate-related activities is only possible if a system to identify climate spending is in place, or by ensuring that budgets for climate adaptation and mitigation activities contain adequate funding to monitor and evaluate climate-related expenditure.

Climate-related expenditure shall be subject to external oversight and scrutiny

Climate-related expenditures should be seen as part of the whole-of-government approach to audit and scrutiny. External audit and scrutiny aims to review the degree to which the budget has been executed correctly, in accordance with the law and administrative regulations. Typically, this is the role of a publicly-appointed 'Auditor General' or equivalent. This entity is responsible for reviewing the government's published accounts and assuring the accuracy of transactions and the correct reconciliation of accounts, and assessing the evidence that correct procedure has been followed.

Expenditure for climate change adaptation and mitigation strategies should be reviewed and audited in the same way as any other government expenditure. Audit reports should highlight areas of incorrect practice, non-observance of financial rules and any grounds for concern over fraud or misappropriation. Where climate-related expenditures are identified, it should be possible for the audit body to focus on performance in this area of the budget. However, given the current absence of systems to track and monitor climate-related expenditure, specific climate analysis is unlikely. Instead, climate spending that is on-budget is captured within the wider audit. For off-budget funds, specific audit requirements are likely to be in place that are signed off by the funds' governing bodies.

It is also normal for the legislature to be involved in scrutiny and oversight through its review of budget implementation after the end of the year. It might be that the entire legislature is involved in the review of the previous year's budget execution and audit report through debates on the audit findings, or this work may be delegated to specific finance or public expenditure committees that review audit reports in detail and challenge governments to respond to specific findings. Climate-related spending may well be included in the remit of such committees alongside other types of spending, and is unlikely, therefore, to receive specific attention. This is yet another area where the challenges of separately identifying and monitoring climate-related spending has a negative impact on the understanding of national climate change adaptation and mitigation.

Table 3 details criteria and indicators that are relevant to assessing present-day practice against these four principles for public expenditure management.

Table 3: Public expenditure effectiveness principles, criteria and indicators (PCI) for climate finance delivery

Principle	Criteria	Indicators
Climate change expenditure shall be planned and budgeted for in the annual budget formulation process.	• Budget preparation captures the actors involved in climate-related expenditures.	• Adherence by all climate-related actors to a budget calendar for the formulation of the national budget. • Representation of climate concerns in the discussion and scrutiny of spending proposals, resulting in the development of the national budget's priorities. • Ex ante scrutiny, challenge and approval of the national budget, and its climate change provisions, by a legitimate authority (e.g. the national legislature).
	• Budget preparation identifies key climate-related expenditure.	• Budget classification structures allow for climate-related expenditure to be identified across ministries, departments and agencies. • Budget information that includes climate-related expenditure is publicly available.
	• Budget preparation captures climate-related expenditure in a medium-term policy framework.	• The government has a medium-term policy and expenditure framework for key areas of spending, including climate-related expenditure.
	• Budget preparation takes into account the findings of the evaluation and monitoring of government programmes.	• The key recommendations of any monitoring and evaluation exercises for climate-related programmes are considered.

Table 3: continued

Principle	Criteria	Indicators
Climate change expenditure shall be executed through government systems during the budget year.	• The Ministry of Finance manages cash flow to ensure that resources are available to spending agencies in line with the approved budget.	• Cash is available to agencies to fulfil their climate-related commitments in line with the approved budget.
	• In-year adjustments to the budget are done only when unavoidable and aim to maintain delivery on the government's budget priorities.	• Spending agencies maintain oversight of their climate-related operations to manage any unexpected financial shocks.
	• Climate funds are spent in line with the planned budget.	• Expenditure tracking reports against the budget for climate funds are available to fund management committees to meet in-year reporting requirements.
Climate change-related expenditure shall be subject to reporting and accounting.	• Government accounts for all expenditure, including climate-related expenditure, are undertaken.	• Spending agencies record and reconcile climate-related transactions as part of routine accounts reconciliation processes. • Government accounts that cover climate-related and all other expenditure are published in a timely manner after the end of the budget period. • Accounts can be related back to the original budget format, allowing assessment of climate-related expenditure compared to the approved budget.
Climate change-related expenditure shall be subject to external oversight and scrutiny.	• Government accounts are audited.	• An independent audit authority undertakes a timely audit – to international public sector standards – of government financial statements, including those of climate-related elements. • Findings from these financial audits are made public. • As a result of these audits, recommendations are made to government on ways to improve its handling of public finances, including climate-related expenditures where appropriate.
	• The legislature reviews government accounts and audit findings and provides challenge and scrutiny.	• Audit findings, including those relevant to climate expenditure, are transmitted to the legislature and/or its relevant committees. • The legislature and/or its relevant committees are able to understand and use the financial information presented. • The legislature and its relevant committees engage in a scrutiny and challenge function regarding government financial performance, including performance against climate-related objectives, based on their findings.

4. Conclusion

This paper has outlined an approach that begins to examine the question of what is needed for effective systems that support the delivery of climate finance. It offers an explicit framework across the realms of policy, institutions and public expenditure that can be further adapted in response to specific country circumstances. This framework is, primarily, a research tool that is intended to assist country level studies on climate finance delivery. It approaches the effectiveness question through a focus on institutional and governance processes and, by so doing, emphasises the earlier stages of the impact continuum. Further study will be required on effectiveness measures based on substantive outcomes associated with the national response to climate change.

Public sector management is influenced heavily by political considerations that can undermine the concept of the budget as a neutral and credible instrument of government policy (Rakner et al., 2004). This applies to climate-related expenditure as much as it does to other spheres of public policy and spending. Each country context is different and, in some circumstances, strong political commitment to address the impact of climate change may compensate for weaknesses in a less than ideal public financial management system, as climate change activities receive more attention and more investment in monitoring systems than other areas of spending. Awareness of the local political context is, therefore, vital if such analyses are to add value, and make a sound contribution towards climate finance that is delivered through government systems in an effective manner.

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