

# Backgrounder

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## 360-degree accountability: improving climate adaptation finance

To address the lack of clarity around climate adaptation finance at the local level, a 360-degree accountability approach will improve locally led adaptation progress

The principles of locally led adaptation (LLA) emerged from analysis of common factors in climate finance investments that demonstrated social transformation.<sup>1</sup> This highlighted the importance of vertically connecting governance layers, and ensuring authority and resources are available at the most appropriate level for action.

Current climate adaptation finance is insufficient in volume and poorly targeted to the local level. Financing is channelled through intermediaries that deduct management costs. The system requires actors to deliver projects on tight time frames, which translates into short-lived impacts and disempowered

beneficiaries. Finance overlooks drivers of local vulnerability because it is impossible for a top-down design to respond to highly contextual realities.

Finance providers perpetuate power imbalances through restrictive requirements, shifting the risk burden downwards. This deprioritises local solutions, community engagement and local funding, diminishing trust and partnership.

### Finance traceability

Climate adaptation finance is at present traceable only from international providers to

### KEY TERMS

- **Locally led adaptation:** adaptation where local people, communities and institutions at the frontline of climate change have agency over adaptation actions, and work with providers and intermediaries on solutions.
- **Providers:** governments and intergovernmental and philanthropic organisations who provide climate finance (acting as providers rather than donors as they have committed under the Paris Agreement to support those most affected by climate change).
- **Recipients:** range from developing country governments to local communities who receive climate finance.
- **Transparency:** provider and recipient governments, intermediaries and others make governance arrangements and financial allocations publicly accessible to local actors.
- **Accountability** (particularly 'downwards'): those 'higher' in the finance delivery chain, such as provider governments and intermediaries, are accountable for giving information, agency and authority to local actors.
- **Machine learning:** data science enabling computers to look for patterns in data and make predictions.

### WHY IT IS IMPORTANT

Recipients of climate adaptation finance struggle to understand providers' reports. They want to see where finance goes and whether it meets their priorities, and to learn from what works. They also wish to understand the quality of the finance and how much reaches the local level.

Improved transparency in reporting around climate finance can lead to shared learning and more transformational outcomes. By building an evidence base and supporting shared

intermediaries and national governments. The data are unreliable regarding how much finance goes to the local level and are also inconsistent, with reporting methods varying between providers and data platforms.<sup>2</sup>

Tracing finance to recipients offers major opportunities to share experiences and lessons between providers, intermediaries and recipients. This can facilitate meaningful partnerships between actors and greater alignment of finance with LLA principles.

### 360-degree accountability

The 360-degree approach aims to track the reach and purpose of adaptation finance. It will enable stakeholders to jointly explore the relative effectiveness of adaptation initiatives and, through dialogue, improve climate finance quality.

The approach involves three workstreams. Workstream 1 (WS1) applies data science to finance reporting. It collates data and employs machine learning tools to seek indicators of localisation and of recipients' needs being met.

Workstream 2 (WS2) uses quantitative scorecards to validate projects identified by machine learning in WS1. These scorecards can uncover different experiences of climate finance actors, including how far finance meets national and/or local priorities, supports local involvement or is sufficiently flexible.

Providers, intermediaries and recipients can use the scorecards to assess projects for alignment with LLA principles. This will clarify areas of agreement and disagreement. Scorecards will, in time, help practitioners refine the machine learning algorithms used in WS1 for identifying localised adaptation.

Building on WS1 and WS2, workstream 3 (WS3) uses dialogue to distil learning through sharing experiences and perspectives on the most effective approaches. This could contribute to improving ways of working between actors in the finance chain, such as revisions to contracts and procedures.

WS3 strives to minimise power dynamics between providers and recipients.

If a provider considers financing for a project to be flexible while recipient or intermediary feedback indicates inflexibility, surfacing such disagreement via informal dialogue should help stakeholders identify innovations to resolve differences.

### Limitations and risk

WS1 is limited by its reliance on inconsistent data from providers; lack of data or of visibility

of characteristics may not necessarily imply bad adaptation or poor local targeting. We are trialling the approach with a small dataset and will explore alternative approaches, such as using providers' raw data to tracking finance.

Power asymmetries may hinder open and honest feedback between providers and recipients. In developing the LLA principles and sharing lessons on scaling up LLA, we have learned about what makes good partnerships and will draw on these insights when implementing the approach.

### Increasing accountability and effectiveness

By contributing to building evidence and shared understanding, 360-degree accountability responds to stakeholder demand and facilitates progress on LLA. The approach does not directly target behaviour change or shift policies and mandates, but instead brings together climate adaptation actors to consider how to improve reporting, partnerships and implementation in line with LLA principles.

### Looking ahead

Knowledge sharing and partnerships formed through 360-degree accountability can contribute to stakeholders co-designing accountability systems for LLA. This will require a commitment from finance providers who have endorsed LLA to act on the results of the approach. Reforms could include improved due diligence management, more granular LLA reporting and new mutual accountability mechanisms.

At COP27 and beyond, IIED's Climate Change Group will gather feedback on 360-degree accountability and lessons learned. We are keen to hear from organisations interested in collaborating with us to pilot the workstreams and build proof of concept.

understanding, including of how far adaptation finance aligns with locally led adaptation (LLA) principles, 360-degree accountability will generate greater clarity around progress.

The approach involves a feedback model that challenges current accountability dynamics where recipients are accountable 'upwards' to intermediaries and providers (for example, recipients tell providers how finance was spent). The approach aims to promote 'downward' accountability, with providers and intermediaries accountable for their commitments to recipients (for example, providing transparent data on finance flows to LLA).

'Downward' accountability extends to citizens intended to benefit from climate finance. Mutual feedback will enable stakeholders to share perspectives, shape improvements and monitor progress towards LLA.

Through greater communication and transparency, the approach aims to build trust between finance delivery chain actors, laying the groundwork for good partnerships.

<sup>1</sup> Soanes, M, Bahadur, A, Shakya, C, Smith, B, Patel, S, Rumbaitis del Rio, C, Coger, T, Dinshaw, A, Patel, S, Huq, S, Musa, M, Rahman, M, Gupta, S, Dolcemasclo, G and Mann, T, (2021) Principles for locally led adaptation: A call to action. IIED, London. [iied.org/10211iied](http://iied.org/10211iied)

<sup>2</sup> Major data platforms and sources include the UN Framework Convention on Climate Change (UNFCCC) biennial report, the Organisation for Economic Co-operation and Development (OECD), the International Aid Transparency Initiative (IATI) and providers' own aid transparency platforms.

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### Knowledge Products

The International Institute for Environment and Development (IIED) promotes sustainable development, linking local priorities to global challenges.

### FIND OUT MORE

The 360-degree accountability approach was co-developed with WRI, SSN, CADPI/Tebtebba, CANARI and SDI. Our work on 360-degree accountability to improve climate finance is part of the 'Scaling Up Locally Led Adaptation' project, funded by the UK Foreign, Commonwealth and Development Office and run by IIED's Climate Change Group and partners: CANARI, ENDA Energie, Huairou Commission, ICCCAD, IIED, SDI, SSN, Tebtebba/CADPI, Save the Children and World Resources Institute. Find out more at [www.iied.org/principles-for-locally-led-adaptation](http://www.iied.org/principles-for-locally-led-adaptation)