September 2013

CLIMATE CHANGE

State Should Further Improve Its Reporting on Financial Support to Developing Countries to Meet Future Requirements and Guidelines

GAO Accountability * Integrity * Reliability

Highlights

Highlights of GAO-13-829, a report to the Ranking Member, Committee on Foreign Relations, United States Senate

Why GAO Did This Study

In 2009, the United States and other developed nations pledged to contribute funding approaching $30 billion in new and additional assistance between 2010 and 2012 for developing countries to address climate change. This type of assistance is called “climate finance” and funding for this period is known as “fast-start finance.” The pledge was made under the Framework Convention, a treaty that seeks to address climate change. State is the lead agency responsible for reporting the United States’ FSF contributions between 2010 and 2012 and plans to continue reporting on U.S. climate finance in the future. GAO was asked to review climate finance. This report examines (1) the extent to which the United States contributed to FSF, (2) how State collected and reported U.S. FSF data, and (3) what is known about the effectiveness of U.S. FSF activities. To address these objectives, GAO reviewed FSF data, interviewed agency officials, and visited three countries receiving significant FSF assistance in three regions.

What GAO Recommends

To ensure the United States meets future climate finance reporting requirements and guidelines under the Framework Convention, GAO recommends that State determine how it will collect and report climate finance information and review current capabilities for meeting the requirements and guidelines. GAO also recommends that State, in consultation with USAID, consider providing a budget code to improve tracking of climate change assistance. State agreed with GAO’s recommendations.

View GAO-13-829. For more information, contact Thomas Melito at (202) 512-9601 or melitot@gao.gov, or J. Alfredo Gomez at (202) 512-4101 or gomezj@gao.gov.

What GAO Found

To implement the United States’ fast-start finance (FSF) commitment, the Department of State (State) reported that the United States contributed $7.5 billion in fiscal years 2010 through 2012 for a variety of activities related to climate change. State, the U.S. Agency for International Development (USAID), and the Department of the Treasury (Treasury) provided $2.5 billion for activities under the Global Climate Change Initiative (GCCI) that were designed to address climate change as a primary goal. State reported that USAID and other agencies, including the Millennium Challenge Corporation (MCC), the Export-Import Bank of the United States, and the Overseas Private Investment Corporation provided $4.9 billion for activities that were not part of the GCCI but had climate-related benefits. Contributions consisted of grants, loans, development finance, and export credit. The majority of these funds were reported as supporting mitigation activities focused on clean energy or sustainable landscapes. According to State, the U.S. FSF contributions were “new and additional” because the funding was appropriated on an annual basis and not guaranteed from one year to the next.

Between 2010 and 2012, State improved its method for collecting data for its FSF reports, but it is uncertain how it will meet future reporting requirements and guidelines. Following its initial FSF report in fiscal year 2010, State developed a structured data collection tool to facilitate and standardize data collection across the agencies. Nonetheless, challenges in tracking climate change assistance remain. USAID, the largest FSF contributor, is not able to track climate change obligations and expenditures because of the lack of a dedicated State/USAID budget code for climate change assistance. While the FSF reports were voluntary, reporting is required beginning in 2014 based on decisions by the Conference of the Parties to the United Nations Framework Convention on Climate Change (Framework Convention). Future reports must contain climate finance data elements that State did not include in the FSF reports and, in some cases, does not currently collect. For example, State does not collect information on the annual status of climate finance contributions provided, committed, and/or pledged, as specified in the new reporting guidelines. State officials said that they have not determined how they will collect and report this information.

The overall effectiveness of U.S. FSF activities is difficult to determine because of the challenges involved in monitoring and evaluating assistance to address climate change. These challenges include difficulties in measuring the effects of individual activities within the larger context of global climate change, and the fact that many of these activities are just beginning to be implemented. Under the GCCI, State, USAID, and Treasury fund activities with a primary goal of addressing climate change, and State and USAID are refining their climate change performance indicators to improve monitoring of these activities’ results. USAID is also drafting an evaluation plan for its climate change assistance. Treasury does not directly monitor and evaluate its climate change funding but requires the multilateral institutions that receive and implement this funding to monitor and evaluate these activities. Other key agencies’ FSF activities were not part of the GCCI, and these agencies’ approaches to monitoring and evaluation vary based on their respective missions and requirements. For example, MCC primarily assesses its projects on the basis of the progress made in achieving its goal of poverty reduction.