TGI COLLABORATIVE

THE DELIVERY IMPERATIVE

# Making every climate dollar count

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# INTRODUCTION

## The Challenge: From Pledges to Impact

At COP29 in Baku, negotiators pledged $300 billion in new climate finance to Global South countries annually and committed to developing the Baku to Belem Roadmap to scale financing to $1.3 trillion per year by 2035. These new, larger commitments will ultimately be judged not by the scale of their promises but by the tangible climate impacts they produce, and the ability of countries to make every climate dollar count.

This reality defines what we call the "delivery imperative"—the urgent need to transform financial pledges into measurable climate action through robust public financial management systems (PFM) and effective budget execution. As climate finance commitments grow to meet the estimated $2 trillion needed annually by developing countries (excluding China), this delivery imperative has emerged as the defining challenge of international climate efforts; all the more so in the context of declining aid and rising debt servicing obligations.

Approximately 10 - 14 percent of budgeted funds go unspent annually (de Renzio et al 2019:11), translating directly into delayed adaptation projects, postponed renewable energy transitions, and vulnerable communities left exposed to escalating climate risks. The delivery of climate finance—not merely its raising and allocation—determines whether emissions are reduced, resilience is built, and lives are protected. When governments cannot spend funds as promised, climate goals remain aspirations rather than achievements.

## The Execution Gap: Understanding the Challenge

For many climate-vulnerable nations, weak public spending systems threaten progress:

**UNDERSPENDING**

When governments spend less than allocated, climate programs are deprived of essential resources. In Sub-Saharan Africa, critical infrastructure projects saw less than 70 percent of their allocated funding deployed (World Bank 2017), delaying crucial climate-resilient infrastructure.

**REALLOCATION**

Unauthorized shifting of funds between programs diverts resources away from climate priorities. Environment ministries frequently see their budgets reallocated during implementation, with executed budgets bearing little resemblance to approved plans (Torbert 2022:11).

**OVERSPENDING**

Excessive spending beyond budgeted amounts can trigger deficits and debt crises that further reduce fiscal space for climate expenditures, creating a negative spiral that constrains future climate action (Torbert 2022:3).

**INEFFECTIVE IMPLEMENTATION**

Even when spending levels match allocations, inefficiencies, leakages, and corruption can compromise climate response effectiveness. The IMF estimates that about 30 percent of the potential value of public investment is lost to inefficiencies in the investment process (IMF 2015:6).

In today's increasingly constrained fiscal environment, both recipient governments and donors share a compelling interest in maximizing the impact of every climate finance dollar. The quality of spending—not just the quantity of funding—ultimately determines whether countries can meet their climate commitments and protect vulnerable populations.

# Systems Not Just Dollars: A New Approach

Addressing the climate crisis requires more than increasing financial flows; it demands strengthening the systems through which those resources are delivered. Evidence suggests that countries with more developed public financial management, transparent budget processes, and effective accountability mechanisms generally demonstrate better outcomes in utilizing public funds, including climate finance (Haus et al 2022).

When climate finance is effectively delivered, it creates a powerful reinforcing cycle. Communities see tangible benefits, building public support for climate action. Governments demonstrate credibility, attracting private investment and increasing sources of domestic finance. Donors gain confidence, increasing their commitments. This virtuous cycle transforms climate finance from unfulfilled promises into a dynamic engine of climate progress (Brown et al., 2013).

While the delivery challenges are significant, they also present an unprecedented opportunity to reimagine how climate finance operates. This brief contends that effective delivery is a shared responsibility that serves the aligned interests of donors, recipient governments, and vulnerable communities alike. By taking concrete actions—aligning donor approaches with country processes, fostering inclusive accountability, and implementing targeted public financial management reforms—we can ensure that the historic pledges translate into real climate action. The following sections outline this path forward.

# THE BUDGET CREDIBILITY CHALLENGE: TURNING CLIMATE FINANCE PLEDGES INTO ACTION

The financing commitments from COP29, coupled with forthcoming Nationally Determined Contributions for 2035, present an unprecedented opportunity for climate action. Yet a critical factor will determine whether these ambitious plans succeed: budget credibility—the ability of governments to implement budgets as approved.

## Understanding Budget Credibility in Climate Finance

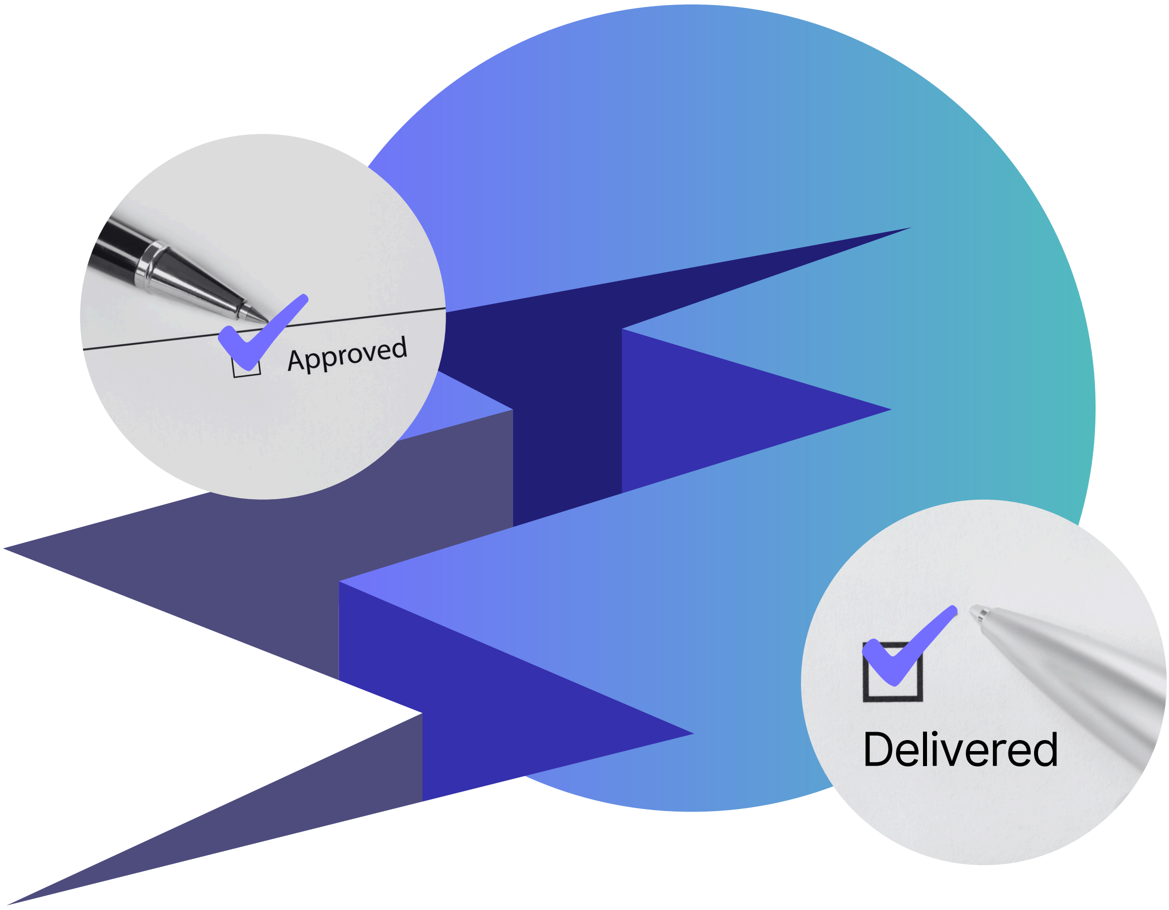
Budget credibility measures whether governments fulfill the promises in their parliament-approved budgets. It assesses if revenue and expenditure targets are met, both overall and within specific sectors or ministries (IBP 2024:1). The concept encompasses not just whether funds are spent, but whether they achieve intended outputs and results.

The stakes for climate action are enormous. Of the estimated $2 trillion annually needed by emerging markets and developing countries (excluding China) by 2030, the Independent High-Level Expert Group on Climate Finance (IHLEG) projects that approximately half will come from domestic budgets (IHLEG 2022:8). While a significant portion of the remaining $1 trillion in external financing will flow through alternative channels, domestic budget systems will still manage a substantial majority of climate resources. This creates a critical need for effective national financial management systems to attract, coordinate, and effectively spend all climate finance, regardless of channel. Getting these systems right is therefore essential to the overall climate finance architecture.

# The Gap Between Allocation and Implementation

In practice, budgets frequently deviate from approved plans. While some deviations are legitimate responses to changing circumstances like economic shocks or natural disasters (Torbert 2022:3), persistent and significant deviations signal deeper problems with a government's capacity to manage resources and deliver on policy priorities (de Renzio et al 2019:6).

This implementation gap creates a troubling scenario where climate commitments risk becoming empty promises. When governments highlight budgeted amounts without reporting actual spending or outcomes, concerns about "greenwashing" arise. Budget allocations alone cannot serve as reliable indicators of climate commitment; execution is the true measure.



# The Spectrum of Budget Execution Challenges

Countries struggling with budget credibility face several distinct challenges:

**UNDERSPENDING**

When governments spend less than allocated, climate-related sectors and programs are deprived of essential resources, undermining national climate goals (IBP 2024:1).

**REALLOCATION**

Unauthorized shifting of funds between departments or programs can divert resources away from climate priorities, resulting in executed budgets that bear little resemblance to approved plans (de Renzio et al 2019:5).

**OVERSPENDING**

Excessive spending beyond budgeted amounts can trigger deficits and debt crises that further reduce fiscal space for climate expenditures (Torbert 2022:3).

**INEFFECTIVE IMPLEMENTATION**

Even when spending levels match allocations, inefficiencies, leakages, and corruption can compromise the effectiveness of climate response efforts (World Bank 2024).

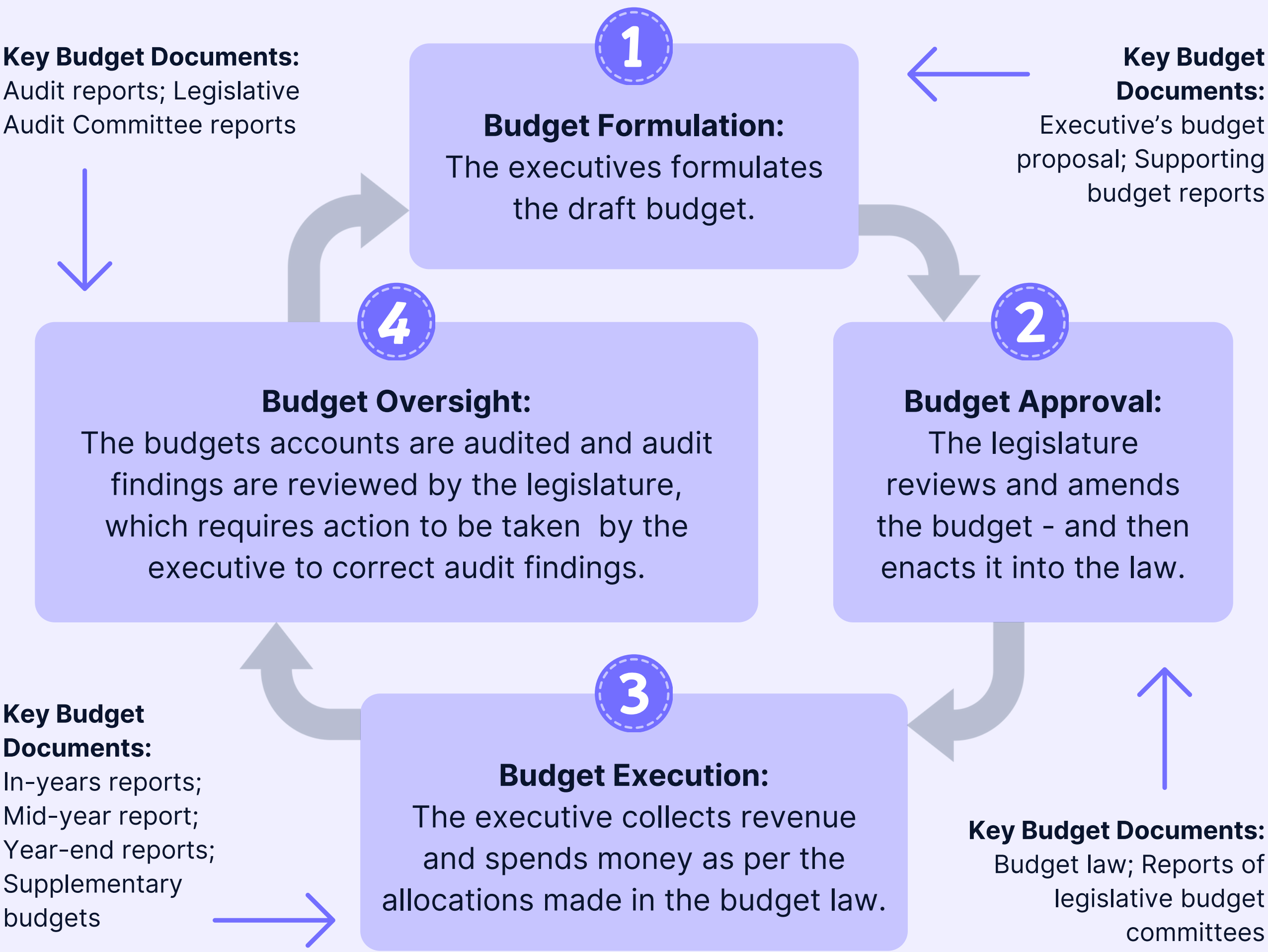
Budget credibility thus stands as the critical link between climate finance promises and climate action reality. Without addressing these execution challenges, even the most ambitious climate funding commitments and well-crafted national plans will fail to deliver the transformative impact the climate emergency demands.

BOX 1. **THE BUDGET CYCLE**

National budgets translate government priorities into actionable plans through revenue and expenditure allocations (de Renzio et al 2019:5). The budget cycle involves four key stages: formulation by the executive, approval by the legislature, execution through revenue collection and spending, and oversight through audits and legislative review (IBP 2018:15).

Three institutional pillars support this process: the executive (formulating and implementing), the legislature (approving and monitoring), and Supreme Audit Institutions (ensuring compliance and effectiveness). Civil society organizations and media provide additional accountability.

While public attention often focuses on budget formulation and approval, execution determines whether financial promises translate into real-world impact. As this document emphasizes, what happens during implementation—when authorized amounts are spent on intended programs—ultimately determines whether climate and development goals are achieved (IBP 2008:2; de Renzio et al 2019:6).




**SOURCE: IBP (2008:6)**

# THE SCALE: PUBLIC SPENDING CHALLENGES DISPROPORTIONATELY IMPACT CLIMATE-VULNERABLE COUNTRIES AND SECTORS

Budget credibility is a "global challenge" that may obstruct the achievement of climate and development goals (IBP 2019). Recent studies have documented how chronic budget credibility problems disproportionately impact the countries and sectors that will be the likely beneficiaries of climate finance.

## Governments underspend their annual national budgets by an average of nearly 10 percent—equivalent to the average total health budget in many countries.

On average, governments do not adhere to their planned budgets during budget execution and end up effectively reducing spending during the budget year (de Renzio et al 2019:11). Budget credibility poses an even greater problem in low-income countries, averaging 14 percent underspending (ibid:10). In other words, one out of every seven dollars in the budgets of low-income countries, many of which are climate-vulnerable, are not spent by year-end.

## In more than two-thirds of countries examined, governments struggle to maintain the planned composition of spending during the budget year.

Even when countries successfully execute their overall budget, significant shifts between different types of spending can divert resources away from sectors vital to climate adaptation toward less critical areas. A 2022 Public Expenditure and Financial Accountability (PEFA) report finds that aggregate budget credibility can mask larger-than-average deviations at the sectoral level (PEFA 2022).

## Climate-critical sectors like environment and agriculture face the highest rates of underspending, while defense budgets are fully spent or even increased.

When it comes to compositional credibility, IBP research reveals that underspending in sectors such as health, environment, and agriculture significantly exceeds aggregate levels of underspending (de Renzio et al 2019:1-2). In these same countries, other sectors often see full execution or even increases, meaning spending is diverted from priorities approved by legislatures.

## Capital spending—critical for climate infrastructure—faces underspending of 18 percent compared to just 4 percent for recurrent expenses.

Governments consistently deprioritize capital spending during budget execution, delaying crucial investments in green infrastructure. This underspending occurs because capital projects involve more complex procedures and can more easily be postponed (de Renzio et al 2019:2). A World Bank study found that 26 Sub-Saharan African countries executed less than 70 percent of their infrastructure capital budgets, underspending the equivalent of 1 percent of GDP (World Bank 2017). This pattern is particularly concerning for climate action, where achieving carbon reduction targets will require "the equivalent of 7.5 percent of global GDP in green capital expenditures by 2030" (McKinsey 2023).

# THE STAKES: WHY BUDGET EXECUTION MATTERS FOR CLIMATE ACTION

Together, these patterns create a perfect storm for climate finance: countries most vulnerable to climate change are among those with weak budget execution, sectors most critical for climate action see some of the highest rates of underspending, and capital investments needed for climate infrastructure face the greatest implementation barriers. Without addressing these systematic execution challenges, even substantial increases in climate finance commitments risk yielding disappointing results on the ground, particularly for the most vulnerable communities.

Poor budget execution creates consequences far beyond the immediate loss of resources each year. When climate funds aren't spent as planned, it triggers a cascading series of negative impacts that can undermine the entire climate finance architecture.

## The Trust-Finance Nexus

Budget credibility directly influences government trustworthiness and financial capacity. When governments consistently spend according to plan, they demonstrate accountability to citizens and the international community. Conversely, repeated deviations "erode people's confidence in their government's ability to make realistic plans and adhere to commitments" (IBP 2024:1).

This trust is essential for two critical funding streams:

**DOMESTIC RESOURCE MOBILIZATION**

More than half of the $2.4 trillion climate financing needed must come from domestic sources, requiring countries to increase tax revenues by an additional 2.7 percentage points of GDP by 2030 (IHLEG 2023:14). As the World Bank confirms, "willingness to pay taxes and support reform is higher when trust in the state is strong" (World Bank 2022).

**EXTERNAL INVESTMENT**

At least $1 trillion annually in external finance must flow to developing countries by 2030 (IHLEG 2022:8). The IMF notes that credible budgets make it "easier and cheaper" for countries to access private investment while fostering macroeconomic stability (IMF 2021).

## The Virtuous Cycle of Effective Execution

When governments implement budgets effectively, they create a reinforcing cycle of benefits:

**COMMUNITY IMPACT**

Stronger expenditure systems ensure climate funds reach their intended beneficiaries

**TRUST BUILDING**

Reliable spending builds confidence among citizens and investors

**RESOURCE OPTIMIZATION**

Reduced inefficiencies create more value from existing resources

**INVESTMENT ATTRACTION**

Demonstrated execution capacity attracts additional domestic and international funding

This positive cycle becomes self-reinforcing—effective spending increases trust, which mobilizes more resources, which enables greater impact, which further strengthens trust.

## The High Cost of Failure

The alternative—poor budget execution—creates an equally powerful but negative cycle. Governments lose vital climate resources at a time when they cannot afford inefficiency. Trust erodes among citizens and international partners. Both domestic revenues and external investments decline, further limiting climate action capabilities. This negative spiral can trap climate-vulnerable countries in a cycle where inadequate resources lead to poor implementation, which in turn further reduces resource availability.

BOX 2. **LESSONS FROM THE SDG EXPERIENCE: WHAT BUDGET EXECUTION MEANS FOR CLIMATE GOALS**

While direct research on budget credibility's impact on climate goals remains limited, valuable insights can be drawn from studies examining similar global initiatives. A 2022 IBP study provides compelling evidence of how budget execution affects the achievement of Sustainable Development Goals (SDGs).

## Evidence from SDG Implementation

This IBP study of 13 countries examined budget credibility across seven sectors crucial to both SDGs and climate action, including agriculture, environment, and water and sanitation (Torbert 2022:5). The findings revealed a troubling pattern: most countries systematically underspent in these critical sectors during implementation, with gender, agriculture, and water/sanitation experiencing the lowest budget execution rates.

## Global Recognition of the Problem

The international community has formally acknowledged the fundamental importance of budget execution by including budget credibility as a specific indicator (SDG16.6.1) within Goal 16 on effective institutions. A recent UN Secretary-General special report highlighted an alarming trend: budget credibility is deteriorating across regions, with average deviations approaching 10 percent in some areas during 2020-2021 (UN 2023).

## Implications for Climate Finance

The systematic underspending in environment, agriculture, and water sectors—all critical to climate adaptation and mitigation—suggests that without addressing budget execution challenges, climate finance may face similar implementation shortfalls. The SDG experience serves as an early warning system for the climate finance architecture, demonstrating that allocation alone doesn't guarantee results when execution systems are weak.

# ROOT CAUSES: UNDERSTANDING WHAT DRIVES BUDGET EXECUTION FAILURES

Budget execution challenges stem from complex, interconnected factors that vary across countries. These drivers can be both technical (reflecting capacity gaps in government systems) and political (reflecting the incentives and power dynamics in which budgets are formulated and executed). Understanding these root causes is essential for developing effective solutions. Four key factors consistently undermine budget credibility in climate finance:

## 1 Revenue Credibility Gaps

Revenue shortfalls directly trigger expenditure cuts. When actual revenues fall below projections, governments must reduce spending, often targeting development and climate sectors first (de Renzio et al 2020:1).

These revenue gaps arise from multiple sources (IBP 2024:1):

- **Technical weaknesses** in forecasting models that fail to account for economic volatility
- **Unpredictable revenue flows**, particularly in economies dependent on commodity exports
- **Political incentives** to overestimate revenue, creating artificially large fiscal space during budget approval

The political dimension is particularly significant. In Mexico, for example, the government's discretion over surplus tax revenues created incentives for systematic underestimation, with actual revenues exceeding projections by 10 percent over five years (Guillermo et al 2019:8). This pattern—whether of over- or under-estimation—undermines the integrity of the entire budget process.

## 2 Public Financial Management System Bottlenecks

The complex journey from budget allocation to actual spending creates numerous potential failure points. Budget execution involves multiple sequential steps:

- Making spending commitments
- Verifying delivery of goods/services
- Authorizing payments
- Processing payments
- Recording transactions

Problems at any stage can derail execution. Common bottlenecks include cash management issues, disbursement delays, and overly rigid procurement rules (de Renzio et al 2020:9).

In Nigeria, health budget underspending of 30 - 85 percent resulted from disbursement delays, centralized procurement procedures, and weak accounting systems (IBP learning note). These technical challenges can be often more pronounced for climate-related expenditures, which frequently involve complex procurement processes, multi-year implementation timeframes, and cross-sectoral coordination requirements that strain existing systems.

## 3 Weak Accountability Ecosystems

Effective budget execution requires robust accountability ecosystems with interconnected components that function throughout the budget cycle. This network of actors and processes is essential for detecting and addressing execution challenges:

- **Transparency:** IMF research confirms that transparent governments achieve higher budget credibility (IMF 2022:32). Yet most countries publish significantly less information during execution than during formulation (IBP 2024b:11). This transparency gap creates a critical blind spot precisely when oversight is most needed to ensure funds reach their intended targets.
- **Formal Oversight Institutions:** While 90 percent of legislatures scrutinize budget proposals, far fewer examine actual spending or audit findings (IBP 2022:35). Legislatures play a crucial role in ensuring executive adherence to approved budgets by reviewing in-year execution reports, questioning deviations, and authorizing significant changes to approved allocations. Supreme Audit Institutions (SAIs) serve as vital technical watchdogs by verifying the accuracy of government financial reporting, investigating budget deviations, and identifying systemic weaknesses that undermine execution. However, nearly half of legislatures fail to formally review audit reports, reducing pressure on governments to address execution problems highlighted in these reports (IBP 2024). This oversight gap during execution creates opportunities for governments to override promises made in approved budgets without consequence.
- **Public Participation and Media Oversight:** Despite progress in civil society budget monitoring, formal opportunities for civic engagement remain limited, with an average public participation score of just 15/100 across 125 countries (IBP 2024b:11). Civil society organizations and community groups provide crucial ground-level verification of budget implementation, while independent media amplifies findings and builds public pressure for accountability. Yet participation mechanisms during budget execution consistently lag behind even those available during formulation, creating a critical accountability gap when resources are actually being spent (IBP 2024b:11).

Across all three pillars—transparency, formal oversight, and public participation—accountability during execution consistently lags accountability during formulation. This systematic weakness throughout the accountability ecosystem creates a permissive environment where governments can make ambitious climate commitments during budget formulation but face limited scrutiny when they fail to deliver during implementation. Independent and effective scrutiny by the complete network of oversight actors can generate both the technical insights and political pressure needed to address execution challenges before they become entrenched patterns.

## 4 Problematic Donor Funding Approaches

According to the Center for Global Development, project-based interventions, which often flow through off-budget mechanisms, account for about 80 percent of concessional finance for adaptation and mitigation, compared to only 7 percent provided as budget support (CGD 2022:19). This approach reflects donors' understandable concerns about transparency and accountability in countries with weaker PFM systems. However, this short-term risk mitigation strategy may further undermine PFM systems and thereby undermine the long-term effectiveness of climate finance.

While off-budget mechanisms may appear to reduce risks for donors, they create significant systemic problems:

- **Strained Capacity:** Off-budget climate investments stretch already limited government implementation capacity, weakening performance for both off-budget and on-budget expenditures—including the approximately 50 percent or more of climate spending that is projected to come from domestic resources.
- **Weakened Oversight:** These parallel structures limit the ability of domestic accountability institutions (legislatures and SAIs) to exercise oversight, further undermining governance systems.
- **Blocked Mainstreaming:** Off-budget approaches impede the critical medium-term goal of mainstreaming climate objectives throughout all budget sectors—health, education, infrastructure, and more.
- **Undermined Scalability:** By weakening budget systems rather than strengthening them, off-budget financing reduces countries' ability to absorb larger climate finance flows in the future.

## BOX 3. **FROM TRANSPARENCY TO ACCOUNTABILITY: EVOLUTION OF BUDGET OVERSIGHT**

The approach to budget oversight has evolved significantly over the past three decades. Initial efforts focused primarily on fiscal transparency—the disclosure of budget information—as a foundation for accountability. This transparency revolution has achieved remarkable progress, with international standards, assessment tools, and civil society capacity all developing significantly (Krafchik et al 2025).

However, experience has shown that transparency alone is insufficient. What's needed is a more comprehensive "accountability ecosystem" approach that extends beyond information disclosure to address the interconnected network of actors involved in ensuring budget accountability:

- **Formal oversight bodies** (legislatures, audit institutions, courts)
- **Informal oversight actors** (civil society, media, citizen groups)
- **Government implementers** (finance ministries, line ministries)

What distinguishes this approach is its focus on relationships and power dynamics rather than just individual capacities. It examines how these diverse institutions interact, share information, and collectively influence budget outcomes. This systemic view recognizes that strengthening individual components is necessary but insufficient—true accountability requires effective collaboration across the entire ecosystem of budget actors.

As we confront the climate finance challenge, this ecosystem approach offers valuable lessons for addressing the root causes of budget execution failures in ways that build sustainable, country-owned solutions.

# Measurable Benefits of Strengthening Country Systems

As documented in Piatti-Fünfkirchen et al. (2021), decades of evidence from official development assistance demonstrates that aligning external funding with national priorities and delivering it through country systems not only strengthens those systems but consistently produces better development outcomes.

## Examples:

**REDUCED CHILD MORTALITY**

A one-unit increase in PFM quality reduces under-five mortality by approximately 14 deaths per 1,000 live births. In countries channeling at least 75 percent of health expenditures through government systems, this impact increases to 17 fewer deaths per 1,000 births (Piatti-Fünfkirchen and Smets 2019).

**MORE EFFECTIVE PUBLIC SPENDING**

Public health spending becomes as effective as private health spending when governance quality is strong (Fujii 2018).

**GREATER SCALE AND SUSTAINABILITY**

Evidence from Ethiopia, Nigeria, and Uttar Pradesh (India) shows that donor-funded innovations aligned with government priorities and implemented through national systems are significantly more likely to be scaled up than externally designed initiatives using parallel mechanisms (Wickremasinghe 2018).

**TRANSFORMATIVE PFM IMPROVEMENTS:**

Experience shows that budget support interventions and PFM reforms mutually reinforce each other (Piatti-Fünfkirchen and Gurazada 2024). “Smets and Knack (2018) find that budget support can have a statistically significant effect on the quality of public sector management and institutions. This [finding] is consistent with Fardoust et al. (2023) who find a similar effects on economic management and public sector governance. A recent review of multilateral development bank experience notes that ‘PFM vastly improved as evidenced by repeat PEFA assessments’ and that 'budget support played an important role in these improvements.’ (ibid)”

# Implications for Climate Finance

These findings have profound implications for climate finance: strengthening country systems rather than circumventing them is a practical necessity for maximizing climate impact.

When donors channel climate finance through country systems, they not only build long-term institutional capacity but also achieve better immediate results for vulnerable populations. Conversely, parallel implementation structures may deliver short-term outputs but undermine the systemic changes needed for sustained climate resilience. Despite this compelling evidence, many climate finance donors continue to establish parallel mechanisms to deliver and manage climate funds, potentially compromising both efficiency and effectiveness of these critical resources.

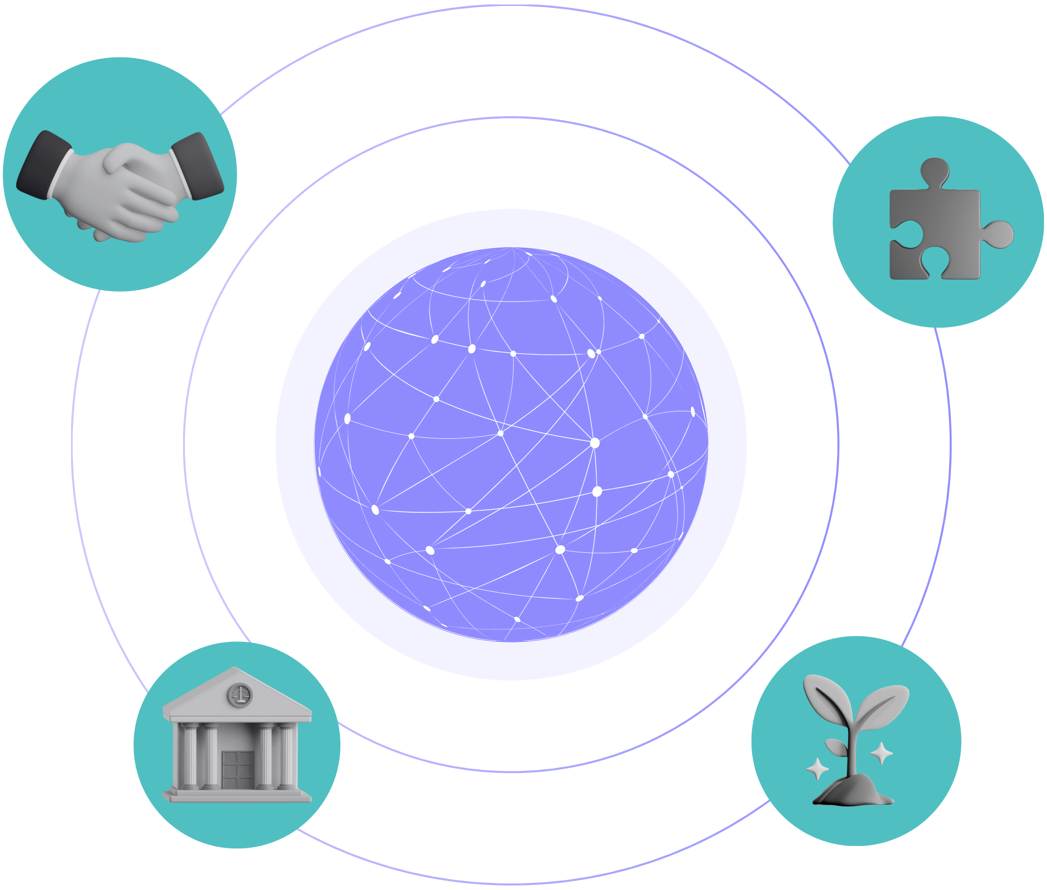
As climate finance flows increase dramatically in coming years, these research insights provide a clear directive: investing in country systems is an essential component of effective climate action, not a secondary consideration. Strengthening domestic systems and institutions responsible for managing climate funds should not be viewed as a separate or additional priority from a country's climate goals; it is an essential and urgent part of any country's strategy to ensure the achievement of its climate agenda.

Good quality spending improves not only climate spending but ultimately all government spending. In this way, climate donors' investments in government systems benefit the overall economic and social trajectory of a country. By taking a systems approach rather than a project-by-project approach, climate finance can serve as a catalyst for broader governance improvements that extend far beyond climate objectives alone.

# THE DELIVERY IMPERATIVE: A FRAMEWORK FOR ACTION

Climate donors, recipient governments, and oversight actors share a powerful common interest: ensuring every climate dollar delivers maximum impact. The $300 billion pledge and commitment to the Baku to Belem Roadmap present an unprecedented opportunity to transform how climate finance operates—but only if we address the delivery gap that threatens to undermine the entire climate finance architecture.

This framework presents practical, achievable actions centered on a critical objective: strengthening country systems—the essential foundation for effective climate finance. With historic climate funding set to flow to vulnerable countries, these actions can dramatically improve climate outcomes worldwide.



## 1 Direct climate finance through country systems

When climate finance flows through domestic planning, budgeting, and accountability systems, it triggers a virtuous cycle: effective management builds trust, which attracts additional financing from taxpayers, investors, and donors alike. Channeling funding through country systems is not a binary choice: progress on transparency and new financial instruments offer a range of options to calibrate risk and systems building.

**WHAT CLIMATE DONORS CAN DO:**

1. **Increase on-budget support** by significantly increasing the proportion of flexible climate finance provided through country budget systems to strengthen fiscal management and overcome fragmentation.

2. **Use large-scale national climate investment projects** as entry points when full budget support isn't feasible. Existing project classification codes in governments' current financial management information systems can track spending on public investment projects implemented by government entities or public corporations.

3. **Leverage innovative financing mechanisms** like SLSDs that link financing to predefined sustainability commitments, offer better terms, and provide accountability without restrictive earmarking—creating powerful incentives for improved execution.

## 2 Build accountability ecosystems for climate results

Budget credibility challenges persist due to fundamental weaknesses in interconnected accountability systems. Building robust oversight requires three essential components working in concert to detect and address execution problems before they become entrenched.

### ESTABLISH FISCAL TRANSPARENCY AS THE FOUNDATION

Fiscal transparency forms the necessary foundation for budget accountability, though insufficient alone. In many countries, the lack of detailed execution data prevents proper tracking of climate expenditures and creates opportunities for "greenwashing" through reporting allocated rather than actual climate spending.

Transparency improvements correlate directly with better spending quality, enhanced budget credibility, and improved economic management—yet the global average transparency score on the latest Open Budget Survey remains just 45/100, with execution data particularly lacking (Hameed 2011:22; IMF 2012:5; and IBP 2024b:11). While capacity constraints do exist, most countries can significantly improve levels of transparency by publishing data that is already produced for internal use but not made publicly available. In addition, well-developed global norms for fiscal transparency already exist and country examples of good practices are easily available to guide progress.

### SUPPORT OVERSIGHT NETWORKS FOR COLLECTIVE IMPACT

Improving spending quality requires shifting power dynamics within budget processes. When oversight institutions and civil society work together with proper capacity and influence, expenditure effectiveness improves markedly.

Experience shows that transformative accountability requires formal institutions (legislatures, audit institutions) and informal actors (civil society, media) working together in coordinated networks that can provide both technical insights and political pressure.

### WHAT CLIMATE DONORS CAN DO:

1. **Catalyze transparency improvements** by elevating fiscal transparency in global forums, linking transparency to climate finance access, and advocating for disaggregated climate expenditure data.

2. **Strengthen oversight networks** by supporting legislatures and audit institutions to focus specifically on climate spending oversight while facilitating dialogue among all accountability actors.

3. **Support collaborative approaches** rather than isolated institutional capacity building by fostering partnerships between oversight institutions, media, and civil society organizations.

4. **Encourage cross-sector civil society collaboration** between climate experts, budget specialists, and grassroots organizations to create more powerful oversight coalitions.

## 3 Implement targeted country-driven reforms

Addressing budget execution challenges requires a context-specific approach balancing technical expertise with political realities. Rather than attempting comprehensive reforms across all systems simultaneously, stakeholders must prioritize interventions based on the most critical bottlenecks in each country (IBP learning note).

### BEGIN WITH STRATEGIC DIAGNOSTICS

Climate expenditure diagnostics can identify specific execution barriers. Though deviations appear during implementation, root causes frequently originate in earlier budget phases, including planning and formulation.

A targeted diagnostic that reveals the specific challenges undermining climate expenditure provides an ideal entry point for broader PFM reforms. This assessment should be conducted collaboratively to ensure findings have broad-based support.

### BUILD MULTI-STAKEHOLDER APPROACHES AROUND CLIMATE FINANCE

Previous reform efforts have suffered from fragmentation and insufficient political backing. Effective reforms require coordinated packages built on consensus about root causes and practical solutions.

When stakeholders collaborate effectively, reforms gain momentum through shared ownership and complementary contributions. Political support becomes more sustainable when citizens see direct links between improved budget execution and better climate outcomes in their communities.

#### WHAT CLIMATE DONORS CAN DO

1. **Promote targeted diagnostics** focused specifically on climate expenditure execution.

2. **Facilitate stakeholder collaboration** among government, civil society, and other development partners.

3. **Support inclusive reform planning** that ensures citizen voice in monitoring implementation.

4. **Draw on Global South experiences** to inform budget execution reforms. Identify and draw on comparable, successful experiences identified by Public Expenditure and Financial Accountability database for SDG indicator 16.6.1, which measures aggregate budget credibility.

5. **Document lessons learned** to build a knowledge base for future climate finance initiatives.

By focusing initially on climate-related expenditures, donors can create a strategic entry point for broader PFM improvements while ensuring climate finance delivers its intended impact.

# TURNING PLEDGES INTO PROGRESS: THE TIME IS NOW

This framework demonstrates how effective spending and resource mobilization reinforce each other in a virtuous cycle. When governments execute budgets reliably, they build trust with citizens, investors, and donors—unlocking additional resources that enable greater climate impact.

The actions outlined above offer a practical pathway forward that serves the interests of all stakeholders. By directing climate finance through country systems, building accountability ecosystems, and implementing targeted reforms, we can close the delivery gap and create resilient climate finance architecture.

As we mobilize unprecedented climate finance, we must champion execution alongside fundraising ambition, transforming pledges into protection for our planet and its most vulnerable people. The delivery imperative is not just important—it's essential to our collective climate success.

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