

# CLIMATE ADAPTATION FINANCE GOVERNANCE STANDARDS

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A new approach piloted in  
the Maldives and Bangladesh





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Special thanks to Adaptation Watch partners, especially Adaptify and Brown University. Also a special thanks to Covington & Burling LLP.

ISBN: 978-3-96076-096-2

Printed on 100% recycled paper.

Design: sophieeverett.com.au

© Cover photo: Ali Nishan (Milzero)

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Supported by:



Federal Ministry  
for the Environment, Nature Conservation  
and Nuclear Safety



**Adaptation  
Watch**

based on a decision of the German Bundestag

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# 1. EXECUTIVE SUMMARY

**The evidence is clear: climate change is happening rapidly, and it poses a major threat to the world. 2016 was the hottest year ever on record.<sup>1</sup> Extreme “once in a generation” weather events are becoming more regular. And fragile ecosystems such as the Great Barrier Reef are dying. Climate change is no longer a future threat; it is here and causing huge ecological and economic damage.**

Climate finance – money intended to help at-risk countries prevent climate change and adapt to its effects – can be vulnerable to corruption. Without strong governance standards, climate finance can be diverted from vital prevention and adaptation activities into private bank accounts and vanity projects – often leading to catastrophic effects for countries already suffering.

This report presents a new framework to create and assess governance standards for climate finance. It is for climate adaptation stakeholders worldwide from the public and private sector, international agencies, and civil society who want to ensure that climate finance going into countries where they are working meets the needs of climate-vulnerable communities.

The framework evaluates the governance quality of climate finance by looking at the components of financing climate adaptation (planning, accessing, delivering and monitoring effectiveness), combined with key criteria of good governance (transparency, accountability, participation, integrity and coherence). It then assesses four major stakeholder groups against these (civil society, business, government and international agencies).

Using the framework, the four groups can develop and agree governance standards for climate finance. They can then use the same framework to guide improvements and as a monitoring and appraisal tool to ensure transparency and check the progress of key actors.

It is expected that adopting clear standards for governing climate finance will improve the interplay between the public sector, business, international agencies and civil society; fragmentation will decrease, while synergy will increase. Specifically, all stakeholders will have a clearer mandate to manage and coordinate climate adaptation investments and also more

opportunity to build their capacity to do so. This will also make it possible to prioritise resources towards the people most vulnerable to climate change.

Improved governance of climate finance can also inform formal national adaptation planning processes. It can help to reduce perceived fiduciary risk among funds and investors in respect of climate adaptation, leading to improved access to financial resources for adaptation. Furthermore, the overall institutional ability of a country to prioritise, deliver and monitor climate finance will improve, leading to less risk of maladaptation and more effective implementation of adaptation investments.

Transparency International Bangladesh and Transparency Maldives piloted the framework during 2016 and 2017 in their countries, working with Adaptify and Brown University under the AdaptationWatch partnership.<sup>2</sup> In both countries the exercise has led to the creation of a national governance standard for climate adaptation finance, designed by key stakeholders from government, the private sector, civil society and international agencies. See annexes 1 and 2 of this report for the standards.

These pilots indicated that both countries need to develop more inclusive governance processes, and create stronger accountability mechanisms, such as independent oversight bodies. Additionally, in the Maldives, stakeholders called for an improved monitoring and evaluation process, and better use of existing national resources, working especially to get private actors from the lucrative tourism sector involved. For Bangladesh, there is an interest in using pre-defined assessment criteria to prioritise the use of adaptation finance within the country, as well as developing an information sharing system for adaptation projects and finance flows.

More broadly, the key recommendations that came out of the two pilots were that climate finance governance throughout the world can be improved by:

1. developing inclusive governance processes for climate finance, using multi-stakeholder dialogues, community hearings and open tendering processes
2. creating meaningful mechanisms to hold actors accountable, including using independent auditors, codes of conduct for implementing agencies, systematic assessments for project prioritisation, and citizen-friendly complaint handling tools
3. improving information sharing by using platforms for learning about adaptation projects and finance, undertaking robust social and environmental impact assessments, and allocating resources to monitoring and evaluation processes that extend beyond the end of the project life-cycle

Although this approach is still a work in progress, the initiative successfully convened the key stakeholders working on climate finance at the national level in both Bangladesh and the Maldives and facilitated an open discussion on some of the most contentious problems relating to climate finance transparency, accountability, integrity and coherence. Furthermore, these stakeholders jointly agreed detailed and specific measures that, if complied with, will raise governance performance.

As a next step, Transparency International Bangladesh and Transparency Maldives will work with the climate adaptation stakeholders in their respective countries to improve performance to bridge the gap between the current baseline and the agreed minimum standards of good governance. It is planned that the framework survey will be carried out regularly to assess progress over time.

Transparency International and other AdaptationWatch partners will facilitate knowledge sharing on how the framework can be refined and expanded within the global community. They intend for the framework to be adapted and improved, and used around the world to bring stakeholders together to agree on ways to improve climate finance governance.



**It is expected that adopting clear standards for governing climate finance will improve the interplay between the public sector, business, international agencies and civil society; fragmentation will decrease, while synergy will increase.**





# INTRODUCTION

## **A 2014 Intergovernmental Panel on Climate Change report makes stark predictions for many countries around the world when it comes to climate change – but particularly for South Asia.<sup>3</sup>**

Asia ranked as the most prominent victim of climate change in 2013, incurring nearly 30 per cent of the global economic loss from natural disasters.<sup>4</sup> Countries like Afghanistan, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and Sri Lanka are bearing the brunt of these effects.

Money invested to help these countries prevent climate change and adapt to its worst effects is called “climate finance”. Rich, carbon-emitting countries (which have the greater share of responsibility in causing climate change) pledge the money to poorer, climate-vulnerable countries.

In 2013, Transparency International assessed the state of climate finance in Bangladesh, the Dominican Republic, Kenya, Mexico and the Maldives.<sup>5</sup> These studies revealed a fragmented funding landscape that is complicating efforts to build a strong pipeline of investments to reduce climate change risks. Transparency International’s research discovered that developing countries are finding it hard to keep track of where funds are coming from and what investments are being made. Furthermore, funders and donor agencies are not making enough money available to help with project design, or to hold meaningful consultations with communities affected by climate change projects.

More support is needed to ensure developing countries can independently design, implement and monitor climate change projects. Adapting to climate change requires a complex set of changes in practices, technology, laws and regulations. Effective cooperation is, therefore, needed between international funding agencies, developing country governments and their various institutions, private companies, private investors and civil society organisations - CSOs. The way in which these stakeholders cooperate (or not) is known as “governance”. Improving standards of governance will lead to better climate change investments, targeted more directly to areas of most need.

Against this backdrop, Transparency International, Adaptify and Brown University began working under the AdaptationWatch partnership to design a new approach to raise governance standards for climate adaptation finance, designing a conceptual framework and methodology in collaboration with Transparency International Bangladesh and Transparency Maldives. Key stakeholders from government, international agencies, business and civil society in the two countries became involved to agree on ways in which governance performance could be improved.

By mid-2017, national governance standards for climate adaptation finance had been drafted in both Bangladesh and the Maldives, with support and agreement from government, international agencies, the private sector and CSOs. Transparency International Bangladesh and Transparency Maldives launched these national standards in specific country reports in June and April 2018, respectively.<sup>6, 7</sup>

This summary report discusses the overall framework and methodology, and builds on the results of the two country pilots to consider the next steps for improving and sharing this approach more widely. The country national standards have been included in annexes 1 and 2 of this report.

# PILOTING GOVERNANCE STANDARDS FOR CLIMATE FINANCE

**Governance has been defined in various ways, but central to most definitions is the exercise of authority in a country, and the distribution of goods and services in that country among its different sectors. This leads to the question: How can governance be dealt with in a constructive way that will encourage stakeholders to target adaptation finance towards the most vulnerable?**

The idea of governance standards has existed for decades, and there are already governance standards for public sector services and corporate governance. Governance standards work as a set of mutually-agreed upon expectations that serve as a comparison to how governance works in practice.

To determine whether or not stakeholders are meeting agreed governance standards, indicators are used as a series of signals that point to either good or bad practices. There are different ways to measure and operationalise indicators, but the important thing is that they communicate whether or not governance standards are being met. Stakeholders can then use these measurements to hold each other accountable and work to make improvements.<sup>8</sup>

The methodology developed here was designed in such a way that the overall framework can be modified if desired, and stakeholders can choose their own specific indicators. Stakeholders chose their own indicators in both of the two pilots, which are described later in this report. Staff at Transparency International Bangladesh and Transparency Maldives reached out to key people in business, government and CSOs for feedback to tailor their indicators to the specific circumstances in each country.

Furthermore, the methodology was not designed for country comparison, but rather focuses on creating a process in which multiple stakeholders (from government, business, international agencies and civil society) are brought together to discuss how to maintain minimum standards of governance, to facilitate the development of relevant and effective climate adaptation projects in that country.

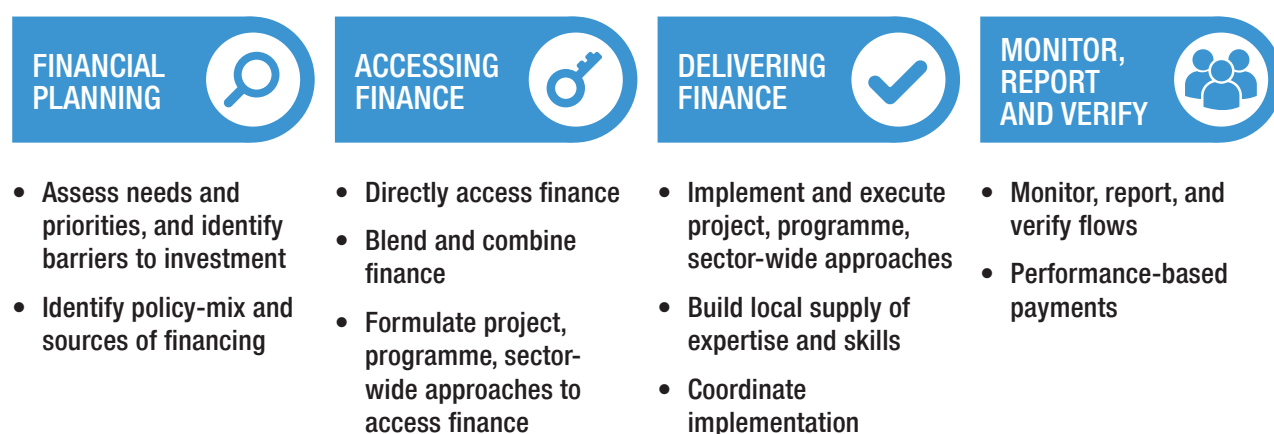


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# CLIMATE FINANCE GOVERNANCE STANDARDS METHODOLOGY

The climate finance governance standards methodology is based on a framework created by the United Nations Development Programme (UNDP), which divides climate finance into four core components: plan, access, deliver and monitor.<sup>9</sup>

FIGURE 1: COMPONENTS OF CLIMATE FINANCE (UNDP)



In the methodology, each of these four components is assessed through the lens of five governance criteria. These criteria were selected from a broad survey of the academic literature on governance indicators, and in consultation with stakeholders in the two pilot countries (the Maldives and Bangladesh). The five criteria are: transparency, accountability, participation, integrity and coherence.<sup>10</sup>

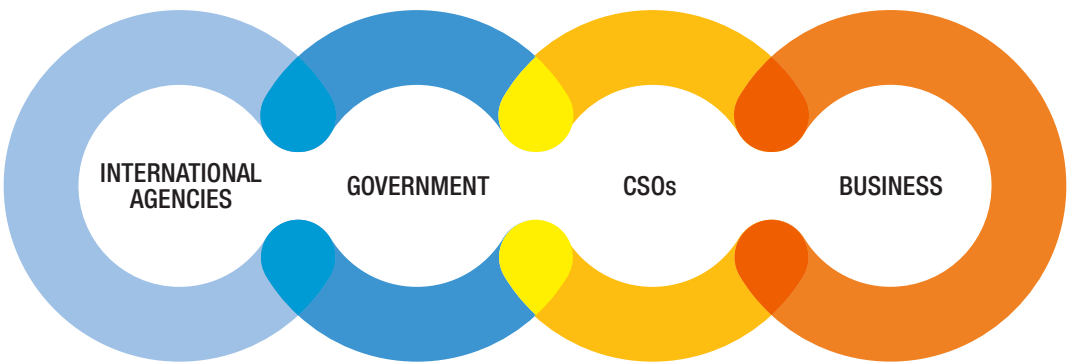


**FIGURE 2: THE FIVE GOVERNANCE CRITERIA USED IN THE ASSESSMENT**



Next, the framework is expanded to include four distinct types of stakeholder: international funding agencies (based in the respective country); government agencies (ministries, departments and institutes); business (including both private companies and investors); and CSOs (including think-tanks and universities).

**FIGURE 3: STAKEHOLDER TYPES**



When each of the four climate change components is viewed through the lens of each of the five governance criteria, and then the framework is expanded to include the four stakeholder groups, the result is 80 separate climate finance governance indicators. The methodology gives country teams flexibility to choose indicators relevant to their circumstances. In the Maldives and Bangladesh pilots, indicators were chosen based on suggestions and feedback from key stakeholders.

Each of the 80 indicators is then translated into a question for inclusion in a perception survey. The table below shows an outline for the first 20 indicators for the planning component of climate finance.

**FIGURE 4: CLIMATE FINANCE GOVERNANCE FRAMEWORK**

CLIMATE FINANCE COMPONENT	GOVERNANCE CRITERIA	STAKEHOLDERS	INDICATORS	SURVEY QUESTIONS
<b>Planning (Accessing/ Delivering/ Monitoring)</b>	Transparency	International Agencies	1	
		Public Sector	2	
		Private Sector	3	
		CSOs	4	
	Accountability	International Agencies	5	
		Public Sector	6	
		Private Sector	7	
		CSOs	8	
	Participation	International Agencies	9	
		Public Sector	10	
		Private Sector	11	
		CSOs	12	
	Coherence	International Agencies	13	
		Public Sector	14	
		Private Sector	15	
		CSOs	16	
	Integrity	International Agencies	17	
		Public Sector	18	
		Private Sector	19	
		CSOs	20	

In parallel with the construction of the questionnaire, an inventory is made of key stakeholders to survey, from government, the private sector, CSOs and international funding agencies. Forty-one people were surveyed in the Maldives pilot and 26 in Bangladesh.

In the pilots, it was assumed that respondents would give more complete information if they could provide comments on the questionnaire anonymously,

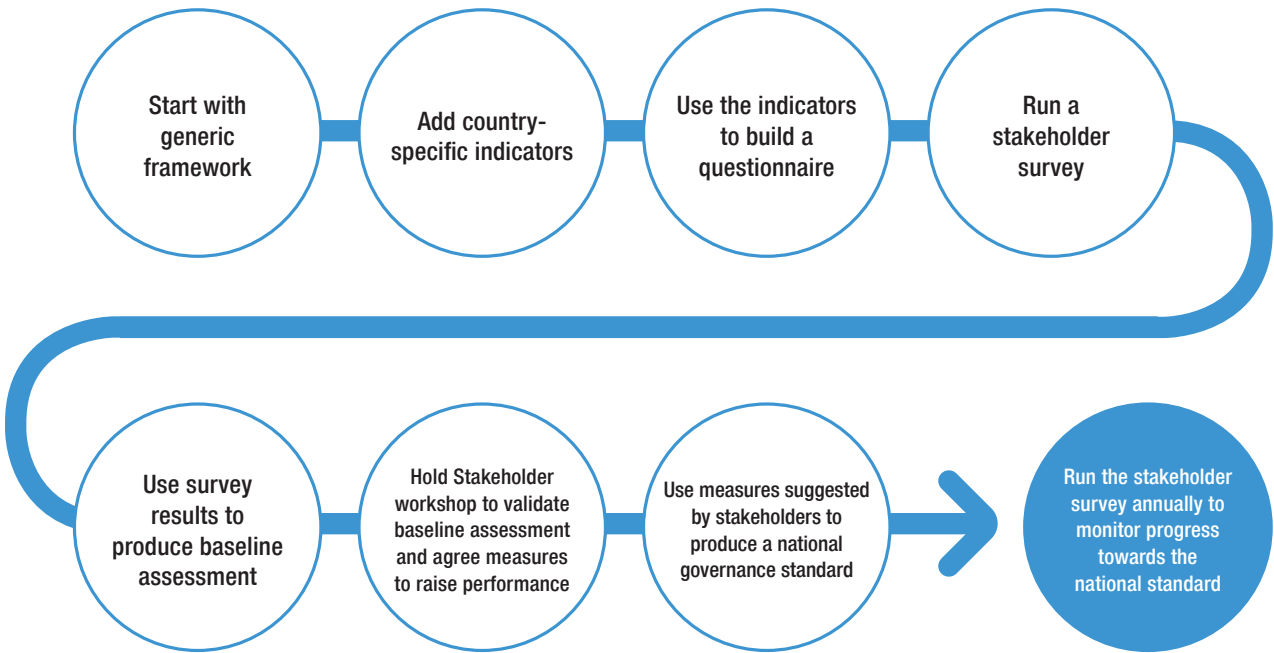
and a confidentiality agreement was prepared for respondents before completing the survey. The contact details of each stakeholder were added to a database, and each person was assigned an anonymous identification number. This was done to remove identifying details from the survey data. This allowed respondents to answer anonymously, while allowing the team managing the process to determine which type of stakeholder had completed the survey.

The purpose of the survey is of course to collect feedback from stakeholders on the 80 indicators. To minimise the time respondents needed to complete the survey, the questions were presented in a series of blocks, within which respondents were asked to assess the performance of each of the four stakeholder groups. Respondents were asked to provide scores between 1 (strongly disagree) and 5 (strongly agree) on their level of agreement over whether different indicators of good governance are being met across the four components and the four stakeholders of climate adaptation finance. In addition to this quantitative score, respondents were given the opportunity to provide qualitative information as comments.

Although the questionnaire was built using Google Forms, which is designed for online surveys, in many cases feedback was obtained through face to face, semi-structured interviews, with the interviewers entering the data into the online questionnaire. This method was sometimes preferred because it was assumed that it would yield more substantial and detailed comments from the respondents.

Google Sheets was used to automatically collect the data from the questionnaires and to separate the scores from the comments. A simple formula was designed to aggregate the scores into totals. This combination of scores and comments was then used to produce a national baseline assessment of the standard of climate finance governance.

FIGURE 5: THE PROCESS OF PRODUCING NATIONAL GOVERNANCE STANDARDS





Once the baseline assessment had been completed, all stakeholders that took part in the survey were invited to a national stakeholder workshop. At this workshop the baseline assessment results were presented and discussed, and stakeholders worked collaboratively to agree actions needed to raise performance from the baseline to a minimum standard of good governance. This included agreeing specific measures each stakeholder group will need to undertake. These stakeholder agreements were then compiled into national climate finance governance standards.

**FIGURE 6: BANGLADESH STAKEHOLDER WORKSHOP, DHAKA, MARCH 2017**



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**FIGURE 7: BANGLADESH STAKEHOLDER WORKSHOP, DHAKA, MARCH 2017**



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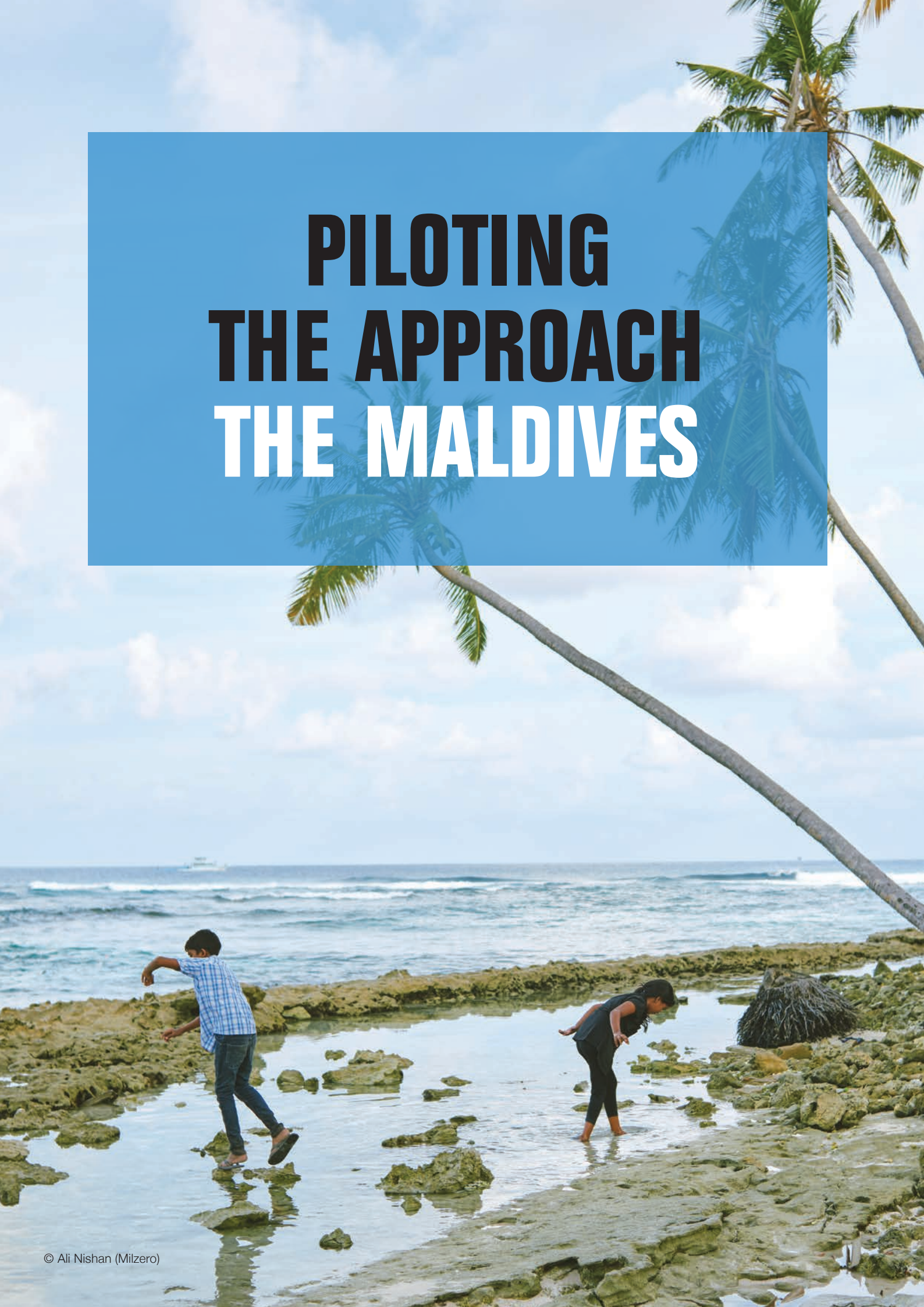
After this initial work, countries can then do a follow-up stakeholder perception survey each year (applying the same method used to assemble the baseline assessment). Results are compiled into a monitoring report, and key stakeholders from government, business, CSOs and international agencies meet to discuss compliance with the standard and how the governance of climate finance can be improved.

**FIGURE 8: THE ITERATIVE PROCESS OF IMPROVING CLIMATE FINANCE GOVERNANCE THROUGH THIS APPROACH**



The following sections outline how this methodology was piloted in the Maldives and Bangladesh between 2016 and 2017, and describe the key results, outcomes and next steps to be taken in each country.

# PILOTING THE APPROACH THE MALDIVES







# INTRODUCTION

**The Maldives is a nation of 1,192 coral reef islands, 80 per cent of which are barely one metre above sea level. The low-lying nature of these islands makes them extremely vulnerable to the effects of climate change. Threats include rising sea levels, storm surges, coastal erosion and warming sea temperatures. The only protection is coral reefs, which are themselves extremely susceptible to climate change's negative effects.**

In 2004, more than 97 per cent of inhabited islands in the Maldives reported beach erosion.<sup>11</sup> Water shortages have become a chronic problem with more and more islands running out of water.<sup>12</sup> Around 50 islands currently rely on emergency water supplies provided by the government for three months each year.<sup>13</sup> Ninety per cent of island households rely on rainwater as their primary water source.<sup>14</sup> Disrupted rainfall patterns cause periods of either extremely dry or wet weather, resulting in economic damage to farmers and traditional craftspeople. In 2015, more than US\$100 million worth of foreign loans and US\$32 million from the state budget were allocated for water and sewerage projects to help address some of these issues.<sup>15</sup>

The Maldives has long been an outspoken advocate of the strong need for mitigation and adaptation measures to combat the climate crisis in developing countries. As one of the most vocal small island developing states, the Maldives chairs the Alliance of Small Islands States, which is a coalition of small-island and low-lying coastal countries that share similar development challenges and concerns about the environment, especially their vulnerability to the effects of global climate change. It has also for decades emphasised the urgent need to take action to address the effects of climate change, both at the local and international level.

Since 2011, Transparency Maldives has been working on climate finance governance, monitoring climate finance as it enters and is distributed throughout the country, and working with communities to ensure they are included in decisions directly impacting their lives. Research carried out in 2015 showed that climate finance flows into the Maldives through complex channels involving, mostly, grants from multilateral and bilateral funds.<sup>16</sup> Given the Maldives' climate change vulnerability, it is in dire need of help in adapting to and mitigating the impacts of climate change. But without a strong system of governance for the selection and implementation of climate vulnerability risk reduction projects, there is a risk that the resources do not end up where they are most needed.

More support is necessary to ensure that local actors can independently design, implement and monitor climate change projects in the Maldives. Effective cooperation is needed between international agencies, governments and their various institutions, private companies, private investors and civil society.

The following section summarises the key results and outcomes of a pilot carried out in the Maldives to develop standards for climate adaptation finance governance. Transparency Maldives published a full report of this pilot in April 2018.<sup>17</sup>

# RESEARCH

For the pilot study in the Maldives, 41 key climate finance stakeholders<sup>18</sup> were interviewed using the framework outlined in the methodology chapter of this report. Transparency Maldives chose indicators for each of the five governance criteria across each of the four components of climate finance governance to match the specific climate adaptation finance context of the Maldives, and based on a review of secondary reports on climate finance governance, adaptation finance tracking reports and key informant interviews.

Each indicator was then framed as a statement and listed in a questionnaire interviewees could fill in online. To yield the most fruitful data, most interviews were conducted face to face, resulting in a rich volume of qualitative information. The online questionnaire and interviews were conducted between January and March 2017.

A day-long research validation workshop took place in April 2017 in Malé, Maldives, where 16 of the survey

participants reviewed and discussed the survey findings, and made recommendations to improve the criteria used to generate minimum standards of good governance for climate adaptation finance. In addition, stakeholders who attended the workshop discussed the measures that each stakeholder must undertake to improve performance and reach the agreed minimum standards for governance. These governance standards and the requisite measures to achieve them are presented in annex 1.

FIGURE 9: VALIDATION WORKSHOP, MALÉ, APRIL 2017

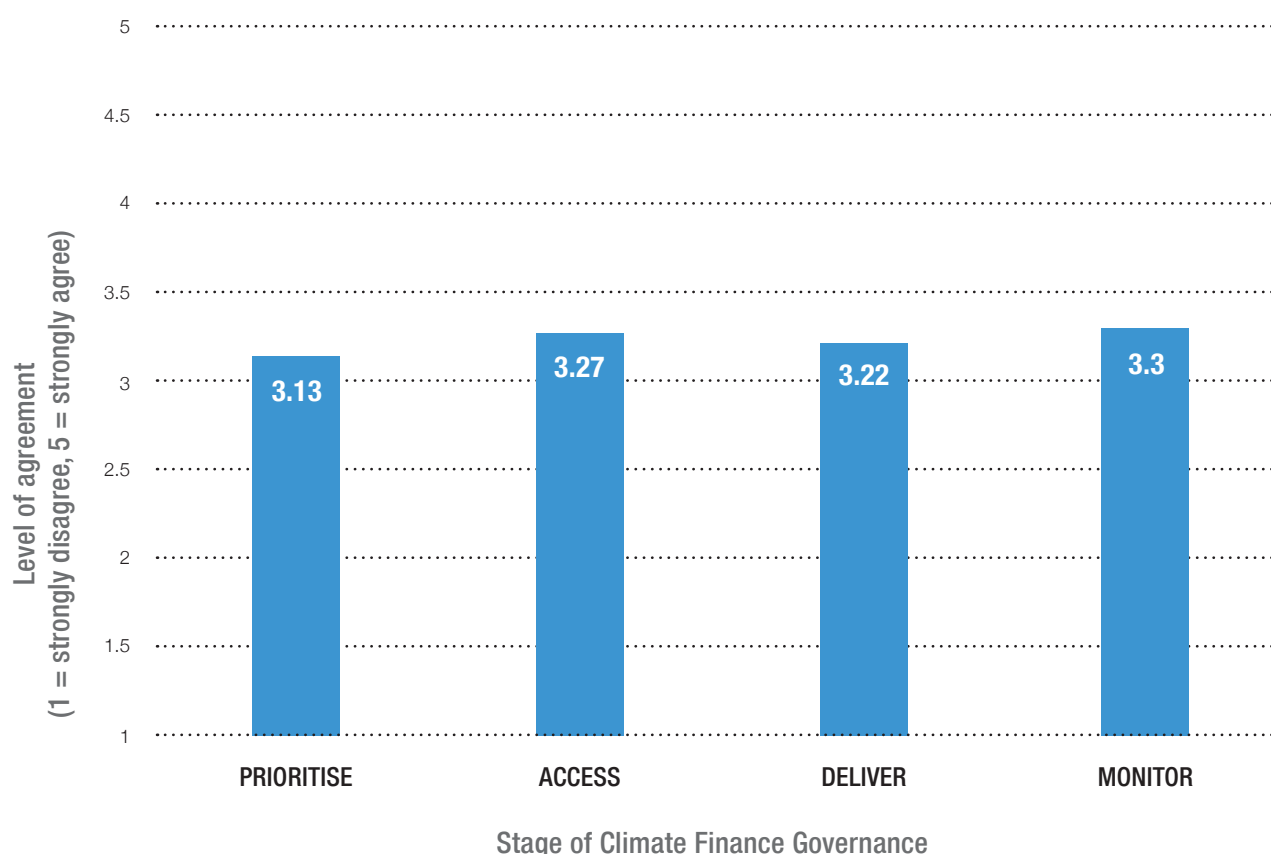


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# RESULTS

Overall, the survey results hovered around three on a scale of five for all four components of climate finance governance (Figure 10), indicating agreement that some good governance practices are being followed, but there is scope for improvement across all phases of climate adaptation finance governance in the Maldives.

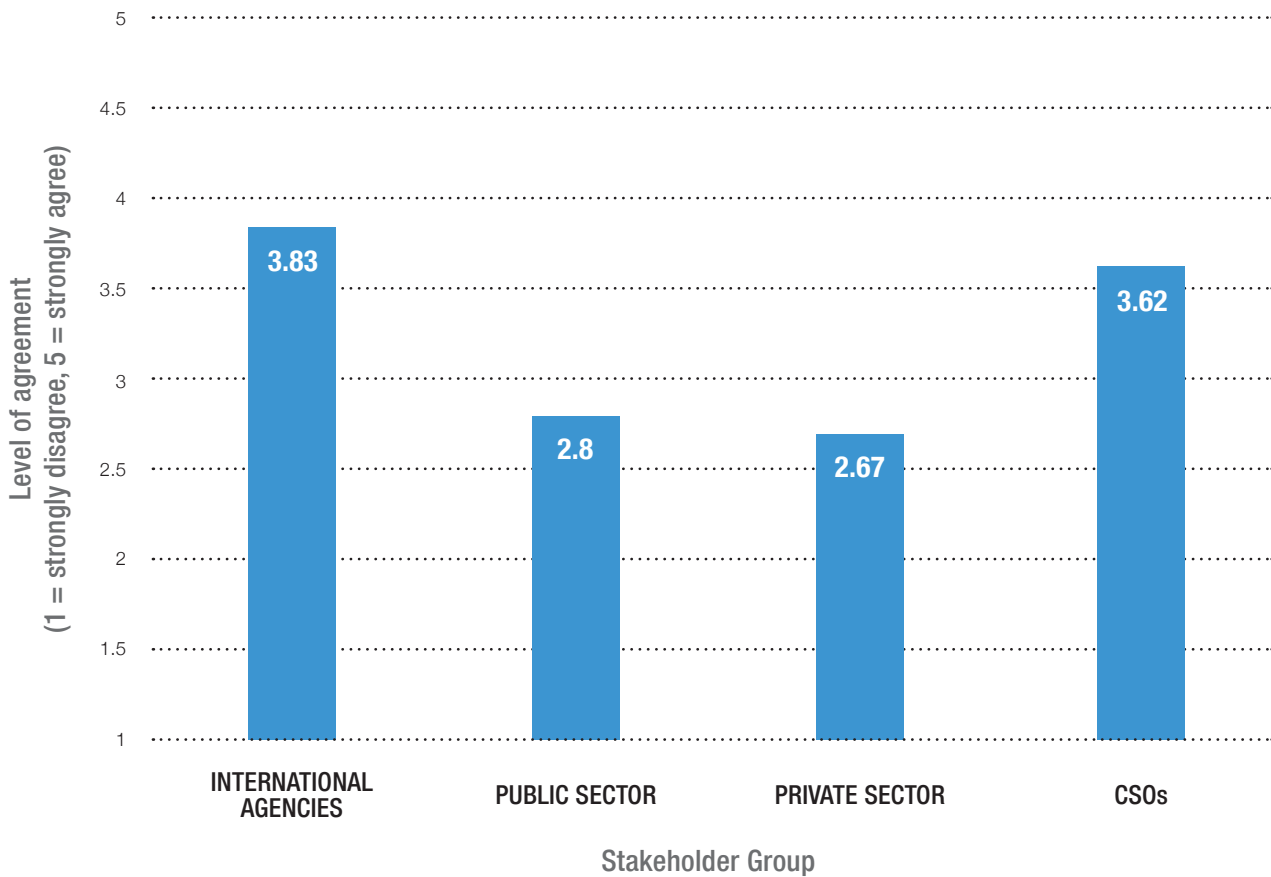
FIGURE 10: RESULTS OF SURVEY SHOWING LEVEL OF AGREEMENT OVER WHETHER DIFFERENT INDICATORS OF GOOD GOVERNANCE ARE BEING MET ACROSS THE FOUR COMPONENTS OF CLIMATE ADAPTATION FINANCE IN THE MALDIVES



For the different stakeholder groups, again the results hovered around three (Figure 11). The results indicate that the public and private sectors, in particular, need to improve across the different components of climate adaptation finance governance. The full survey figures are available in the Maldives country report.



**FIGURE 11: RESULTS OF SURVEY SHOWING LEVEL OF AGREEMENT OVER WHETHER DIFFERENT STAKEHOLDERS ARE MEETING THE INDICATORS OF GOOD GOVERNANCE ACROSS THE FOUR COMPONENTS OF CLIMATE ADAPTATION FINANCE IN THE MALDIVES**



The stakeholders interviewed for this study overall agreed that significant improvement of performance is needed for better climate change adaptation finance governance in the Maldives. A common thread across the qualitative responses from interviewees was that the Maldives government allegedly fosters a culture of withholding information and the private sector is secretive, resulting in difficulties in accessing information. The lack of a central database was identified as hindering transparency and other indicators of good governance in the climate change sector. The existing complaints and redress mechanisms were found to be ineffective. According to respondents, comments and feedback are largely neither acknowledged nor reflected in final decisions. Environmental impact assessments and other documentation, while available online, were found to be used only in select cases. A lack of community

involvement in the environmental impact assessment process means that community issues can sometimes be overlooked.

Efforts by civil society organisations to improve governance performance were noted as being hindered by their low operational capacity and weak structures. Furthermore, the archipelago nature of the Maldives’ geography negatively affects participation opportunities for stakeholders based outside the capital, Malé. Centralised administration, with little to no involvement of local governance bodies such as island councils or community-based organisations, means that community participation in climate adaptation processes is low. As a result, the most vulnerable communities, often from smaller and less accessible islands, are disempowered and disillusioned.

# RECOMMENDATIONS FOR EACH STAKEHOLDER GROUP

**In addition to assessing the baseline of current climate adaptation finance governance performance, the study also highlights recommendations and opportunities for collectively raising the overall quality of governance. Different stakeholders in the Maldives were able to assess their own performance on climate adaptation finance governance, as well as the performance of their peers.**

There was widespread consensus that more needs to be done to improve performance and that establishing a set of standards to assess governance in the area of climate adaptation would help to facilitate better governance practices. A summary of the key recommendations for each stakeholder group follows.

## INTERNATIONAL AGENCIES

Among the four stakeholder groups, the survey results indicated that international agencies demonstrated the highest level of good governance standards across all four phases of the project lifecycle, but particularly around the criteria of transparency and coherence. The study also found that while they still need to improve in some areas, overall, international agencies are a positive influence on the governance performance of other stakeholder groups. Areas for improvement identified by participants in the study centred around better engaging local communities to ensure project funds meet local needs. More specifically, international agencies should:

- increase meaningful participation of local communities during each phase of project development and implementation
- prioritise locally available services and skilled individuals
- streamline processes for fund disbursement, project implementation and information sharing to make it easier to monitor fund use

## PUBLIC SECTOR

The participants in the validation workshop explained that the public sector's dependence on international donor funds for most climate adaptation finance in the Maldives has led to relatively coherent performance. International agencies thus also have a major influence on the public sector's policies and practices in the country. Stakeholders who participated in the survey and the validation meeting expressed that many issues stem from a lack of accessibility and that once information is more easily available, problems can be addressed. Thus, key recommendations for improved performance centre around access to information and participation. The public sector should:

- proactively share project documents and information on climate adaptation finance use online, and establish a central database in the climate change sector to allow for easier access to information and greater transparency
- strengthen existing independent monitoring institutions like the Environment Protection Agency and establish an official complaints mechanism which is transparent, independent and easy to access to ensure that the concerns of communities are acknowledged and heeded throughout the project lifecycle
- ensure environmental impact assessments are conducted independently, include stakeholder consultations, and that their recommendations are dealt with during project implementation
- increase the level of engagement of youth and women during project implementation in local communities
- increase clarity on the roles of separate public institutions in climate adaptation, to ensure rules and regulations are adhered to

## PRIVATE SECTOR

According to the discussions held during the validation workshop, the private sector is relatively removed from other stakeholders, neither being influenced by nor influencing others. Thus, the reason for poor governance in the private sector often stems from weak accountability. The absence of a proactive culture of information dissemination also means the private sector rarely discloses information to the public. Key recommendations for the private sector to improve performance include:

- proactively disclose documents, including monitoring and evaluation reports
- increase awareness of private sector climate change adaptation work by widely advertising all funding opportunities and carrying out competitive and transparent procurement processes
- prioritise projects that build community capacity to ensure ownership and public acceptance of private sector projects

## CIVIL SOCIETY ORGANISATIONS

The study found that the good governance of CSOs was hindered by their small size and low capacity, weak structures, and lack of established mechanisms. As a result, CSOs do not exert much pressure on other stakeholders. However, due to their proximity to and experience of working with local communities, CSOs are well placed to expand their role in monitoring climate adaptation finance and the effectiveness of climate change projects underway within the country. They can act as information channels and provide avenues for citizens to voice their concerns and articulate their needs. Key recommendations for improved performance by CSOs include:

- better use existing networks and skills to proactively carry out activities to sensitise communities where climate adaptation projects are being carried out
- keep websites and social media up to date about climate adaptation projects and needs to help spread awareness

FIGURE 12: VALIDATION WORKSHOP, MALÉ, APRIL 2017



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# CLIMATE ADAPTATION FINANCE GOVERNANCE STANDARDS FOR THE MALDIVES

While the key overall recommendations for each stakeholder group are outlined in the previous section, the full governance standards agreed by key stakeholders involved in the study are laid out in detail in annex 1.

This annex summarises the results of the study into actionable targets, and is also a standalone reference document for all those involved in adaptation finance in the Maldives. It outlines the governance standards that climate adaptation stakeholders operating in the country propose to reach in order to achieve good performance during the four major phases relevant to implementing climate adaptation projects.

The following overarching recommendations were collectively produced by all stakeholders at the workshop and were used to derive the National Climate Adaptation Finance Governance Standards for the Maldives:

1. Establish a central database for the climate change sector to ensure all relevant information is compiled and stored in an easily accessible format.
2. Ensure oversight and regulatory bodies related to climate finance have total independence.
3. Increase public participation at community level to incorporate community needs and knowledge into project planning and implementation phases. Existing institutional frameworks such as elected local councils can be used to increase public participation and provide a measure of accountability at community level.
4. Establish a mechanism to check the capacity of contractors before awarding projects.
5. Use environmental impact assessments as a platform for community consultations.
6. Conduct needs assessments for every sector to prioritise and prepare projects.
7. Publish project implementation documents, including internal audits, third party audits, and project progress reports.
8. Monitor private sector corporate social responsibility projects through State oversight bodies.
9. Alleviate issues related to accountability; oversight mechanisms can be set up through existing institutional frameworks. For example, at the national level, the parliament can play a role in ensuring the accountability of projects. At community level, island councils can take the lead in increasing community participation, and in holding implementing agencies, including the public sector, to account.



**Transparency Maldives recommends that key stakeholders such as the Ministry of Environment and Energy and UNDP, take a lead role in ongoing collaboration and dialogue between different stakeholder groups to improve coordination.**

A common theme evident from Transparency Maldives' *An assessment of climate finance governance - Maldives* (2015), was the lack of coordination between stakeholders in climate change governance. Stakeholders reiterated this concern at the collaborative workshop held in April 2017 to agree on ideal governance standards. Coordination is not only important at the national level, but it is essential that it occurs at the community level as well. One way of ensuring proper coordination at the community level is by creating a 'governance group' for each project implemented in that community. It was suggested that national level coordination can happen through regular meetings between the four stakeholder groups, and these should ideally be organised through the Ministry of Environment and Energy.

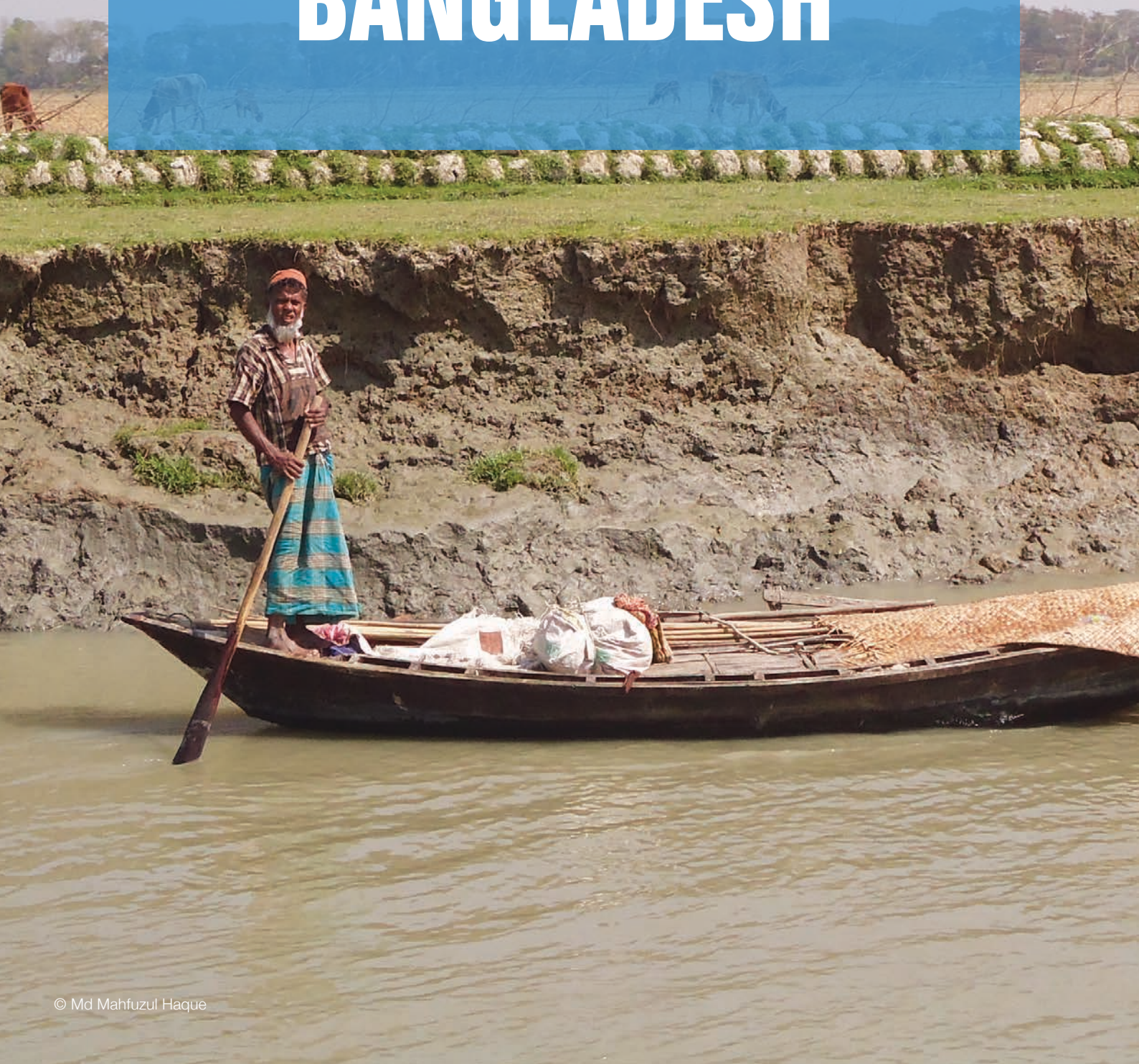
As international agencies enjoy good relationships with stakeholders, they are especially well-positioned to convene and advocate for adherence to best practice relevant to climate adaptation governance. Furthermore, international aid partners such as UNDP and the World Bank can play a vital role in fostering multi-stakeholder dialogue to discuss the issues raised in this study.

As a next step, Transparency Maldives recommends that key stakeholders such as the Ministry of Environment and Energy and UNDP, take a lead role in ongoing collaboration and dialogue between different stakeholder groups to improve coordination. At the same time, Transparency Maldives plans to carry out a follow-up assessment to check progress made by different groups in reaching the agreed standards of good governance.





# PILOTING THE APPROACH BANGLADESH







# INTRODUCTION

**Despite contributing less than 0.35% of total global emissions, Bangladesh is one of the most vulnerable countries to the impacts of man-made climate change. With a quarter of its citizens living in low-lying coastal areas, rising seas and other abnormal weather events are already affecting millions.**

It is estimated that Bangladesh could experience an annual loss of 2 per cent of GDP by 2050 and 9.4 per cent of GDP by 2100 due to climate change.<sup>19</sup>

Considering the imminent challenge of climate change, the government of Bangladesh has undertaken initiatives including the formulation of a National Adaptation Plan of Action and the Bangladesh Climate Change Strategy and Action Plan 2009.<sup>20</sup> Climate change-specific measures were included in Bangladesh's 7th Five Year Plan, Vision 2021<sup>21</sup> and the Perspective Plan of Bangladesh 2021,<sup>22</sup> all of which aspire for an accountable and transparent governance system. Bangladesh also has its own dedicated climate change fund, the Bangladesh Climate Change Trust Fund, funded from the government's national budget. With an allocation of US\$400 million, it is the largest climate fund in the country, using 26 per cent of total available climate finance in Bangladesh.<sup>23</sup>

Against this backdrop, Transparency International Bangladesh has been conducting research on climate finance governance since 2011. An assessment in 2013 revealed a complex and fragmented funding landscape that is complicating the efforts to track financial flows and to ascertain who should be

held accountable for decisions and results related to climate finance policy, allocation, disbursement and participation.<sup>24</sup>

These findings were echoed in the event *Dhaka Integrity Dialogue on Climate Change Adaptation Finance Transparency: Accountability and Participation* held in March 2016.<sup>25</sup> At that event, participants agreed that Bangladesh and other climate-vulnerable countries must work together to build individual and collective capacity to ensure the highest level of integrity, transparency and accountability to offset a range of governance deficits in climate finance, which can adversely impact the adaptation efforts of vulnerable countries. They also agreed that a clear and consistent system of budget classification and fiduciary standards for climate funds can help scale up existing standards and that enhanced support is needed to carry out better accountability metrics, state audits and performance evaluations of all climate projects.

The following section summarises the key results and outcomes of the Bangladesh pilot to develop standards to improve climate adaptation finance governance. Transparency International Bangladesh published a full report of this pilot in June 2018.<sup>26</sup>

# RESEARCH

In Bangladesh, the pilot study was based on interviews with 26 key climate finance stakeholders<sup>27</sup> using the framework outlined in the methodology chapter of this report. Transparency International Bangladesh chose indicators for each of the five governance criteria across each of the four components of climate finance governance to match the specific climate finance context of Bangladesh, and based on a review of secondary reports on climate finance governance, adaptation finance tracking reports and key informant interviews.

Each indicator was then framed as a statement and listed in a questionnaire that interviewees could fill in online. The online questionnaire was carried out between December 2016 and January 2017.

A day-long research validation workshop then took place in Dhaka, Bangladesh in March 2017,<sup>28</sup> where key stakeholders including survey participants reviewed and discussed the findings of the survey. The objectives of the workshop were to agree on the

current baseline assessment of governance standards and to identify the measures needed to achieve the minimum standards for climate adaptation finance good governance. The workshop enabled participants to examine the assessment details in an interactive manner and reach a consensus on targets for each indicator. These targets, therefore, represent the minimum standards of good governance for climate finance in Bangladesh (see annex 2).

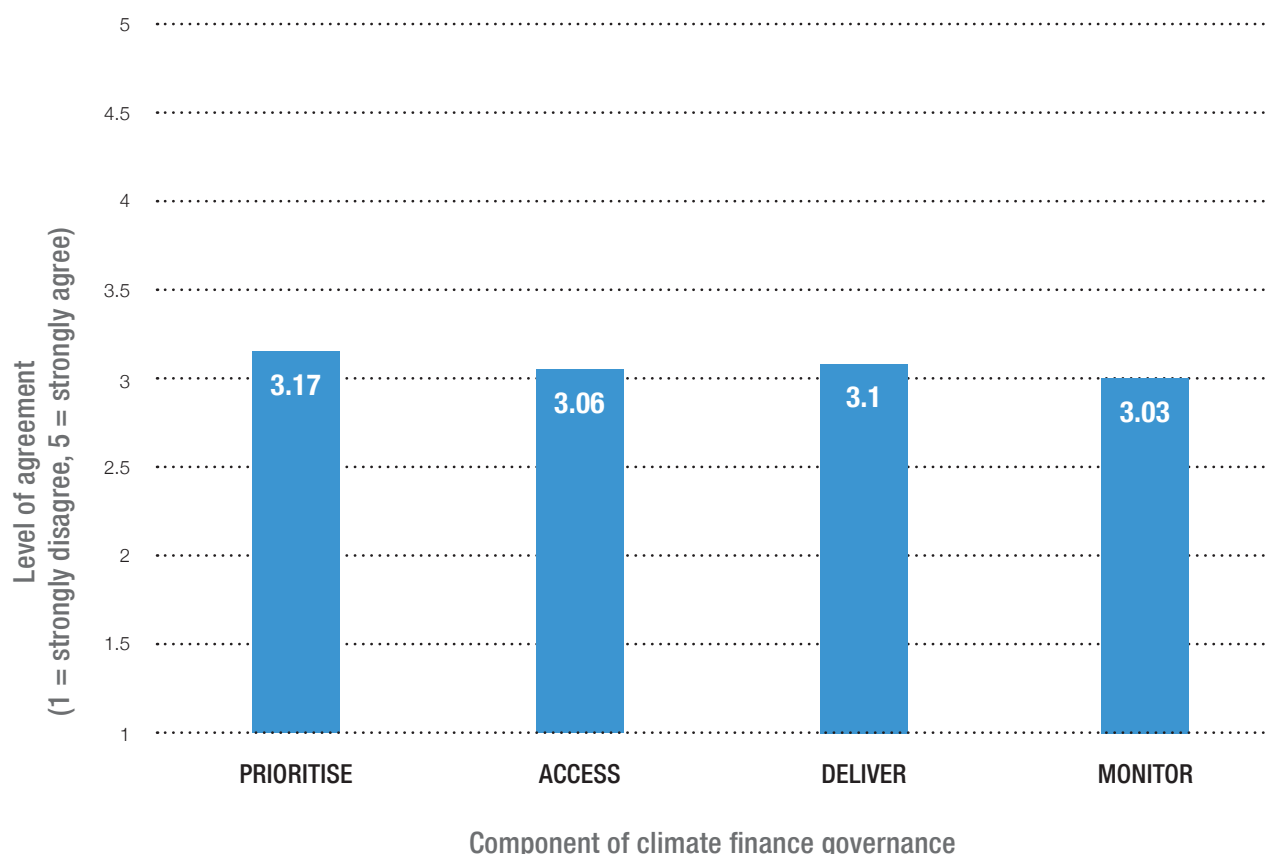


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# RESULTS

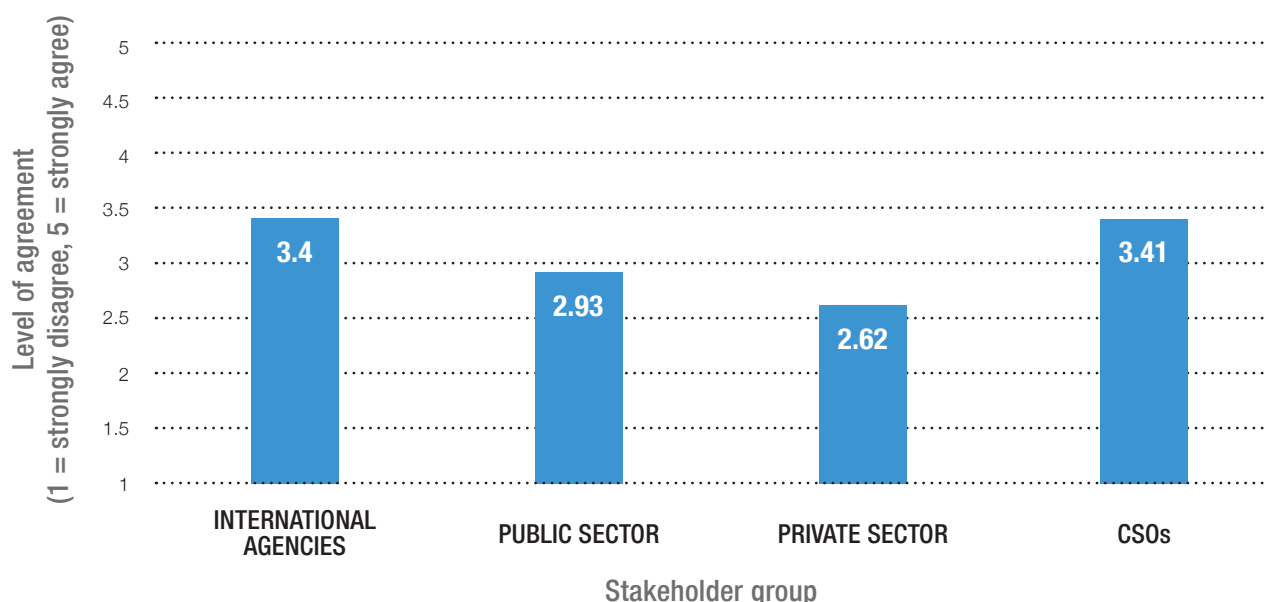
Overall, the survey results hovered around three on a scale of five for all four components of climate adaptation finance governance (Figure 13), indicating agreement that some good governance practices are being followed. There is, however, scope for improvement across all phases of climate adaptation finance governance in Bangladesh.

FIGURE 13: RESULTS OF SURVEY SHOWING LEVEL OF AGREEMENT OVER WHETHER DIFFERENT INDICATORS OF GOOD GOVERNANCE ARE BEING MET ACROSS THE FOUR COMPONENTS OF CLIMATE ADAPTATION FINANCE IN BANGLADESH



For the different stakeholder groups, again the results hovered around three (Figure 14). The results indicate that the public and private sectors, in particular, need to improve across the different components of climate adaptation finance governance. The full survey figures are available in the Bangladesh country report.

**FIGURE 14: RESULTS OF SURVEY SHOWING LEVEL OF AGREEMENT OVER WHETHER DIFFERENT STAKEHOLDERS ARE MEETING THE INDICATORS OF GOOD GOVERNANCE ACROSS THE FOUR COMPONENTS OF CLIMATE ADAPTATION FINANCE IN BANGLADESH**



The survey results were discussed in person with representatives of the four stakeholder groups in a research validation workshop in March 2017. Despite the Bangladesh government undertaking coherent and consistent national policy actions, those gathered asserted that a lot more needs to be done to improve the governance of climate adaptation finance in the country. Stakeholders agreed that higher scores across the different indicators of good governance cannot be achieved without ensuring robust fiduciary standards, proper needs assessments, environmental and social impact assessments, proactive disclosure of information, and participation of affected stakeholders in all phases of the project.

During the research validation workshop, after discussing verifiers for each indicator, the participants agreed on the following areas for improvement:

- Improvements during the prioritisation phase of climate adaptation finance governance will occur through more public participation, proactive disclosure of information and coordination in decision-making.
- Coordination among relevant actors, aligning national policies with international policies, public disclosure of reasons for selection and rejection of projects, and the establishment of effective complaint handling mechanisms could ensure better standards to access climate funds.
- Adopting a strong code of conduct, strengthening supervision at the field level, effective consultation for public engagement, establishing a multi-layer stakeholder forum and capacity building of project actors on project implementation, compliance and monitoring can raise the standards to deliver climate adaptation finance.
- Public disclosure of monitoring, evaluation and auditing reports, introducing community-led social accountability tools to monitor projects, and results-based monitoring and public hearings to enhance transparency, accountability, participation and integrity can raise standards for monitoring climate adaptation finance.

**FIGURE 15 BANGLADESH STAKEHOLDER WORKSHOP, DHAKA, MARCH 2017**



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# RECOMMENDATIONS FOR EACH STAKEHOLDER GROUP

The feedback of stakeholder groups from an interactive session at the research validation workshop gave more indication about where each group needs to improve across the different components of climate adaptation finance governance.

## INTERNATIONAL AGENCIES

To achieve higher standards, those gathered had the following recommendations to international agencies to improve climate adaptation finance governance:

- Put in place adequate funding consistent with national and international policies and strategies.
- Build the capacity of staff implementing projects in Bangladesh so they can better prioritise, directly access, deliver and monitor projects.
- Enhance proactive disclosure of project information and agreements.
- Establish effective coordination among public, private and CSO stakeholders.
- Ensure social and environmental impact assessments are carried out.
- Conduct a scientific assessment in collaboration with the Ministry of Planning and the Ministry of Environment and Forests to prioritise vulnerability-based projects.
- Update the National Adaptation Plan and the Bangladesh Climate Change Strategy and Action Plan.
- Integrate climate actions and policies with the Five Year Plan of the Government.
- Develop a system ensuring online and offline disclosure of project documents, agreements, verifiable audits and monitoring reports.
- Establish capacity-building initiatives for citizens and project implementing authorities for better monitoring (for example, building up skills in project tracking and organising public hearings).
- Introduce citizen-friendly complaints and a grievance redress mechanism.
- Strengthen the Office of the Comptroller & Auditor General's internal and external auditing systems and the monitoring capacity of the Implementation, Monitoring and Evaluation Division.
- Establish independent monitoring, evaluation and audits, including community-led social accountability tools.
- Develop and apply a code of conduct for fund and project staff to ensure integrity.

## PUBLIC SECTOR

To enhance access to climate funds, those gathered emphasised the development of capacity-building initiatives and ensuring more citizen engagement in decision-making. However, the following recommendations were specifically for the public sector:

- Form a multi-sector stakeholder forum for decision-making, knowledge sharing and meaningful participation.
- Initiate a process to define “climate finance” through public consultation.
- Create a separate annual climate budget with a separate budget code for transparent reporting.

## PRIVATE SECTOR

Those gathered suggested the following areas of improvement for the private sector:

- Engage climate-related technical experts (planning, financial) for effective decision-making.
- Increase coordination and collaboration among international agencies, the public sector and CSOs for capacity building to access, monitor and deliver climate adaptation finance.
- Disclose project information and activities through online and offline systems, and adopt e-tendering and transparent procurement processes.
- Carry out meaningful consultation with stakeholders and project beneficiaries in project formulation phases to ensure participation.
- Ensure social and environmental impact assessments to address citizen grievances.
- Use standard criteria for beneficiary selection to ensure the wellbeing of vulnerable communities.
- Comply with social and environmental impact assessment findings to strengthen social and environmental safeguards.

## CIVIL SOCIETY ORGANISATIONS

Those gathered suggested the following areas of improvement for CSOs:

- Prioritise community-led adaptation projects for climate financing.
- Create well-defined terms of reference to ensure public participation.
- Proactively disclose information about beneficiary selection, and beneficiary selection criteria.
- Ensure social and environmental impact assessments to address citizen grievances.
- Focus on capacity building and awareness raising so citizens can lead project monitoring.
- Organise regular meetings with project beneficiaries and share monitoring and evaluation reports.







# CLIMATE ADAPTATION FINANCE GOVERNANCE STANDARDS FOR BANGLADESH

**Based on the discussions and agreements at the research validation workshop, the Climate Adaptation Finance Governance Standards for Bangladesh were drafted (for more details see annex 2).**

Participants agreed to strengthen mutual collaboration and cooperation to enhance institutional capacity, aiming to raise the quality of governance to reach these standards. Everyone also agreed that more concerted advocacy is required to access global climate funds. Stakeholders agreed on the following actions:

1. Identify policy gaps, update the Bangladesh Climate Change Strategy and Action Plan, and the National Adaptation Plan of Action, and prioritise funds and projects under the supervision of the Standing Committee of the Ministry of Forest and Environment in coordination with the Economic Relations Division.
2. Form a multi-stakeholder forum of private and public entities, CSOs and project beneficiaries for inclusive, coherent and participatory climate financing.
3. Comply with fiduciary and environmental standards, build institutional capacity, conduct comprehensive needs assessments and social and environmental impact assessments to access climate funds.
4. Conduct meaningful stakeholder consultation and apply a code of conduct to control undue influence in accessing and approving funds.
5. Support the National Designated Authority and National Implementing Entities to develop their capacity to access global climate funds by transferring empirical and institutional knowledge of the Bangladesh Climate Change Trust Fund.
6. Collaborate effectively with relevant actors to deliver climate funds in a transparent, accountable manner, and prioritise community-led projects.
7. Enhance governance standards at the project implementation level (for example, ensure transparent procurement and beneficiary selection, disclose information and introduce strong complaint and grievance redress mechanisms).
8. Engage citizens to monitor project activities and introduce an effective monitoring and evaluation system, and a user-friendly online database that includes stakeholder consultation reports to enhance transparency.
9. Conduct independent audits through the Office of the Comptroller & Auditor General of Bangladesh and monitoring by the Implementation, Monitoring and Evaluation Division.
10. Ensure a third party independent monitoring system for all climate projects to verify the outcome of projects.

The outcome of this assessment provides a synopsis of the governance standards of climate adaptation finance in Bangladesh. The survey findings have set a baseline. However, any comparison of results will only be possible once further iterations of the study have been conducted to compare against the baseline findings, providing a better picture of the governance standards as well as improvements made.

As a next step Transparency International Bangladesh will take a lead role in ongoing collaboration and dialogue between different stakeholder groups to improve coordination. At the same time, Transparency International Bangladesh also plans to carry out a follow-up assessment to check progress made by different groups in reaching the agreed standards of good governance.

# CONCLUSION AND NEXT STEPS

**Steps to raise governance performance can be agreed systematically using a multi-stakeholder dialogue approach for the joint design of good governance standards for climate finance. This is the key outcome from the two pilots.**

Following the proof of concept, demonstrated by the success of Bangladesh and Maldives pilots, Transparency International and other AdaptationWatch partners aim to promote the approach more widely, carry out follow up iterations in the two pilot countries, and expand the approach to other countries. As the approach is developed, there are a number of possible improvements that can be made, particularly around the methodology.

## METHODOLOGY DEVELOPMENT FOR FUTURE EDITIONS

### Construction of the stakeholder survey

The preliminary baseline survey involved selected stakeholders providing scores and comments, in response to sets of questions. Scoring was carried out using a five-point Likert scale, which measured how much stakeholders agreed or disagreed with a statement. The third option in the five-point scale was “neither agree nor disagree” and a “don’t know” option was also offered to respondents. A possible issue a small number of stakeholders noted at a later stage is that respondents may have meant “don’t know” when they chose “neither agree nor disagree” in the survey.

This possible ambiguity can be resolved in future editions of the survey via various means. For example, future iterations might consider a four-point scale, with each point on the scale given a description, and an additional “don’t know”. Or an eleven-point scale with only “disagree” and “agree” at each end. In future iterations, this will be resolved in advance of data collection and analysis.

### Sample sizes and weighting of results

Another consideration when interpreting and understanding the findings from the baseline survey assessment is that the size of the samples (i.e. the number of expert stakeholders who took part in the survey) were fairly small, meaning that the results should be interpreted as indicative but not necessarily

representative of the wider population. Importantly when looking at the results of the sub-groups (business, government, CSOs or international agencies) sometimes a very small number of respondents from a particular stakeholder type was reached via the survey. This means the findings should be interpreted as reflecting only the views of those surveyed – not necessarily of all their counterparts. This issue was partly addressed by also carrying out the survey in person in the form of semi-structured interviews. Respondents were also encouraged to provide additional qualitative comments and suggestions in combination with each score. In this way response rates can be controlled and it is possible to obtain responses from a large enough number of people for the results to be significant.

A related issue is that with a small sample size, responses from different stakeholder groups may skew the total (averaged) results. A solution to this problem would be to add weighting to the results or to have quotas/clusters per sub-group to ensure there are equal numbers of each sub-group in the total sample. This would help to prevent certain stakeholder groups from dominating the findings. In the pilots, it was decided to choose the most simple aggregation method to keep the methodology transparent for non-experts. Future editions of the survey will take note of these issues and seek to increase the number of respondents for the survey and introduce a quota or weighting scheme.

It is important to stress that the methodological issues around using the Likert Scale and sample size/weighting relate only to the data collection and analysis for the baseline assessments. These issues have nothing to do with the validity of the two national climate finance governance standards. This is because the national governance standards were co-written with key stakeholders in national workshops. The final national standards attached here as annexes were also sent to all stakeholders who took part in the national workshops in both countries for them to review and confirm that their views were correctly captured.



## NEXT STEPS

This research has shown it is possible to evaluate the governance quality of climate finance using a framework consisting of the components of financing climate adaptation (planning, accessing, delivering, and monitoring effectiveness), combined with key criteria of good governance (transparency, accountability, participation, integrity and coherence). Each of these can then be assessed for four major stakeholder groups (CSOs, business, government and international agencies).

Using this framework, a good governance standard for climate finance can be developed. And following from this, various stakeholders can use the same framework as a monitoring and appraisal tool to ensure transparency and hold key actors accountable.

It is expected that the adoption of clear standards for the governance of climate finance will improve the interplay between the public sector, business, international agencies and CSOs; fragmentation will decrease, while synergy will increase. Specifically, all stakeholders will have a clearer mandate to manage and coordinate climate adaptation investments and also an increased opportunity to build their capacity to do so. This will also make it possible to prioritise resources towards the people most vulnerable to climate change.

Improved governance of climate finance can also inform the formal national adaptation planning processes. This can help to reduce perceived fiduciary risk among funds and investors in respect of climate adaptation, leading to improved access to financial resources for adaptation. Furthermore, the overall institutional ability of a country to prioritise, deliver and monitor climate finance will improve, leading to less risk of maladaptation and more effective implementation of adaptation investments.

Addressing the massive challenges of climate change – including rising impacts from climate-related disasters, and the challenge of rapidly transforming our economies away from fossil fuels – will require major flows of funding to support developing countries and vulnerable communities everywhere.

For finance flows to be maintained and expanded in line with what is needed, there needs to be confidence that the funding is actually going to efforts it was meant for, and that it is being effective. Therefore accountability and governance mechanisms are critical to the continuation and growth of climate finance. Developing and applying standards for how funding flows are handled, and how decisions are made in their allocation and delivery, can support this effort.

As a next step, Transparency Maldives and Transparency International Bangladesh will be carrying out follow-up assessments to check on progress made by each stakeholder group towards the agreed standards of good governance. In both countries, survey participants agreed that multi-stakeholder forums or governance groups, which collaborate and meet regularly, would help to share best practice, discuss progress and support each other in improving governance performance. Transparency International recommends that key players from each stakeholder group play a lead role in keeping these groups and forums active, and support Transparency International chapters in the follow-up.

Transparency International and other AdaptationWatch partners will also facilitate knowledge sharing on how the approach can be refined and expanded within the global community. The intention is that the approach piloted in Bangladesh and the Maldives be adapted and improved, and used in other countries to bring stakeholders together and collectively agree on ways to improve climate finance governance.







# ANNEX 1: MALDIVES NATIONAL GOVERNANCE STANDARD

## PREAMBLE

As one of the most vulnerable countries to the adverse effects of climate change, the Maldives requires significant investment in combating this threat.<sup>29</sup> As it stands, significant governance challenges are posed by the lack of meaningful participation of all stakeholders, including beneficiaries, at all stages of the project cycle, and the ad-hoc manner in which funds enter and are distributed throughout the country. Furthermore, improved cross-sector coordination between stakeholders, especially increasing civil society involvement, is imperative.

The National Governance Standard for Climate Adaptation Finance: Maldives outlines the minimum quality of governance standards that climate adaptation stakeholders operating in the Maldives propose to uphold during the four major phases relevant to implementing climate adaptation projects (prioritisation, access, delivery and monitoring).

To craft this document, a rigorous consultative process with stakeholders was undertaken. Transparency Maldives, in collaboration with Transparency International, worked with stakeholders to produce a baseline assessment regarding governance standards in their own work as well as the work of other stakeholders.

A total of 41 stakeholders comprising representatives from eight international agencies; 10 government agencies; 12 civil society organisations (CSOs); and 11 private investors or companies, provided feedback on 80 indicators that were used to determine the current baseline of climate adaptation finance governance in the Maldives.

Following this, a one-day interactive workshop was conducted in which key stakeholders, comprising representatives from international agencies, government institutions, private companies and individuals, and CSOs, reviewed and verified the baseline assessment.

At the workshop recommendations were discussed and minimum standards for good governance of climate adaptation finance were proposed. The formation of a governance group, tasked with conducting annual reviews to measure the progress by all stakeholders towards fulfilling these minimum standards, was also proposed during the workshop.

The approach used to create the baseline assessment may be used annually as a compliance-monitoring tool, which will allow all stakeholders to analyse their progress in upholding the quality of climate adaptation finance governance.

## 1. INTERNATIONAL AGENCIES

Most of the climate finance received by the Maldives emanates from bilateral and multilateral sources in the form of grants. A portion of climate funds is channeled and administered through the United Nations system.<sup>30</sup> Donors generally have no involvement in the island selection process and it is usually the implementing entity that prioritises the location of projects.<sup>31</sup> Donor agencies are considered by survey respondents as a positive influence on other stakeholders in ensuring good governance. Donor efforts to coordinate climate change finance in the Maldives and to ensure high fiduciary standards have led to the development of three trust funds and the founding of the Office of Projects and Programmes from 2010 to 2014, mandated with monitoring all government projects and programmes.<sup>32</sup> Donor agencies must continue to play an active role in monitoring the activities of implementing entities and in holding them accountable. The following minimum standards were agreed for international agencies:

### **1.1 Minimum governance standards for prioritisation of climate adaptation finance by international agencies**

- Donor agencies ensure that selection criteria for beneficiaries, need assessments and project planning documents are easily available online.
- Donor agencies ensure that stakeholders are provided with platforms to voice concerns on upcoming and ongoing climate change projects.
- Environmental impact assessments (EIAs) that include assessments of socio-economic impact, and a needs assessment, are submitted alongside project proposals.
- Meaningful participation of stakeholders and vulnerable communities is ensured while designing projects.
- Donors emphasise that implementing entities should include provisions for building the capacity of local communities in their proposals.

### **1.2 Minimum governance standards for accessing climate adaptation finance by international agencies**

- Project approval is made contingent on a needs analysis that provides reasonable justifications for accessing climate funds. Funds are allocated based on the needs of vulnerable countries rather than the funding priorities predetermined by donors' strategic plans.
- Information about opportunities for accessing funds is made widely available through accessible platforms such as public notice boards, regional office websites and country representative websites.
- Capacity building for stakeholders with regard to accessing climate finance is conducted.
- Relevant details of approved projects, including project proposals, timelines, and monitoring and evaluation plans, are made available.
- A responsive complaint mechanism is ensured. The public is made aware of this mechanism.
- Penalties are imposed for loss of funds to corruption and misuse. This includes if the quality of the deliverables are poor.

### **1.3 Minimum governance standards for delivery of climate adaptation finance by international agencies**

- Project implementation entities conduct meaningful participation sessions in the form of stakeholder workshops, capacity-building workshops and community meetings or surveys.
- An effective accountability mechanism tasked with addressing grievances is established.
- The potential social impacts of projects are scrutinised to predict the likely consequences they would have on local communities.
- Implementing entities conduct independent audit assessments and unbiased monitoring and evaluation reports for project activities according to a pre-planned schedule. These assessments are then published in an accessible manner.
- Progress reports are compiled by project implementing entities, published and disseminated in an easily accessible manner.

### **1.4 Minimum governance standards for monitoring climate adaptation finance by international agencies**

- Implementing partners conduct internal audits and monitoring, relevant to all four phases of the project cycle. These reports are published online in an accessible manner.
- Third-party monitoring and independent stakeholder reports are conducted for all adaptation projects, with inclusive and meaningful participation of stakeholders. In selecting monitoring experts, preference is given to local experts who are experienced in the field and are knowledgeable of the relevant context.
- All documents and information published online is current and regularly updated. All documentation relevant to previous projects is also made easily available.
- Local media platforms are used to publish the findings, results and impacts of projects.



## 2. PUBLIC SECTOR

The majority of climate funds received by the Maldives are administered through the public sector, with the Ministry of Environment and Energy being the main agency. While the ministry is the national implementing entity for climate projects financed by international aid and loans, the government of the Maldives allocates a portion of its national budget for climate adaptation and mitigation projects. Hence, the public sector in the Maldives plays the dual role of both a funding agency and implementing agency.

Additionally, the Environmental Protection Authority, a regulatory body that is affiliated with the Ministry of Environment and Energy, is mandated to play a monitoring and oversight role on projects related to climate and environment. The Environmental Protection Authority handles complaints regarding projects and activities that may harm the environment, and approves environmental impact assessments.

Currently, Environmental Protection Authority jurisdiction does not encompass environmental impact assessments relevant to the tourism sector. The Agency must be given full authority to monitor all activities related to the environment and climate change, including the tourism sector. Furthermore, the Environmental Protection Authority must be made an independent authority to ensure independent monitoring and to increase the trust vested in its accountability mechanisms.

In order to strengthen the multiple and vital roles played by the public sector in climate finance governance, it is necessary to improve coordination between relevant stakeholders, ensure the full and meaningful participation of stakeholders and intended beneficiaries, increase transparency in decision-making, and make information easily accessible. In order to ensure the above mentioned goals are achieved, the public sector should facilitate the establishment of an independent climate change governance body. This body should be comprised of representatives from the donor community, the private sector, CSOs and relevant government organisations. Its chief task should be to oversee all climate adaptation projects.

The following minimum standards were agreed for the public sector:

### 2.1 Minimum governance standards for prioritisation of climate adaptation finance by the public sector

- A list of prioritised locations/communities identified as such through a needs assessment is compiled. The needs assessment is conducted in an apolitical and transparent manner. This list is referred to in selecting beneficiary communities.
- Projects are designed to align with strategic documents, national plans and development goals, to fulfill the aims and common goals identified therein.
- The selection criteria for project locations, needs assessments and project planning documents are made easily available online. They must be available, at the very latest, by the stage at which projects have been approved for funding.
- All projects are designed in line with minimum standards for stakeholder participation. A gender-balanced and representative sample of the community population is consulted.
- Meaningful coordination meetings with climate adaptation stakeholders prior to the finalisation of proposals are held, in order to identify areas of collaboration, increase efficiency, and to avoid duplication of activities and doubling of costs.
- Environmental impact assessments, which encompass assessing the potential socio-economic impacts of all adaptation projects, are conducted during the prioritisation phase. Project proposals are compiled based on these assessments. Furthermore, the assessments are conducted by independent, unbiased experts and approved by the Environmental Protection Authority.
- Funds for climate projects in the national budget are allocated transparently and without political influence. Furthermore, the allocated budget is delivered to local councils in a timely manner.

## 2.2 Minimum governance standards for access to climate adaptation finance by the public sector

- The criteria which the parliament uses to allocate funding from the national budget and to decide on locations for climate projects is published in order to ensure that the decision-making process is transparent, need based and free from political influence.
- Needs assessments and environmental impact assessments are submitted alongside project proposals. These documents are made available either online or in the form of hard copies.
- An independent complaint mechanism is established to handle complaints regarding national budget allocation, project location selection and other issues relevant to accessing finance.

## 2.3 Minimum governance standards for delivery of climate adaptation finance by the public sector

- All information relevant to projects undertaken in local communities is made available through a one stop information portal. This portal contains information on future, current and past projects.
- Progress reports are compiled regularly and are made available either online or as hard copies. Additionally, project implementing entities provide these regular progress reports to local council and community representatives.
- The full and meaningful participation of stakeholders is facilitated through stakeholder workshops, capacity-building trainings, community meetings and surveys.
- A robust procurement system, based on international best practice is in place to ensure transparency and accountability in bidding processes during the delivery phase.
- As much as possible contractors and consultants from project locations or nearby communities are used, recognising the need to build local capacity and to spend project funds within local communities.
- Internal audit assessments and unbiased monitoring and evaluations of project activities are conducted according to a pre-planned schedule, and these reports are published in an accessible manner.

- Representatives from project implementing entities and contractors are present during any community consultations conducted for adaptation projects.
- Regular meetings are held with local councils and communities to update them on upcoming and ongoing projects. Mechanisms for stakeholders to voice their concerns are ensured during these meetings.
- A citizen-friendly complaints mechanism, receptive to verbal and written complaints, is established. Focal points for complaints are assigned to project locations to make the mechanism more accessible to local people.
- Governance bodies operating at both the national and local level are established. These governance bodies include representatives from relevant government entities, donor agencies, CSOs and local communities.

## 2.4 Minimum governance standards for monitoring of climate adaptation finance by the public sector

- Project activities align with proposed activities and national development plans.
- Climate projects are monitored by a third party or an independent monitoring body. Watchdog government agencies such as the Anti-Corruption Commission, Auditor General's Office and other CSOs are able to play an active role in holding project implementing entities to account.
- All documents and information regarding project implementation and monitoring are published and available online to the public. The information contained therein (in the form of monitoring and evaluation audits, finance reports, documents and similar items) is current and up to date. Furthermore, the means to access the information is advertised through local media outlets.

### 3. PRIVATE SECTOR

Private sector involvement in climate finance and adaptation projects in the Maldives is limited to a handful of community-based corporate social responsibility projects. Nevertheless, private sector funding is still identified as a significant source of potential funding for climate change and adaptation projects that can be implemented throughout the country.<sup>33</sup>

The private sector can expand its role by investing in projects that will increase resilience. As most international agencies are not based locally, private entities have a wide scope to take on a more direct and influential role in project monitoring and in pressuring implementing partners to uphold good governance standards.

In addition to dispensing funds, the private sector provides consultancy services for implementing entities of climate change projects. This encompasses conducting environmental impact assessments, socio-economic impact studies and research. In this capacity, the private sector can contribute to efforts made by implementing entities in ensuring the full and meaningful participation of stakeholders, especially that of CSOs and local communities. Furthermore, they can increase transparency by proactively disclosing information.

The following minimum standards were agreed for the private sector:

#### 3.1 Minimum governance standards for prioritisation of climate adaptation finance by the private sector

- Financing for climate activities is allocated in alignment with existing climate adaptation strategies and plans, and with national development goals, policies and strategies.
- Prioritising location occurs based on a vulnerability list created by the Ministry of Environment and Energy.
- Evaluation criteria for funding climate projects and a list of priority locations are either published online or easily available through another format.
- The participation of all relevant stakeholders, including CSOs, is ensured during the funding decision-making process of the private sector for funding.

- The full and meaningful participation of community stakeholders is ensured during needs assessments, priority-setting sessions and while identifying potential barriers to interventions.
- An effective complaints mechanism that will function throughout all four stages of project lifecycle is established. Information relevant to this complaints mechanism is disseminated widely through the use of social media, websites and notice boards.
- Feasibility tests and environmental impact assessments are conducted and approved by the Environmental Protection Agency prior to deciding specific project locations.
- Private consultation firms conduct community consultations according to a set plan and explain clearly the positive and negative impacts of implementing a particular project, intervention or method of action.

#### 3.2 Minimum governance standards for access to climate adaptation finance by the private sector

- Funding for priority areas and locations is made available on websites and calls for applications are opened regularly. These calls are advertised as widely as possible through websites, television, radio, social media and notice boards at the local level.
- Funds are awarded through a competitive process in which it is mandatory to include a needs assessment alongside proposals.
- In selecting projects to fund, the private sector gives preference to projects intended to build the capacity of local communities.
- While accessing funds or submitting bids, private sector consulting firms disclose the projects that they are currently undertaking, along with the timeline. This is in order to ensure a particular consulting firm is not awarded projects exceeding their capacity.

### 3.3 Minimum governance standards for delivery of climate adaptation finance by the private sector

- Information regarding projects being funded (encompassing need assessments, environmental impact assessments, project proposals, approved budget, project locations, updated work plans, outputs, progress reports and Monitoring Verification Reporting plans) are published online and also made easily accessible through other formats.
- Reports pertinent to research underway (including environmental impact assessments) and progress reports of contracted parties are published online in an easily accessible manner.
- Regular community meetings are held to keep intended beneficiaries updated. Additionally, reports are shared with local councils regularly.
- Project-related contracts are awarded to locals wherever possible, as means of enhancing the capacity of local communities and contributing to the local economy.
- During environmental impact assessment consultations and research interviews, gender-balanced and fair community representatives are availed. Similar levels of representation and inclusivity is ensured during community consultations to gain public feedback on project implementation.

### 3.4 Minimum governance standards for monitoring of climate adaptation finance by the private sector

- Ensure that project implementing entities conduct internal audits and monitoring reports according to a predetermined schedule. These reports are reviewed and feedback provided.
- Independent monitoring by a third party is conducted for projects that have a budget in excess of MVR 300,000 (US\$19,455).
- All documents and information, including internal audits reports, third party audit reports and project progress reports, are updated and published online.
- Ensure that environmental impact assessments are referred to and compared with the actual results of interventions taken, while conducting monitoring and evaluation of projects.

## 4. CIVIL SOCIETY ORGANISATIONS

Only a handful of CSOs are involved in the climate sector in the Maldives and generally operate on a small scale. Due to limited capacity, the CSO sector does not possess much influence in shaping climate finance governance. Transparency Maldives is the only CSO that plays a watchdog role in climate finance governance in the Maldives. A handful of CSOs receive climate change funds from international agencies, while a majority of CSOs depend on the small grants schemes dispensed by the government or UN agencies based locally. Some also raise funds from local communities or nearby resorts and businesses to conduct small-scale climate-related activities.

Due to their proximity to and experience of working with local communities, CSOs are well placed to expand their role in monitoring climate finance and the effectiveness of climate change projects underway within the country. They can act as information channels and provide avenues for citizens to voice their concerns and articulate their needs.

The primary obstacles confronted by CSOs in the Maldives are their limited capacity and the opacity of the government with regard to climate funds and policies, which hinders CSOs' ability to effectively monitor the public sector in these areas. CSOs, particularly those located far away from the capital island, also lack knowledge of ongoing policies and plans relevant to the climate change strategy of the country.<sup>34</sup>

In order to assume an advocacy role, CSOs must play a greater role in spreading awareness of climate change issues. Furthermore, they must exert an effort to ensure substantial participation of local communities throughout all phases of climate projects, and ensure community inclusion in policy-making.

The following minimum standards were agreed for civil society organisations:

### 4.1 Minimum governance standards for prioritisation of climate adaptation finance by CSOs

- CSOs, particularly those that operate at the local community level, actively participate in coordination meetings that occur prior to the finalisation of adaptation project proposals and project processes.
- CSOs that are involved in planning or implementing projects facilitate regular meetings with community stakeholders and provide them with platforms they can use to voice their concerns.



- CSOs advocate to include project components aimed towards building the capacity of local communities. Furthermore, they include capacity-building components in their own proposals.
- CSO proposals are compiled based on a needs analysis or assessment.
- CSOs proactively reach out to implementing entities to obtain information regarding climate projects and communicate this information to communities using language that is easily understandable.
- CSOs develop strategic and programme plans that are aligned with national development plans, policies and goals. The plans are developed in consultation with the community, local stakeholders and other potential partners.

#### **4.2 Minimum governance standards for access to climate adaptation finance by CSOs**

- CSOs practice a high level of transparency and integrity by disclosing all information relevant to their funding sources, project details, progress reports and assessments. This information is made available on public platforms such as their websites or through another easily accessible platform and format.
- CSOs play an active role in holding public institutions accountable for the way in which climate funds are distributed to local communities and nationally.
- CSOs conduct regular financial audits. Furthermore, fund allocation and utilisation reports are published online in an easily accessible manner.
- CSOs are included as partners with regard to implementing components of public or private sector-led projects, including the dissemination of awareness messages and small community-led activities.
- A significant portion of climate budgets are allocated to CSOs in a transparent and inclusive manner, within a reasonable schedule.
- CSOs are included in capacity-building sessions for stakeholders with regard to accessing climate finance.

#### **4.3 Minimum governance standards for delivery of climate adaptation finance by CSOs**

- CSOs publish their progress reports and project plans – including notes of any deviation or revisions – online in an easily accessible manner.
- CSOs actively seek information on projects being implemented at both the national and community level, including reports and assessments, reasons for delay or deviation from the previous plans. CSOs keep the public updated and informed on these details.
- CSOs are actively included in sessions encompassing stakeholder workshops, capacity-building trainings, community meetings, and surveys.
- CSOs are involved in the establishment of reliable complaints mechanisms and are utilised to inform communities about the use of the mechanism and any other accountability mechanisms of the donor agencies, public and private entities.
- CSOs play a watchdog role in the monitoring and evaluation of projects underway in local communities. They are proactive in holding relevant stakeholders accountable and keeping beneficiaries informed and updated.
- Technical CSOs and CSOs working on governance are included in project governing bodies at the local and national level.

#### **4.4 Minimum governance standards for monitoring of climate adaptation finance by CSOs**

- CSOs conduct monitoring and evaluation of projects implemented by them or any other project implementing entity.
- CSOs are included as third party monitoring bodies wherever possible.
- CSOs are consulted during the monitoring and evaluation of projects.
- CSO activities are audited by an independent auditing body on an annual basis.
- CSOs publish their audit, monitoring and evaluation reports online and make them easily accessible.

# ANNEX 2: BANGLADESH NATIONAL GOVERNANCE STANDARD

## PREAMBLE

Transparency International Bangladesh's research work on climate finance governance, particularly an institutional assessment of climate finance governance in 2013,<sup>35</sup> has revealed a complex and fragmentary funding landscape that is complicating the efforts to track financial flows and to ascertain who should be held accountable for decisions and results. These findings were echoed in the event, Integrity Dialogue on Climate Change Adaptation Finance Transparency: Accountability and Participation that was held on 29 March 2016.<sup>36</sup> At that event, it was agreed that Bangladesh and other climate-affected countries must work together to build individual and collective capacity to ensure the highest level of integrity, transparency and accountability. It was also identified that harmonised fiduciary standards for all climate funds and clear and consistent systems of budget classification will raise the bar of climate governance standards of Bangladesh. Better accountability metrics, state audits and performance evaluations of all climate projects are also prerequisites. Against this backdrop, a study was undertaken to prepare a minimum governance standard based on the four major components (prioritisation, access, deliver and monitor) of climate finance in Bangladesh.

In order to fashion this document, a rigorous consultative process with stakeholders was undertaken. Twenty-six stakeholders (four from international agencies, seven from government agencies, seven from CSOs and eight from the private sector) were interviewed to agree on a baseline assessment of climate adaptation finance governance in Bangladesh.

A one-day interactive workshop was then conducted where these stakeholders reviewed the findings of the baseline assessment, suggesting recommendations and agreeing on minimum standards of good

governance in climate adaptation finance. During the workshop, all stakeholders proposed the formation of a governance group that would meet annually to review progress by all stakeholders towards these minimum standards. Thus, this document is intended to be used as a self-monitoring tool for all stakeholders to analyse their progress in upholding the quality of climate adaptation finance governance. Transparency International Bangladesh will also use this document, annually, to revisit the findings of the baseline study.

## 1. INTERNATIONAL AGENCIES

Although the scope of this research is national rather than international, it is important to consider the influence of international agencies, particularly when individuals from these agencies work closely with country partners. It is likely that these agencies may participate in priority setting, assist in accessing climate funding and help to monitor progress. While institutional capacity is a major challenge,<sup>37,38</sup> a major portion of global climate finance channels into Bangladesh are through bilateral and multilateral aid agencies and financial institutions. These agencies provide bilateral funding support directly to specific climate projects implemented by the public sector, CSOs and private agencies.<sup>39</sup> Some global climate funds, such as the Green Climate Fund and Adaptation Fund, have a direct access mechanism for the receiving country institutions.<sup>40</sup> Therefore, international agencies play an influential role in climate finance to ensure good governance in decision-making for funding activities.

The following minimum standards were agreed for international agencies:

### 1.1 Minimum governance standards for prioritisation of climate adaptation finance by international agencies

- Multi-level stakeholder forums are formed for decision-making and prioritisation of climate finance projects and programmes.
- Sector- and location-specific vulnerability assessments are conducted to prioritise projects.
- Transparent beneficiary selection criteria are set and project needs assessments are conducted.

### 1.2 Minimum governance standards for accessing climate adaptation finance by international agencies

- Global level advocacy is conducted for providing timely and adequate funds based on national need and priority.
- A system is developed for sharing information describing the rationale for project selection, activities, budget system of monitoring and evaluation.
- An effective complaint handling mechanism is developed and deployed.
- Social and environmental safeguards are fully considered.
- An effective coordination mechanism is developed among donors before finalisation of the proposals to identify areas of collaboration and to avoid duplication of activities.

### 1.3 Minimum governance standards for delivering climate adaptation finance by international agencies

- Proactive disclosure of information is ensured at project locations so that citizens can monitor the project.
- Project-related information is disseminated through TV, radio and social media.
- A code of conduct is developed for the project implementing authorities to ensure governance related compliance.
- Bottom-up approaches are followed to ensure participation from all stakeholders.
- A thorough evaluation is carried out of the implemented projects to assess their impact.

- Training, orientation and capacity-building initiatives for climate finance stakeholders are enhanced.

### 1.4 Minimum governance standards for monitoring climate adaptation finance by international agencies

- Capacity-building initiatives for project beneficiaries, the Implementation, Monitoring and Evaluation Division, the Office of the Comptroller & Auditor General and implementing entities are established to audit, monitor and provide oversight over project outcomes.
- A results-based monitoring and evaluation system is produced by setting evaluation criteria.
- Local community and citizen-led monitoring of projects is carried out and social accountability tools are applied to ensure accountability.
- Capacity-building initiatives exist for project beneficiaries to monitor the outcome of projects.
- Disclosure of monitoring and evaluation of reports and organisation of periodic coordination meetings with relevant stakeholders.

## 2. PUBLIC SECTOR

The public sector includes national and local institutions, such as government organisations, agencies and statutory bodies. In Bangladesh, the public sector plays a multi-functional role in climate finance governance, from funding to monitoring and evaluation. The public sector also plays a substantive role in defining how climate finance is prioritised; the public sector is responsible for implementing 66 per cent of Bangladesh Climate Change Trust Fund activities<sup>41</sup> and 83 per cent of Bangladesh Climate Change Resilience Fund activities.<sup>42</sup> Thus, without good governance in the public sector, financing for climate projects in Bangladesh will not benefit the most vulnerable people. The public sector also plays a key role in coordinating with concerned agencies to ensure proper application of monitoring, reporting and verification. Local project implementing organisations also conduct project need assessments and set project priorities for funding. Being a local level implementer, they also implement the projects, assess progress and evaluate the results to ensure sustainability of projects. Examples of national and local institutions are the Bangladesh Water Development Board, the Local Government Engineering Department, the Department of Disaster Management, the Department of Forests, the Department of Agriculture and other autonomous bodies and research institutes, such as the Barind

Multipurpose Development Authority, and Bangladesh Institute of Development Studies.

The following minimum standards were agreed for public sector entities:

### **2.1 Minimum governance standards for prioritisation of climate adaptation finance by public sector entities**

- The term “climate finance” is defined through public consultation and the definition is reflected in relevant government policies.
- A climate finance strategy is adopted by the government including a comprehensive annual climate budget.
- Strengthened coordination and collaboration among local government institutions, such as Upazilla, Zilla Council and unions to identify adaptation needs and priorities.
- Based on a vulnerability assessment, a scientific mechanism is developed to prioritise projects in coordination with relevant stakeholders involving technical experts.
- A system for proactive disclosure of information on project selection criteria, social and environmental impact assessment and other prioritisation rationale is developed.
- A multi-stakeholder forum is formed and actively sharing knowledge for transparent decision-making.
- A bottom-up approach is developed and used to revise national policies on a regular but realistic interval to prioritise projects and ensure consistent policies.

### **2.2 Minimum governance standards for accessing climate adaptation finance by public sector entities**

- A capacity-building strategy is adopted for potential implementing organisations to enhance fiduciary standards and develop creative project proposals to access national and international climate funds.
- Feasibility studies by credible expert individuals or organisations are carried out.
- Policy is adopted and implemented to conduct social and environmental impact assessments mandatorily for climate projects and comply with the findings.

- A mechanism for integrated decision-making is created to avoid institutional conflict and duplication of projects.
- A code of conduct is developed to avoid conflict of interest and political influence in project selection and approval.
- An effective complaint and grievance redress mechanism exists within each project implementing authority.
- An online and offline system exists for disclosure of project-related information including auditing, monitoring, reporting and verifying reports.

### **2.3 Minimum governance standards for delivering climate adaptation finance by public sector entities**

- The proactive disclosure of project budget, activities, implementation areas, and beneficiary stakeholder lists is ensured.
- There is time-bound delivery of project funds for implementation based on a realistic action plan.
- Project-related information, success stories and challenges are disseminated in different electronic and print media.
- A robust code of conduct for project staff, contractors and stakeholders involved in delivering project activities is implemented.
- A citizen-friendly complaint and grievance redress mechanism is implemented.
- Disciplinary actions against project staff and contractors for violation of human rights are enforced.
- A whistleblower protection act is adopted and enforced.
- There is capacity-building of project staff for compliance and effective delivery of project deliverables.
- A bottom-up mechanism exists to share best practices and feedback to mainstream the findings with national policies.
- There is a strengthened internal monitoring, evaluation auditing mechanism to prevent misuse and embezzlement.
- An independent body or platform to oversee fund and project activities is operational.

- An independent assessment of projects and programmes by public agencies to verify project outcomes and disclose reports is implemented.

## 2.4 Minimum governance standards for monitoring climate adaptation finance by public sector entities

- There is ongoing capacity building of the Implementation, Monitoring and Evaluation Division and the Office of the Comptroller & Auditor General to effectively monitor and verify climate projects.
- There is suitable financial and human resources for the Implementation, Monitoring and Evaluation Division and the Office of the Comptroller & Auditor General.
- Monitoring, evaluation and audit reports are proactively disclosed and publicly accessible.
- There is capacity building of civil society organisations and project stakeholders for community/citizen-led monitoring of climate projects applying social accountability tools (for example, public hearing, project tracking).

## 3. PRIVATE SECTOR

Private sector firms and corporations may act as executing and implementing partners for projects and may exert substantial political power during the prioritisation phase of climate finance. In Bangladesh, the private sector is mostly involved in project implementation as a contractor or intermediary between agencies, with a focus on adaptation activities like construction of cyclone shelters, roads and embankments, and solar and renewable energy supplies. As an intermediary agency, they are responsible for the quality of construction, ensuring climate resilience and cost effectiveness, while also taking heed of human rights, and ecological, environmental and social integrity issues.<sup>43</sup>

Recently the Infrastructure Development Company received Green Climate Fund accreditation, and will thus play a major role in supplying and developing medium- to large-scale infrastructure and renewable energy projects in Bangladesh. The company is one of the market leaders in supplying private sector renewable energy technologies in Bangladesh.<sup>44</sup> In addition, banks and other private investors have the potential for funding in the adaptation sector to reduce climate vulnerability through blending their investments

with public finance.<sup>45</sup> Private sector stakeholders, experts and media also play an important role in conducting research, sharing of good practices and whistleblowing and investigative journalism.

The following minimum standards were agreed for private sector entities:

### 3.1 Minimum governance standards for prioritisation of climate adaptation finance by private sector entities

- Private sector involvement in national policy and strategy decision-making is mainstreamed (for example policy related to the Sustainable Development Goals, Paris Agreement, Bangladesh's Seventh Five Year Plan, Sustainable Development Goals implementation strategy).
- Prioritising of projects is consistent with national policies, priorities and action plans.
- Participation of all relevant public, private sector institutions and CSOs in decision-making processes.
- Projects that use indigenous technologies and local knowledge are prioritised.

### 3.2 Minimum governance standards for accessing climate adaptation finance by private sector entities

- There is capacity-building of private organisations for developing innovative and dynamic adaptation projects to access global funds, particularly from the Green Climate Fund.
- Effective coordination mechanisms exist among relevant public and private organisations to ensure access to climate funds.
- Meaningful consultation with stakeholders and project beneficiaries in project formulation phases takes place to ensure participation.
- Standard criteria for beneficiary selection exists to ensure the wellbeing of vulnerable communities.
- Compliance with social and environmental impact assessment findings occurs to strengthen social and environmental safeguards.
- Project information and activities are disclosed through online and offline systems.



- A code of conduct is implemented to avoid undue political pressure.
- E-tendering and procurement processes are transparent.
- Project agreements, contracts and terms of reference are disclosed.

### 3.3 Minimum governance standards for delivering climate adaptation finance by private sector entities

- Project implementation guidelines are formulated to comply with national and international standards.
- There is proactive disclosure of project-related information (for example, project proposals, activities, beneficiary lists and progress reports).
- There is public consultation and awareness raising to engage local communities in project implementation at different stages of the project cycle.
- Effective complaint and grievance redress mechanisms exist and are used.
- Social accountability tools exist to ensure citizen participation in project monitoring.
- Project evaluation criteria is available and strengthened internal monitoring and audit systems are enforced for project implementation and verifying project outcomes.
- Success stories and best practices are disseminated through electronic and print media.
- Disciplinary actions against project staff and contractors for violation of human rights and political intimidation are enforced.

### 3.4 Minimum governance standards for monitoring climate adaptation finance by private sector entities

- There is capacity building of the private sector to monitor projects consistent with the goals of national policies and strategies.
- There is easy access to information regarding project allocation, budget, project activities, beneficiary selection processes and technical reporting.
- There is a user-friendly online system for disclosure of monitoring, evaluation and audit reports in an easy, verifiable and communicable manner.

- Independent assessments of climate projects take place.
- Social accountability tools for citizen-led monitoring and tracking of projects are adopted.
- A comprehensive reporting mechanism is used for public sector contributions.

## 4. CIVIL SOCIETY ORGANISATIONS

Bangladesh CSOs work closely with government institutions and climate-vulnerable communities by implementing various community-led projects. They receive funds from both government and international aid agencies to implement climate change projects. Notably, CSOs carry out 10 per cent of Bangladesh Climate Change Trust Fund<sup>46</sup> and Bangladesh Climate Change Resilience Fund<sup>47</sup> activities to implement climate change projects. CSOs help global and national decision-makers to assess adaptation needs, establish best practices and help to achieve national goals. Some CSOs work for capacity building of government stakeholders through partnering and engaging local beneficiaries. A small number of national and local CSOs also play a watchdog role, acting as a pressure group for more transparent, robust and effective adaptation finance. Examples of CSOs working in adaptation finance are the Aranyak Foundation, the Centre for Natural Resource Studies, the Coastal Livelihood Environmental Action Network, Rangpur Dinajpur Rural Service, and the NGO Forum on Public Health.

The following minimum standards were agreed for CSOs:

### 4.1 Minimum governance standards for prioritisation of climate adaptation finance by civil society entities

- CSOs assist the government on vulnerability-based prioritisation of projects.
- CSOs are engaged in environmental and social impact assessments.
- There is proactive disclosure of information to CSOs on beneficiary selection and assessment reports.
- CSOs are engaged in meaningful cooperation, coordination and participation in the planning phase of projects.
- A bottom-up approach is used for decision-making that prioritises community-led projects.

- CSOs engage the government and international community for timely and priority-based funding in climate projects.
- CSOs publicly participate in the prioritisation of projects to avoid undue influence and ensure integrity.
- There is capacity building of national and local CSOs to develop and access climate funds.
- CSOs engage the government for periodic reviews of national policy and actions to prioritise need-based project implementation.

#### **4.2 Minimum governance standards for accessing climate adaptation finance by civil society entities**

- Information on agreements, complaints, evaluation criteria and reports and other project-related documents is publicly disclosed.
- Affected communities are consulted on decision-making and to avoid grievances.
- There is capacity building of potential national organisations by CSOs through sharing best practices to access climate funds.

#### **4.3 Minimum governance standards for delivering climate adaptation finance by civil society entities**

- Public consultation occurs for decision-making during project implementation to ensure participation of all stakeholders.
- Annual project budgets, location, activity, beneficiary list and progress reports are published.
- There is awareness raising on best practices through electronic and print media.
- Code of conducts are implemented for project staff to ensure accountability and integrity.
- Citizen-friendly complaints mechanisms are deployed.

- Strong internal monitoring systems are implemented to ensure effective delivery and prevent embezzlement of funds.
- There is orientation for communities about project activities to monitor outcomes.
- There is independent assessment to verify project outcomes.

#### **4.4 Minimum governance standards for monitoring climate adaptation finance by civil society entities**

- An independent platform is formed by CSOs to advocate towards the government to make policy and practice consistent with national and international policy.
- There is public disclosure of monitoring, evaluation and audit reports using online portal or locally accepted communication tools such as information board, leaflets etc.
- Social accountability tools are effectively used and awareness on good practices is raised.
- There is capacity building of beneficiaries and citizens to engage and monitor climate projects.

# ANNEX 3: STAKEHOLDER GROUPS

Governance is determined by the interplay between key stakeholders, and with regard to the governance of climate finance four major stakeholder groups can be considered.

## INTERNATIONAL AGENCIES

While the scope of this work is national, not international, it is important to consider the influence of international funders/agencies, particularly when individuals from these agencies work closely with country partners. It is likely that these agencies may participate in priority setting, assist in accessing climate change adaptation funding, and help to monitor progress. Examples: World Bank, United Nations Development Programme, United Nations Environment Programme, and regional development bank staff, and donor agency staff in the country.

## PUBLIC SECTOR (NATIONAL AND LOCAL INSTITUTIONS)

The national public sector plays a key role in the planning phase of climate change adaptation finance, and is essential as funds are accessed, delivered to project implementers, and as work is completed and contributes to the achievement of nationally set goals. The local public sector is also important in setting climate change adaptation funding priorities, and is most likely to play an important part as funds are delivered, projects are implemented, progress is made, and results need to be verified. Examples: apex ministries such as Finance or Planning; line ministries such as Water, Forestry, Land Use, Agriculture and Health; and cross-cutting ministries such as Environment.

## PRIVATE SECTOR

Private sector firms and corporations may act as executing/implementing partners for projects, and may also exert substantial political power during the prioritisation phase of climate change adaptation finance. In addition, banks and other investors, particularly in “green” or socially oriented private equity funds, are expected to blend investments with public finance for projects that reduce vulnerability to climate change. Examples: In a wide range of sectors related to adapting to climate change including water and wastewater management, agriculture, forestry, land use and natural resource management, infrastructure, energy, built environment, disaster risk management coastal protection, industry, extractive industries and manufacturing.

## CIVIL SOCIETY ORGANISATIONS (CSOS)

CSOs are embedded throughout the entirety of the climate change adaptation finance process. Watchdog groups are likely to know a great deal about the transparency of information, how accountable government officials are to public pressure, and the availability of participation opportunities. Other CSOs may work as implementing/executing partners or help local workers learn important skills to complete projects and monitor their success. Examples: In particular those working on issues related to poverty alleviation and environmental protection.

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