

Building Readiness for Climate Adaptation Finance with Governance Standards

Governing adaptation finance is critical to effective adaptation action, but it can be difficult to encourage and assess improvements in governance. This new approach, piloted successfully in Bangladesh and the Maldives, is developed around *governance standards* and uses a context-specific approach for assessing adaptation finance governance. Multi-stakeholder dialogues are facilitated, which encourage conversation about contentious issues and create common understanding among key actors.

Policy Pointers

- Develop inclusive governance processes for climate adaptation finance, through the use of multi-stakeholder dialogues, community hearings, and open tendering processes
- Create meaningful mechanisms to hold actors accountable, including relying on independent auditors, codes of conduct for implementing agencies, systematic assessments for project prioritization, and citizen-friendly tools for handling complaints
- Improve 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 that extend beyond the project life-cycle

As interest in implementing adaptation action continues to grow, countries that receive climate finance are taking ever more ownership in the adaptation process. While this continues, it will be of significant importance to improve governance structures for adaptation finance in recipient countries.

Improving the capacity to effectively govern climate finance can help low income countries to identify financing gaps within their national contexts and to prioritize limited amounts of funding towards transformational investments. This is critical, and can help to improve policy coherence and coordination among key stakeholders. Additionally, improved governance can provide information necessary to hold donors accountable to their commitments, and may increase the likelihood of receiving more funds in the future.

Developing approaches for assessing and improving governance can prove difficult. Governance is an abstract concept, made up of the intersection of various policies, social norms, and institutions. Linking social ideals about what good governance should be with practical actions

and outcomes, therefore, must be done in a nuanced, context-specific manner.

This work, undertaken by Transparency International, coordinated by Adaptify and including expert input from Brown University's Climate and Development Lab and l'Université Libre de Bruxelles, seeks to develop context-specific governance assessment tools based on the notion of a *Climate Finance Governance Standard*.

The process of creating formal governance standards for climate finance involves a multi-stakeholder dialogue between government, businesses, NGOs and donor agencies, and aims to address fragmentation issues that hinder the effective governance and use of climate finance by improving coordination.

This process begins with the co-design of governance indicators, carefully chosen to address the various dimensions of governing finance for climate adaptation relevant to national contexts. These factors are then assessed via a perception survey of key stakeholders who are asked to reflect on selected governance criteria (transparency, accountability, participation, integrity and

coherence) across the four components of the climate adaptation finance process (prioritization, access, delivery, and monitoring). The perception survey is used to compile a baseline assessment of the climate adaptation finance governance in the country. These same stakeholders are then invited to participate in a national workshop, where they can validate the results of the assessment, suggest improvements for measurement methodologies, and develop actionable steps to improve governance for climate adaptation finance. Stakeholders also agree on minimum standards for governance, which forms the basis of a monitoring and evaluation tool which can be used periodically to track and encourage governance improvements.

Pilots carried out during 2017 in Bangladesh and the Maldives have resulted in both countries creating draft National Climate Adaptation Finance Governance Standards in collaboration with key stakeholders from government, businesses, NGOs, and donor agencies in each country.

This approach has revealed many areas where climate finance governance can be improved. These first two national workshops indicated that there is a need in both countries to develop more inclusive governance processes, and create stronger accountability mechanisms that make use of independent

auditors. Additionally, in Bangladesh, there is an interest in using pre-defined assessment criteria to prioritize the use of adaptation finance in the country, as well as developing an information sharing system for adaptation projects and finance flows. For the Maldives, stakeholders called for an improved monitoring and evaluation process, and better use of existing national resources, working especially to involve private actors from the lucrative tourism sector.

To read the full report on this approach, look for the upcoming publication from Transparency International.

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