

The Need for Good Governance in Climate Finance

High-Level Event and Panel Discussion

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Where we come from



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U4 – Who we are

- Founded in 2002 as a web-based resource center
- Assist donor practitioners to more effectively address corruption challenges in their development work
- Based at CMI, private social science research institute in Bergen, Norway
- Donor partners:

NORAD

DFID

SIDA

DANIDA

Swiss Aid

AusAID (DFAT)

GIZ

Belgium (BTC)

Finland

A world in which *development* efforts of aid donors and developing countries are more *effective* because the *negative impacts* of *corruption* are reduced



Corruption's negative consequences

- **Political impacts**
 - Trust in the political and institutional system
 - Social divides (ethnicity, race, class, regions, etc.) – can lead to conflict
- **Economic impacts**
 - On foreign investment, markets, and economic growth & development
 - Provision of basic services – quality and quantity – poverty eradication
 - Inequalities: women and children hardest hit
- **Natural resources and the environment**
 - Higher depletion & pollution levels, trafficking of endangered species

“...to be a leading provider of high-quality research, information, and learning opportunities to help development practitioners more effectively support anti-corruption efforts...”

How U4 Achieves Its Mission

- Web-based resource centre of research and training
- Conduct basic and applied social science research
 - Evidence-based & independent, critical analysis of corruption risks and mitigation strategies in a number of issue areas
 - Designed to help practitioners make decisions about practical and policy issues facing them
- Training
 - Online training courses in areas of specialization
 - In-country workshops to improve dialogue, coordinate efforts, and build capacity for donors and their partners
- Helpdesk to provide quick expert answers to questions faced by development practitioners in the field

2015 Thematic Areas of Focus

- Corruption and Aid
- Corruption in Natural Resource Management
- Corruption in the Justice Sector
- International Drivers of Corruption (IFFs)
- Evaluation and Measurement
- Fragile States
- People's Engagement
- Anti-Corruption Approaches in Sector Work (education, health, water)

www.u4.no

Climate Finance & Good Governance

- What do we mean by “governance”?
- Institutions and actors coordinating to create collectively binding rules that provide public goods
 - Structure: the rules of the game for decision-making
 - Process: how actors engage in rulemaking and implementation
 - Actors need authority and legitimacy to make and enforce
- States have systems of political and social institutions to generate, implement, and enforce rules
 - National level
- Non-state entities also coordinate to do the same – firms, traditional authorities, armed groups, int’l orgs
 - Sub-national and international levels – binding or voluntary

Good governance

- What do we mean by “good governance”?
- Characterized by the UNDP (1997) as government that is responsive to the needs, and respectful of the rights, of all its citizens – product of good institutions (rules)
 - Participatory, transparent, accountable, effective, equitable
 - Promotes the rule of law (not arbitrary in application of rules)
 - Ensures that political, social, and economic priorities are based on broad consensus of society
 - Voices of poor and vulnerable are heard in decision-making regarding allocation of resources
- Bad governance = bad institutions or rules
 - Corruption, lack of human rights, personalized rule, unelected governments (WB)

Governance systems for climate finance

- Need for rule-bound systems to coordinate climate finance flows in a transparent & accountable manner
 - International to national levels
 - National to sub-national levels
 - Funding mechanisms are institutions that determine what funding should flow where/who, how, when, and why
- These mechanisms need to be democratic & accountable, participatory, inclusive, transparent, equitable and aimed at enhancing the collective welfare of citizens of developing countries
 - Corruption is a direct challenge to good governance in climate finance flows and mitigating effects

Corruption and climate finance

- Corruption threatens:
 - Effectiveness of funds – does climate finance meet goals; spent for intended purposes
 - Efficiency in use of funds – best use of funds, value for money
 - Mobilization of new funds
 - Accountability of government – use of scarce public resources
- Corruption raises the costs of climate change, and exacerbates its effects
 - Distorts wise use of natural resources, fails to help the vulnerable, leads to poor quality and inappropriate projects

Climate finance corruption risks

- Large amounts of money & pressure to disburse quickly
- Wide variety of funding sources & levels – overlap
- Complex financial architecture: many actors & institutions, many financial instruments
 - New and untested funding channels and instruments with divergent governance standards (policies, rules, procedures)
 - Funding mechanisms' design may not be transparent or participatory
- Lack of agreement on measurement and definitions of climate finance – what counts; duplication
- Poor climate change-affected countries are likely to have weak domestic institutions of accountability and to be corrupt



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