

# *Session 12:*

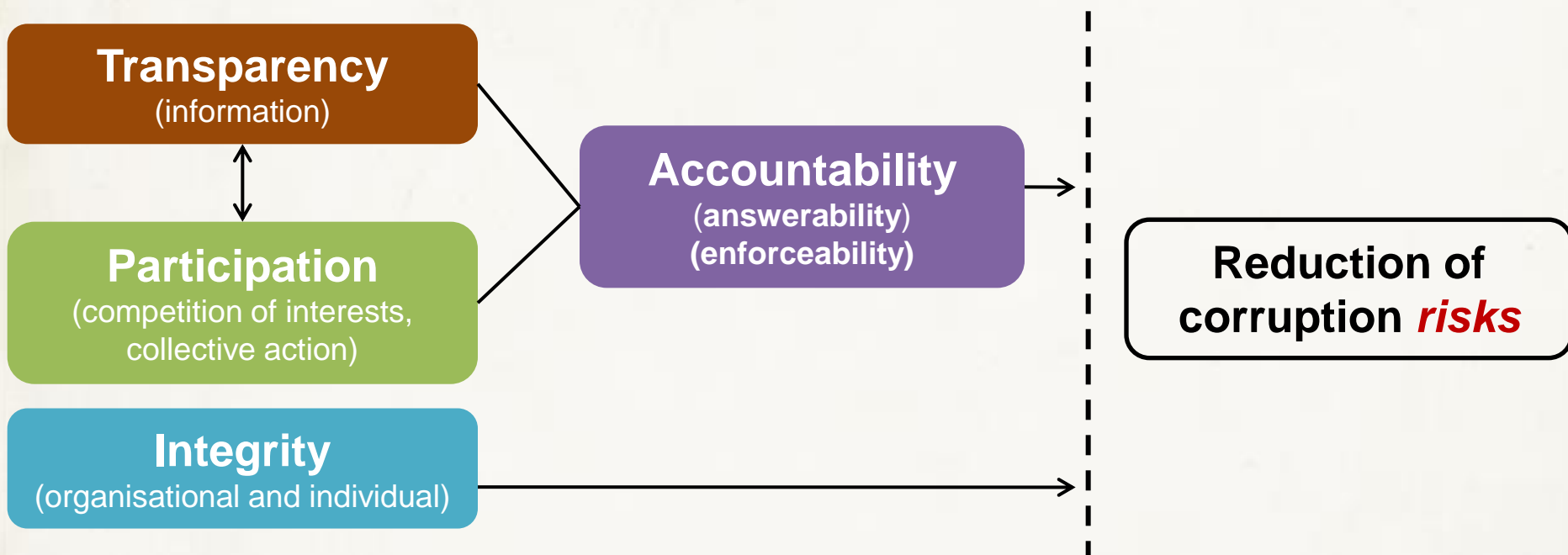
## *International Standards and Best Practices for Aid Flows, Revenue Transfers, and NRM*

Workshop on Corruption Risks and Anti-Corruption Strategies in Climate Aid Financing  
Manila, Philippines  
25 to 27 May 2015

# Corruption definition & causes

- Definition: abuse of entrusted power for private gain
- Monopoly power plus discretion (limited information) minus accountability (complaints mechanism)
- Low risk, high reward environment
  - Low risk of punishment, high personal gains
- Causes: principal-agent framework
  - Information and power asymmetries due to principal's inability to monitor agent
  - Mismatched interests

# The (basic) logic of anti-corruption





# Information: Key to anti-corruption

- Accountability via:
  - Availability of information → enhance transparency
  - Use of information → enhance participation
- Interdependence
  - Information use depends on participation
  - Participation depends on information availability
- Accountability is not apolitical
  - Reforms challenge powerful interests that benefit from lack of transparency, low levels of institutional responsiveness, and poor protection of citizens' rights (Gaventa and McGee 2013)

# Drawbacks to more information

- Conditionality: Ability to access information – FOI law, available technology, literacy
- Costs: Financial, opportunity, and transaction costs of making information available/usable at expense of other actions
- Crowding out: Too many demands on organization to disclose information make it impossible to carry out duties
- Usefulness: Quality and comprehensiveness of information
- Usability: Ability to use information – democratic structures, and complex technical nature of the information (EITI)
- Opposite effects: Too much information reduces transparency because it is overwhelming

# Information is key

“Reducing corruption, increasing transparency and getting the system right from the beginning means making sure that financial flows are traceable and that information is available on where they come from, where they go and how they are spent”.

*TI's Global Corruption Report: Climate Change (2011), p. 239*

# Transparency and Accountability Initiatives (TAIs)

- “Demand-side” mechanisms for citizens to hold states accountable – beyond “supply-side” of elections and intra-government controls
- Purpose: increase citizens’ access to information
- Budget accountability TAIs are most well-developed
  - Revenue collection and spending through participatory budgeting and audits, budget monitoring, and public-expenditure monitoring
- Very little evidence as to their effects, esp. in long-term
  - Untested assumptions and poor theories of change

# TAIs in financial flows: open data

- Technology as a tool to enhance transparency (information availability) and thus participation (use of info)
- Transparency through open data: data that is publicly available for anyone to use, reuse, and redistribute
  - Free or minimal cost, big or small data, often quantitative
  - Democratization of information; greater institutional accountability
  - Enhance government/organizational performance - responsiveness
- Example:
  - Citizens use open budget data from governments to participate in local budgeting, analyze service quality



# Open data: International aid flows

- [International Aid Transparency Initiative](#): links to raw data from organizations, and used for PWYP's annual Aid Transparency Index
  - NGOs, development banks, private companies, governments
  - Timely, comprehensive, accessible, comparable data
- [AidData](#): makes development finance more accessible and actionable – makes raw aid data available
  - Donor data and replication datasets
- [OECD Creditor Reporting System](#): raw data on where aid goes, what projects and programs it is spent
- [UNDP Open Data](#): info on all its projects worldwide

# TAIs and open data in climate finance

“The very latest development [in TAIs] has been mounting concern in the climate-change sector about huge volumes of international climate funding pouring into mitigation and adaptation funds without a sufficient purpose-built architecture in place to govern their use. This is leading climate change actors to borrow models and ideas from the international aid sector, the governance of which is known to be far from perfectly accountable and transparent... Consequently, attempts are under way to develop suitable climate-change TAIs.” (*Gaventa and McGee, 2013: S6*)

# TAIs and open data: Int'l climate finance

- [Climate Funds Update](#) (ODI): Information about international climate finance initiatives designed to help developing countries address climate change
- [Climate Change Open Data Platform](#) (UNDP/World Bank): Data on finance to developing countries
- [Climate Policy Initiative](#): Comprehensive mapping of public climate finance flows
- [Open Climate Network](#) (WRI): Info on climate finance flows
- [Voluntary REDD+ database](#): information on REDD+ financing, actions, and results

## Bilateral donor-level data on climate finance

- OECD DAC Statistics: data on bilateral and multilateral climate-related external development financial flows
- German government:
  - Database on German Climate Finance: project specific information in German
  - International Climate Initiative: finances climate projects in developing countries & transition economies
  - Other agencies like GIZ publish project descriptions
- Canadian government:
  - Detailed information on climate change projects and financial amounts published on the web



# Tracking climate finance flows: Challenges

- No internationally agreed-upon def. of climate finance
  - Which activities and which financial flows should count?
  - Additional finance vs. ODA flows used for climate activities
- No centralized system for tracking all climate flows
  - No common reporting methodology or measurement system
- No common M & E system to evaluate climate finance
- More focus on tracking at the international level – donor funds, multilateral funds, etc.
  - Insufficient & hard-to-find information on climate finance flows and uses at national and sub-national levels

# Open data on national-level revenue flows

- [EITI](#): extractive industries companies (oil, gas, mining) publish what they pay to governments (taxes, royalties, etc.) and governments publish what they receive
- [Ghana Open Data Initiative](#) (2012): dozens of government datasets open to public
  - promote efficiency, transparency, accountability and facilitate economic growth
- [Open Data Philippines](#)
  - Open Government partnership
- [Philippines Foreign Aid Transparency Hub](#) – disaster aid

# Mapping aid and climate data

- AidData and University of Texas mapping of data on aid projects, climate change, and conflict to assess intersections
  - Coding of all World Bank projects implemented in SSA from 2008 to 2012
- [Mapping of aid and climate change in Malawi](#)
  - Data for the 30 donors in Malawi's Aid Management Platform geocoded and climate-coded
  - Aid projects coded ranked for climate relevance to provide a picture of how adaptation fits into development efforts
    - Projects coded as directly linked to climate change adaptation, to climate resilience, to general development, or no link



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AND AFRICAN  
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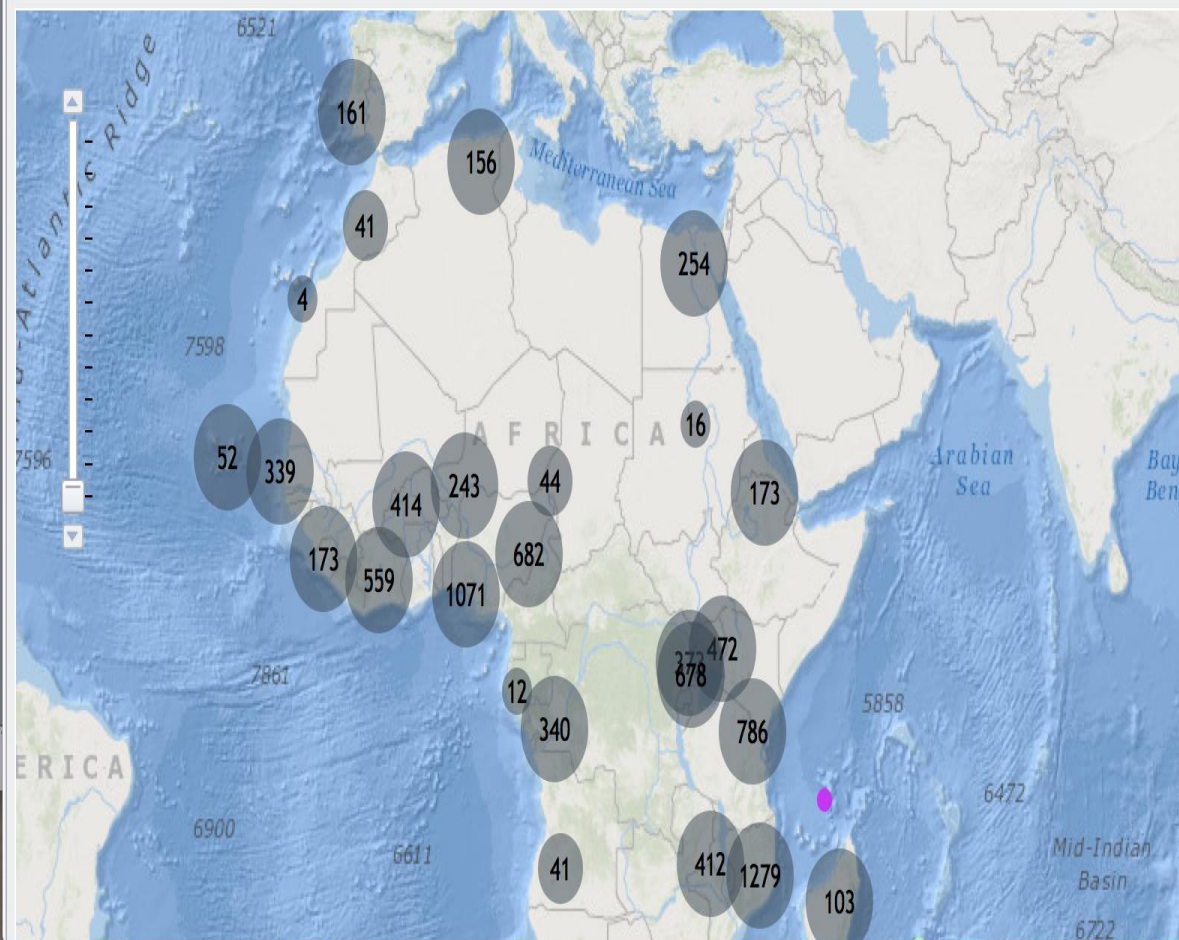
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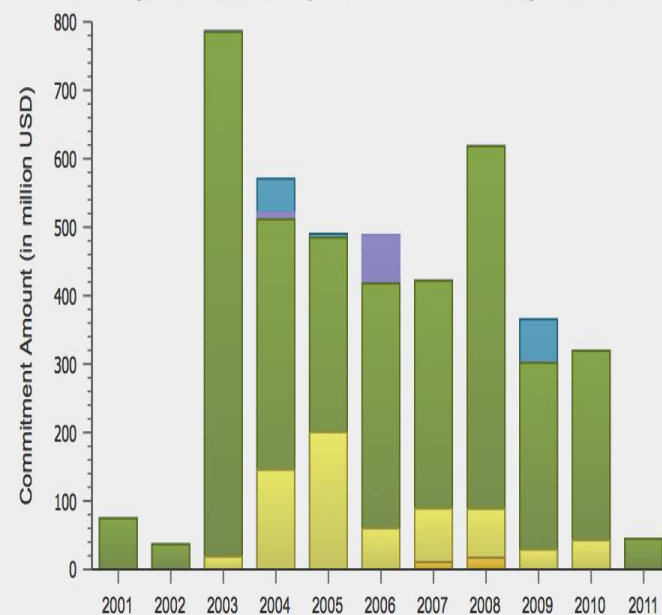
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Aid Funding Amounts in Malawi by Relevance to Climate Change Adaptation



Commitment Amount (in million USD)

Bars

Aid Funding Amounts in Africa by Donor



# Tracking climate finance

- Need in-country monitoring, reporting, and verification (MRV) systems at national, sub-national, and project levels to track and manage climate finance & ensure effectiveness
  - Budgetary codes to categorize climate change projects
  - Harmonized reporting formats
  - As part of Climate Fiscal Framework, include robust reporting requirements to ensure accountability of spending

# Structural ways to facilitate participation

- Use of information, create checks and balances, competition of interests to reduce capture of decisions
- Reporting to elected representatives (local, national)
  - But low accountability, legitimacy, capacity in semi- or non-democracies → China, Afghanistan
- Involve civil society organizations (NGOs – local, int'l)
  - But increasing state constraints on NGOs → Greenpeace in India
  - NGOs may not be accountable to, or represent, grassroots
- Oversight by community-level structures (local level)
  - But communities are not necessarily equal or accountable → elite capture over revenues and decision making

# Community-level participation

- In Brazil, Croatia, India, Mexico, South Africa, and Uganda
  - civil society-led budget analysis shown to have increased transparency and strengthened accountability
    - Resulted in changes to budget allocation and implementation
    - Increased engagement of legislators, media, and civil society
- Mixed evidence about effect of community monitoring
  - Risk of elite capture by local power structures
  - Works best where communities have actionable and relevant information, enhanced understanding of their rights, sense of ownership, incentives to participate, and have the power to hold others to account

# Community-level participation in NRM

- Examples from the mining sectors in West Africa
- Community development agreements (CDA) in Ghana
  - Multi-stakeholder oversight & monitoring, project selection committee
  - Public signboards and community meetings for disseminating information
- DACDF and planned CDA in Sierra Leone
  - DACDF: elite capture of decision-making, lack of transparency in use of funds → embezzlement and misuse led to reform
  - New CDA: multi-stakeholder committee to select and monitor projects & funds, public reporting



# Large menu of options for AC interventions

- Climate finance-focused actions:
  - Open, publicly available data on finance, contracts, projects, process
    - Common reporting framework and methodology
    - M & E and financial management system(s) at national and sub-national levels as well as at project level to manage money
    - Regular public reporting on distribution and use of funds
    - Independent oversight & auditing of funds
    - Performance-dependent funding to ensure effectiveness
    - Fiduciary safeguards – GEF: monitoring, auditing, disclosure, standards
    - Complaints mechanisms, hotlines, integrity training
  - Participatory governance in climate projects & their finance
    - Decision-making, project appraisal, and oversight of funds

# TI's assessment of multilateral climate funds' accountability performance

- Effective reporting and auditing guidelines & requirements
- Answerability mechanisms: explanations of decisions to key stakeholders and appeals process for decisions
- Whistleblower protection for those working with the fund
- Complaints and investigation mechanisms
- Sanctions to penalize corruption
- Requirements to consult with civil society in project cycle
- Participation of civil society in funds' proceedings

# TI's assessment of multilateral climate funds' transparency performance

- Policy-level transparency: measures for public access to information about funds' administration and operations
- Practice-level transparency: can members of the public in practice obtain relevant and timely information on fund activities, policies, etc. throughout project cycle?

# **TI's assessment of multilateral climate funds' integrity performance**

- Anti-corruption rules in place
- Integrity screenings such as background checks for fund employees
- Integrity training for employees



# Further options for AC interventions

- Larger reforms, beyond climate finance:
  - Broad anti-corruption and public integrity campaigns & policies
    - Codes of ethics, integrity, and A-C programs and strategies
    - Audit and anti-corruption institutions
  - Strengthen national laws and institutions – civil society, freedom of information and whistleblower protection, lobbying rules, government transparency
  - Reformed public financial management & public procurement systems, public expenditure tracking to reduce misuse & leakages
  - Government transparency and accountability initiatives

# Discussion

- How to increase transparency (information availability) and participation (use of information) in climate finance within the Philippines?
  - International to national flows, & national to sub-national flows
  - What would a climate finance monitoring system look like?
  - Information:
    - What info available? Who should make it available? How should that info be accessed, and by who? Who would use the information and for what purposes?
  - What participatory structures should be established or strengthened in both dimensions? Role of civil society and LGUs?
- Necessary steps and preconditions? Challenges, obstacles?



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