



United Nations Development Programme



STAYING ON TRACK: TACKLING CORRUPTION RISKS IN CLIMATE CHANGE

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FOREWORD

Tackling climate change and fighting corruption go hand-in-hand.

Both are major challenges that weaken progress towards the Millennium Development Goals. Corruption destroys public trust, undermines human rights and the rule of law, exacerbates conflicts and weakens gender inequality. Adverse effects of climate change, such as breakdown of agricultural systems, malnutrition, water shortages, and more frequent and violent natural disasters, present major obstacles to sustained development and could reverse the progress we have made to date.

Successful climate adaptation coupled with stringent mitigation hold the key to human development for the 21st century and beyond. These are not without challenges, which can be compounded by corruption when it weakens institutional checks and balances on power and results in non-transparent decision-making processes.

Already corruption has significant impacts on the responses to climate change. For example, turning a blind eye to illegal deforestation and forest degradation results in increased greenhouse gas emissions; competition for scarce resources due to more severe droughts forces some to access these resources through corrupt means. The poorest and most vulnerable people – those without any power or influence, who also bear the brunt of the effects of climate change – are the first to suffer setbacks.

While emerging international mechanisms supporting climate change adaptation and mitigation represent unique opportunities for developing countries, they are not without risks. Developing countries need efficient and equitable access to substantial additional resources to support their efforts in adaptation, mitigation and sustainable human development, as well as strengthened capacity to manage those resources. Transparent and accountable financial processes and mechanisms will be needed, and the combined expertise in climate change and governance of the United Nations Development Programme can be key to supporting these efforts.

Strengthening principles of accountability, transparency, integrity and the rule of law in the responses to climate change will pave the way to a more equitable, sustainable future for all. The valuable and timely report you have in hand contributes to this endeavour.

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AGF	UN Secretary-General's High-Level Advisory Group on Climate Change Financing
C-MRV	Measurement, reporting and verification of carbon
COP	Conference of the Parties (of the UNFCCC)
EITI	Extractive Industries Transparency Initiative
FCPF	Forest Carbon Partnership Facility (hosted by the World Bank)
FPIC	Free, Prior and Informed Consent
GEF	Global Environmental Facility
GGM	Good Governance for Medicines programme (World Health Organization)
IPCC	Intergovernmental Panel on Climate Change
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MRV	Measurement, reporting and verification
NAPA	National Adaptation Programmes of Action
NLDT	National Land Development Taskforce
NRI	National Research Institute
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PACDE	Global Thematic Programme on Anti-Corruption for Development Effectiveness (UNDP)
RPP	Readiness Preparation Proposals
SBSTA	Subsidiary Body for Scientific and Technological Advice
SIDS	Small Island Developing States
UN-REDD	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change



EXECUTIVE SUMMARY

Climate change creates a serious challenge for sustainable development, with scientific projections indicating that billions of people will face food and water shortages, increased exposure to diseases, losses of homes, assets and livelihoods, and forced migration. Recognising the urgency of the issue, the international community has pledged significant funding for adaptation and mitigation in developing countries, and a wide range of mechanisms and institutions for climate finance are rapidly developing. In order to maintain progress - or even current achievements - towards the MDGs, it is imperative that these funds be spent effectively and not be diminished or lost through corruption.

Maximising the effectiveness of climate finance must include steps to reduce the potential for corruption, as large influxes of resources coupled with an imperative to spend can create conditions ripe for corruption. This paper thus identifies the corruption risks in relation to two elements of the climate change response of particular importance to developing countries: adaptation, and reducing emissions from deforestation and forest degradation in developing countries (REDD+).

Adaptation is particularly important for developing countries in view of their vulnerability, limited capacity to adapt and lesser historical responsibility for the causes of climate change. This paper identifies the key corruption risks in adaptation at the country level as follows:

- State capture and abuse of discretion in the process of adaptation planning, resulting in prioritisation of projects and programmes favouring vested interests rather than areas of greatest vulnerability;
- Bribery, clientelism and cronyism in design and procurement, leading to poor quality, incomplete and potentially maladaptive projects and programmes; and
- Petty corruption in the delivery of projects and programmes, increasing the cost and reducing the effectiveness of adaptation activities.

REDD+, which is to be funded by developed country Parties (and, potentially, through the market), represents a potential source of new revenue for many developing countries, yet also poses significant corruption risks. In particular, the paper identifies the key corruption risks for REDD+ as:

- Corruption affecting the REDD+ readiness phase which may be affected by state capture, effected through grand corruption and political corruption, in which powerful individuals and groups, such as politicians, logging companies, agribusiness and possibly the military, seek to influence the design of a country's national REDD+ framework in order to advance their private interests or to entrench their political power. This can be a way of 'legalizing' corruption.²
- Corruption affecting the implementation phase of REDD+ which may also be affected by grand corruption and political corruption but also includes the risk of petty corruption, in which the low to mid-level public officials who are responsible for implementing REDD+ are bribed to ignore routine breaches of REDD+ laws (e.g. illegal logging), or are bribed to create fraudulent land titles or carbon rights.

² UNDP (May 2008) *Tackling corruption, transforming lives: Accelerating Human Development in Asia and Pacific*, Asia-Pacific Human Development Report series, Macmillan Publishers India Ltd, at p. vii.



- Corruption affecting the distribution of REDD revenues and benefits, such as the embezzlement of revenues and the misappropriation of revenues by powerful groups, such as logging companies, the military, and project developers.

While the corruption risks in climate finance for adaptation and REDD+ are considerable, there is much that can be done to reduce them by adopting strategies to promote transparency, consolidate funding, engage stakeholders, involve local communities, and ensure adequate monitoring, reporting and verification.

The key recommendations to reduce corruptions risks in adaptation and REDD+ which are outlined in this paper include:

- The need to avoid fragmentation of funding which can itself create opportunities for corruption and can send mixed messages to developing countries about the importance of addressing corruption;
- The need to encourage developing countries to ratify and implement global and regional anti-corruption instruments, such as the United Nations Convention Against Corruption ('UNCAC'), and utilize UNCAC as an anti-corruption framework in adaptation and REDD+ activities;
- The importance of carrying out corruption risk assessments in order to ascertain the condition of the general governance framework in the country concerned, and to tailor the anti-corruption measures to the country circumstances;
- The desirability of using multi-stakeholder accountability mechanisms to improve transparency and accountability in designing, implementing and monitoring adaptation and REDD+ frameworks;
- The importance of improving the capacity of developing countries to administer the funds anticipated to arrive for adaptation and REDD+, and to strengthen their systems for public financial management and procurement;
- The need to strengthen the capacity of civil society to participate and play a 'watchdog' role and the need to establish independent recourse and complaints mechanisms to improve transparency and accountability;
- The need to support anti-corruption bodies to build their capacity so that they can raise awareness and can develop and implement preventive mechanisms such as system audits, and are able to investigate and monitor corruption cases in adaptation and REDD+; and
- The need to strengthen transparency and accountability of local governance institutions and systems.



1.1 Why corruption and climate change?

Climate change creates a serious challenge for sustainable development, with scientific projections indicating that billions of people will face food and water shortages, increased exposure to diseases, losses of homes, assets and livelihoods, and forced migration.³ The impacts of climate change will be felt worldwide, but will be most devastating for poor people and poor countries. Their high reliance on climate-sensitive sectors such as agriculture, forestry and fisheries, coupled with high levels of poverty, low education levels and limited human, institutional, technical and financial capacity, mean that developing countries, and particularly women and indigenous peoples within them, will bear the brunt of climate change. Unless addressed urgently, climate change will seriously constrain progress against the Millennium Development Goals (MDGs).

The problem of climate change was recognised internationally in 1992 with the signing of the United Nations Framework Convention on Climate Change ('UNFCCC' or 'the Convention'). The ultimate objective of the Convention is to stabilize greenhouse gas concentrations at a level that would prevent dangerous anthropogenic interference with the climate system, and to this end Parties agreed to take actions both to mitigate and to adapt to climate change.⁴ While the Convention places the heaviest burden for fighting climate change on developed country Parties,⁵ it does provide for significant action in developing countries.

In line with commitments made under the Convention, and in response to increasingly alarming scientific projections, large amounts of funding are being pledged by the international community to assist with adaptation and mitigation in developing countries.⁶ In order to maintain progress - or even current achievements - towards the MDGs, it is imperative that these funds be spent effectively and not be diminished or lost through corruption.

Maximising the effectiveness of climate finance must include steps to reduce the risks of corruption, as large influxes of resources coupled with an imperative to spend can create conditions ripe for corruption. The experience of development assistance shows that corruption can seriously compromise development outcomes, diverting funds away from intended beneficiaries and undermining the development of local knowledge, skills, governance and institutional capacity.⁷

3 IPCC (2007) Fourth Assessment Report: Climate Change 2007, available at www.ipcc.ch/publications_and_data/publications_and_data_reports.htm.

4 Mitigation actions under the Convention include limiting anthropogenic emissions of greenhouse gases and protecting and enhancing greenhouse gas sinks and reservoirs; Adaptation includes taking action to respond to the adverse consequences of climate change and to build resilience to future impacts.

5 This is based on a recognition that developed countries are the source of most past and current greenhouse gas emissions.

6 While the figures being discussed are large (under the Copenhagen Accord, for example, developed countries committed to provide new and additional resources approaching US \$ 30 billion for the period 2010 – 2012, with balanced allocation between adaptation and mitigation), it is important to note that they fall considerably short of the amount needed in developing countries. These issues are discussed further in Chapter 2.

7 Fritz, Verena and I Kolstad (2008) *Corruption and aid modalities*, Bergen, Norway: U4; Transparency International (2007) *Poverty, Aid and Corruption TI Policy Position #01/2007*; OECD Development Cooperation Report (2010), Report by Eckhard Deutscher, Chair of the Development Assistance Committee; UNDP (2008) , *Primer on Corruption and Development*, New York, USA.



In some circumstances, development assistance can even increase corruption, creating new opportunities for rent-seeking activity and undermining social norms.⁸

As corruption disproportionately affects marginalized and vulnerable populations in developing countries, such as women and indigenous peoples, corruption in climate change mitigation and adaptation activities could have severe consequences. For example, where the issue of long-term finance remains unresolved, corruption could reduce donor confidence and thus seriously undermine the provision of long term, stable funding for the countries that are most vulnerable to climate change.

This paper focuses on corruption risks, and how to address them, in both adaptation and REDD+. Adaptation to the adverse effects of climate change is an issue for all countries, and all Parties to the UNFCCC have committed to undertake adaptation activities. However, the issue is particularly important for developing countries in view of their vulnerability, limited capacity to adapt and lesser historical responsibility for the causes of climate change.

This paper also focuses on an element of mitigation which is of particular importance to many developing countries: reducing emissions from deforestation and forest degradation in developing countries (REDD+)⁹. REDD+, which is to be funded by developed country Parties (and, potentially, through the market), represents a potential source of new revenue for a number of developing countries. The purpose of REDD+ is to establish a large-scale system of financial incentives to encourage forest-rich developing countries to reduce their levels of deforestation and forest degradation, and to increase their carbon stocks. However, while REDD+ has the potential to mitigate emissions, to assist with adaptation,¹⁰ improve livelihoods and provide significant biodiversity co-benefits, any future REDD+ mechanism is also prone to corruption risks.

The purpose of this paper is:

- to identify major corruption risks in the areas of adaptation and REDD+ and
- to make recommendations, including to UNDP, to assist developing country Parties to identify actions to minimize these risks.

The paper will consider corruption risks in both the public and private sectors.

8 While there are many examples where aid has worked effectively to reduce corruption, some studies suggest that aid as a type of windfall can in some cases prop up corrupt leadership, create new opportunities for rent-seeking activity and subvert domestic accountability. Indeed this is a particular risk for REDD. The delivery of aid can also increase vulnerabilities to corruption. Parallel systems and structural conditions such as privatisation and downsizing can reduce oversight and delivery capacity within government; donor behaviour and privileges such as tax exemptions in recipient countries can undermine social norms and work against compliance.

9 The term 'REDD+' is defined in section 3.1.1 below.

10 For example, deforestation has been identified as one the main factors exacerbating the impact of the recent floods in Pakistan, with extensive deforestation silting up the waterways, leaving Pakistan more vulnerable to storms: Gronewold, N. 'Climate Change, Deforestation and Corruption Combine to Drown a Region', *The New York Times*, 13 October, 2010, at <http://www.nytimes.com/cwire/2010/10/13/13climatewire-climate-change-deforestation-and-corruption-90465.html>. For a discussion of potential synergies between REDD, mitigation and adaptation, see von Scheliha, S., Hecht, B., and Christophersen, T., (2009), *Biodiversity and Livelihoods: REDD Benefits*, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) and CBD.



1.2 Defining corruption

UNDP defines corruption as the 'misuse of entrusted power for private gain'.¹¹ This recognises that corruption can take place in both the public and private sectors, and may involve corrupt interaction between the two. This definition is also sufficiently broad to include corruption within and by non-governmental actors. The most common forms of corruption which are referred to in this paper are defined in Box 1.

*Box 1: Forms of corruption*¹²

Bribery refers to the act of offering someone money, services or other inducements to persuade him or her to do something in return. Bribes can also be referred to as kickbacks, hush money, or protection money.

Cronyism and **clientelism** refer to the favourable treatment of friends and associates in the distribution of resources and positions, regardless of their objective qualification.

Embezzlement is the misappropriation of property or funds legally entrusted to someone in their formal position as an agent or guardian.

Extortion is the unlawful demand or receipt of property, money or sensitive information to induce cooperation through the use of force or threat.

Fraud refers to an intentional misrepresentation which is done to obtain an unfair advantage by giving or receiving false or misleading information.

Grand corruption involves bribery or the embezzlement of huge sums of money by those at the highest levels of government.

Nepotism is a form of favouritism that involves family relationships. Its most usual form is when a person exploits his or her power and authority to procure jobs or other favours for relatives.

Patronage refers to the support or sponsorship by a patron (a wealthy or influential guardian), e.g. to make appointments to government jobs, or to distribute contracts for work.

Petty corruption, also called bureaucratic corruption, involves low level contacts between citizens, businesses and officials and generally takes place where public policies are being implemented. It is common in service delivery, such as in health care, where people use public services.

11 UNDP (December 2008) *Corruption and Development: Anti-corruption Interventions for Poverty Reduction, Realization of the MDGs and Promoting Sustainable Development, Primer on Corruption and Development*, New York, USA, at p 7. Prior to 2008, UNDP defined corruption as 'the misuse of public power, office or authority for private benefit – through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement'. This was similar to the World Bank's definition of corruption as "the abuse of public office for private gain" (World Bank, 1997: 8), with both definitions placing the public sector at the centre of the problem. Since 2008, UNDP has viewed corruption more broadly.

12 Source: UNDP (December 2008) *Corruption and Development: Anti-corruption Interventions for Poverty Reduction, Realization of the MDGs and Promoting Sustainable Development, Primer on Corruption and Development*, New York, USA, at pp. 7-9; except State capture, which is defined in UNDP (2008) *Tackling Corruption, Transforming Lives*, p 231.



Box 1: Forms of corruption (continued)

Political corruption is the misuse of political power for private gain for preserving or strengthening power, for personal enrichment, or both.

State capture is where the state is held captive to the actions of individuals, groups, or firms who influence the formation of laws, rules and regulations to serve their own private interests. This is a way of 'legalising' corruption.

Additionally, a number of distinctions can assist in understanding corruption: design versus implementation risks, grand versus petty corruption risks, and supply versus demand side corruption risks.

As the actors and activities involved in adaptation and REDD+ shift, the forms of corruption that are more likely to occur will also change. In the present planning phase, with negotiations progressing under the UNFCCC, and with national governments developing policies and legislation for adaptation planning, renewable energy, REDD+ and other activities, and local and regional institutions also developing legal and policy frameworks, there is potential for grand corruption, political corruption and state capture. As adaptation and REDD+ move into implementation, the opportunities for corruption and the actors involved will shift, so that petty corruption may become increasingly significant. These phases are not entirely separate, as laws, policies and institutions are continually refined and developed.

While the distinction between grand and petty corruption is perhaps over used, it is important to note that both are serious concerns. Grand corruption, which is particularly prevalent during times of high spending, has the potential to affect the design and implementation of laws and policies and thus to affect large numbers of people. Petty corruption, which often thrives during periods of economic difficulty when goods and services are in short supply, is smaller in scale but often has a more direct impact on the poor, who are often least able to refuse yet also least able to pay small bribes.¹³

The supply and demand side distinction is useful in highlighting that corruption rarely involves just one actor,¹⁴ but it is important to note that power relations can vary considerably. While many anti-corruption measures have focused on the demand side by strengthening oversight in the public sector, the balance of power may not necessarily be on the side of the 'corrupt' official who may find it difficult to deflect pressure from corrupt actors, particularly where state capture is prevalent.¹⁵ This may also be the case with REDD+, where there may be a significant power imbalance between powerful international timber companies and multinational corporations and mid to low-level public officials.

13 UNODC 2004, UNDP 2008 Tackling Corruption, Transforming Lives.

14 Supply side risks generally involve corrupt activity on the part of the 'user' or 'purchaser' of services, and may involve offering bribes to obtain approvals outside the legal framework. 'Demand' side risks involve corruption by the person vested with the relevant power, such as a public sector official who solicits bribes and may engage in abuse of discretion, favouritism and nepotism in the channelling of funds. For each corrupt activity on the supply side, it is typically possible to identify corrupt activities on the demand side – abuse of discretion by officials tends to be linked to bribery from users or purchasers of services.

15 UNDP 2008 Tackling Corruption, Transforming Lives, p18.



In considering supply and demand side risks, it is also important to note that corruption is not limited to the developing countries that will benefit from climate finance. While corruption is generally discussed as between governments in developing countries on the demand side and contractors undertaking government projects or citizens using government services on the supply side, national and international donors, contractors, consultants, corporations and non-governmental organizations (NGOs) can also engage in corruption.

It is also important to distinguish corruption from lack of capacity and mismanagement. Lack of capacity can often lead to corruption (e.g. a lack of resources for monitoring creates opportunities for corruption to go unchecked), but is itself separate. Similarly, some activities that result in poor environmental or economic outcomes may result from poorly-designed legal systems rather than from corruption (e.g. unsustainable but legal logging caused by perverse incentives).

1.3 International norms and standards

The principal international instrument concerning corruption is the 2003 United Nations Convention Against Corruption (UNCAC), which entered into force on 14 December 2005 and is widely ratified.¹⁶ It focuses on four pillars: prevention, criminalization of corruption, international cooperation and asset recovery. There are also two relevant regional treaties on anti-corruption: the 1996 Inter-American Convention Against Corruption and the 2003 African Union Convention on Preventing and Combating Corruption ('African Convention on Corruption Prevention').¹⁷ UNCAC and these two regional conventions provide a comprehensive governance structure to curb corruption and can therefore provide an important framework for the design and implementation of anti-corruption measures in adaptation activities and national REDD+ frameworks.¹⁸ Annex A contains a list of REDD+ countries showing which countries have ratified each of these anti-corruption conventions.

The 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions ('OECD Anti-Bribery Convention') also provides a framework for curbing corruption in adaptation and REDD+. This Convention requires signatory states to make it a criminal offence under their domestic law for any person conducting international business to bribe, or attempt to bribe, a foreign public official in order to obtain business.¹⁹ Importantly, this is the only convention that focuses on controlling the supply side (or 'active' side) of bribery. In the context of adaptation and REDD+, it would provide a basis for prosecuting individuals or companies from developed countries who seek to pay bribes to public officials in developing countries in order to secure contracts or REDD+ revenues.

16 As at 22 October 2010, UNCAC had 140 signatories and 148 Parties.

17 The 1996 Inter-American Convention Against Corruption came into force on 6 March 1997, and has been ratified by 34 countries. The 2003 African Convention on Corruption Prevention entered into force on 5 August 2006. Of the 53 countries in Africa, 45 are signatories to the Convention, but only 31 countries have ratified it (as at 5 October 2010). The EU also has a treaty dealing with corruption, namely, the Convention of the European Union on the Fight against Corruption involving Officials of the European Communities or officials of Member States. However the EU Convention has limited application as it only deals with conduct on the part of officials of the European Community and its Member States.

18 In relation to REDD+, of the 46 countries presently participating in the UN-REDD Programme and/or Forest Carbon Partnership Facility, only nine have not yet ratified UNCAC (see Annex A)

19 This Convention came into force on 15 February 1999, and has 38 signatory countries, including 33 OECD members plus Argentina, Brazil, Bulgaria, Estonia and South Africa.



1.4 Anti-corruption and UNDP's mandate

As the UN's development agency, UNDP's mandate is to reduce poverty, meet the Millennium Development Goals and promote sustainable development. UNDP's work on environment in general and climate change in particular cuts across this mandate.

Similarly, since the advent of UNCAC and the regional anti-corruption instruments of the mid-1990s, UNDP has worked to support member countries to implement these emerging international anti-corruption standards and thus promote development effectiveness. UNDP's anti-corruption work focuses on assisting member countries to establish the preventative measures set out in UNCAC. This includes providing anti-corruption policy and programme advisory services, strengthening the watchdog role of the media and civil society, and producing knowledge products on anti-corruption, such as the UNDP Primer on Corruption and Development.²⁰ UNDP works with its Country Offices to provide technical assistance to develop laws and strategies to prevent corruption, to establish and strengthen national institutions including anti-corruption institutions, and to design and implement appropriate anti-corruption interventions.²¹ In addition to specific programs such as UNDP's Global Thematic Programme on Anti-Corruption for Development Effectiveness (PACDE)²², a key element of UNDP's anti-corruption work is mainstreaming anti-corruption initiatives into its existing work streams, such as climate change, poverty reduction, post conflict recovery, MDGs acceleration etc.



20 UNDP (December 2008) *Corruption and Development: Anti-corruption Interventions for Poverty Reduction, Realization of the MDGs and Promoting Sustainable Development, Primer on Corruption and Development*, New York, USA.

21 UNDP (December 2008) *Mainstreaming Anti-Corruption in Development: Anti-corruption practice note*, at <http://www.pogar.org/publications/finances/anticor/UNDP-AC-Guidance-Note-08e.pdf>

22 UNDP (2008), *Thematic Programme on Anti-Corruption for Development Effectiveness (PACDE)*, Project Document 2008-2013.



2 CORRUPTION RISKS AND ANTI-CORRUPTION MEASURES IN ADAPTATION ACTIVITIES

2.1 Background

2.1.1 Adaptation

The urgent need for adaptation to the adverse effects of climate change was highlighted by the Intergovernmental Panel on Climate Change (IPCC) in 2007 and has since been reinforced by further studies.²³ Climate change will seriously constrain the ability of developing countries to attain the MDGs, with IPCC projections indicating that billions of people will face food and water shortages, increased exposure to diseases, losses of homes, assets and livelihoods, and forced migration.²⁴ These impacts will be felt most by countries and communities that are already vulnerable, particularly women and children in developing countries.²⁵

The impacts of climate change are already apparent, and adaptation is vital to reduce their social, economic and environmental consequences and to build resilience. Support for adaptation in developing countries has been limited to date, and there is an urgent need to move beyond planning and information-sharing into concrete adaptation activities on the ground, including technological (e.g. reinforcing or relocating infrastructure in areas vulnerable to extreme weather events), behavioural (e.g. water conservation), managerial (e.g. changing to drought and/or salt-tolerant crop varieties) and policy activities (e.g. introducing planning controls in areas vulnerable to sea level rise).²⁶

The scale and diversity of activities involved in adaptation means that associated corruption risks are large and varied. The urgency of adaptation makes it critical to identify and take action to reduce these risks: corruption has the potential to seriously undermine adaptation efforts, with dire consequences for the most vulnerable countries and communities. Corruption could divert limited resources away from intended beneficiaries, reducing the speed, scale and effectiveness of adaptation. Corruption could also result in maladaptive activities, which may deliver short-term benefits but exacerbate vulnerability in the medium to long term.²⁷ Corruption in the use of fast start adaptation finance could also work against efforts to secure stable, ongoing sources of funding for adaptation in the medium and long term, with serious consequences for many vulnerable populations.

2.1.2 Financing adaptation

Estimates of the costs for developing countries to adapt climate change range from US\$ 30 to US\$ 100 billion in new and additional finance each year up to 2050.²⁸ The funds available, however, fall

23 See, e.g., NOAA (2010) State of the Climate 2009, NOAA, <http://www.cfr.org/publication/22732/noaa.html> which indicates rates of sea level rise 50 percent greater than under the IPCC's worst case scenario.

24 IPCC 2007.

25 WHO (2009) *Gender, Climate Change and Health*, WHO Draft Discussion Paper www.who.int/globalchange/publications/reports/gender_climate_change/en/index.html

26 UNFCCC (2007) *Climate Change: Impacts, Vulnerabilities and Adaptation in Developing Countries*, Bonn, Germany (hard copy version dated 2008), <http://unfccc.int/resource/docs/publications/impacts.pdf>

27 OECD 2009.

28 World Bank and International Bank for Reconstruction and Development (2010) World Development Report 2010, WB and IBRD, http://publications.worldbank.org/index.php?main_page=product_info&cPath=0&products_id=23631. The costs will be even greater if mitigation does not keep temperature rises below 2 degrees.



far short of this.²⁹ The shortfall between the scale of funds required for adaptation and the amount available makes it vital that funds are spent effectively and corruption risks are reduced.

Under the UNFCCC, developed country Parties committed to provide support to assist particularly vulnerable developing countries to meet the costs of adaptation (Art 4.4). One of the major achievements in this respect is the Least Developed Countries (LDC) work programme, financed through the GEF-managed LDC Fund. This Fund has enabled LDCs to prepare plans for immediate adaptation needs and in most cases to commence implementation of priority climate change risk management measures, as well as measures that strengthen national and local capacities to manage the uncertainties of climate change in the long run.³⁰ Currently, UNDP alone is supporting more than 30 of the 49 LDCs with finance for adaptation through multiple sources, including the LDC Fund.³¹ However, additional financing is required for developing countries, particularly small island developing States (SIDS) and lower income non-LDCs.

The impact of climate change will be felt most by countries and communities that are already vulnerable, particularly women and children in developing countries.

In 2007 the Parties to the UNFCCC agreed to work together to enhance action on the provision of financial resources and investment for adaptation, with the aim of concluding a new agreement in 2009.³² However, considerable divergence remains on issues including governance, access arrangements and the scale of funds.³³ In view of the slow pace of UNFCCC negotiations, and the urgent need to undertake adaptation activities, discussions are increasingly focusing on 'fast-start' finance for adaptation between 2010-2012 and on sources outside the UNFCCC.

The main sources of funding for adaptation are:

- UNFCCC funds (funding through the financial mechanism of the Convention: GEF Trust Fund, LDC Fund, Special Climate Change Fund) and the Kyoto Protocol Adaptation Fund,
- Multi-lateral sources (e.g. the World Bank's Pilot Programme for Climate Resilience, the European Commission's Global Climate Change Alliance Fund, UNDP's MDG Achievement Fund – Environment and Climate Change thematic window),
- Bi-lateral sources (e.g. UK Environmental Transformation Fund, Australian Adaptation to Climate Change Initiative, German International Climate Initiative, Japanese Initiative), and

29 The Copenhagen Accord included a pledge by developed countries to provide funding approaching \$US30 billion between 2010-12, but this was to be balanced between adaptation and mitigation. To date, the vast majority has gone to mitigation, and there have been some difficulties in identifying which funds are new and additional to ODA. www.climatefundsupdate.org

30 The UNFCCC Least Developed Countries work programme is discussed in section 2.2.

31 UNDP is currently supporting LDCs to access finance through the LDC Fund, Special Climate Change Fund, Adaptation Fund as well as bilateral sources including from the Governments of Denmark (through the UNEP-UNDP CCDARE programme) as well as the Government of Japan (through the Africa Adaptation Programme).

32 Decision 1/CP.13 (Bali Action Plan).

33 See current LCA text, Chapter 2.



2 CORRUPTION RISKS AND ANTI-CORRUPTION MEASURES IN ADAPTATION ACTIVITIES

- Private sector sources (private equity funds, foundations and NGOs).

The current climate finance structures at the international and national level are hampered by the proliferation of funding arrangements, supply driven funding priorities, weak national structures and capacities, and low levels of investment in capacity development. Addressing these problems will require, among other elements, action to strengthen oversight systems in recipient countries. However, the effective oversight of climate change financing will also require investment in specific climate change capacities and accountability structures at the international, national and local level.

Furthermore, the number of sources for adaptation finance is likely to increase. In December 2009, developed country Parties announced plans to create a Copenhagen Green Climate Fund with \$30 million to be spent annually on adaptation, mitigation and other activities in developing countries between 2010 and 2012. Further, in February 2010 the UN Secretary General established a High-Level Advisory Group on Climate Change Financing (AGF) to investigate how to scale-up long-term financing for adaptation (and mitigation) in developing countries from public and private sources.

2.1.3 Key issues: corruption in adaptation

This section provides an overview of the key corruption risks associated with the planning and implementation of adaptation activities at the country level.

Many of the issues for adaptation are similar to those experienced in the provision of development assistance. Fragmentation of funds and the pressure to disburse funds quickly have reduced the effectiveness of aid projects and increased their vulnerability to corruption, and could potentially create similar risks for adaptation. While many of the lessons from aid effectiveness will be relevant for adaptation, the particular nature of climate change may require some variation in approach.

Fragmentation is a concern in adaptation. In addition to the increasing number of funding sources, there is considerable diversity and overlap in the nature, purposes and governance of climate funds. Some provide funding only for adaptation; others also provide for mitigation and in many cases provide a greater share to mitigation over adaptation.³⁴ Some provide loans or a combination of grants and loans, some provide technical assistance as well as funding, and some are targeted to particular countries, regions or types of projects.³⁵ There is also considerable divergence in the governance of funds: some provide detailed operational information and opportunities for participation by beneficiaries of adaptation funding and by civil society; others are less transparent.³⁶ Some funds work to coordinate their efforts, while others operate quite independently.³⁷

34 For example, the UNFCCC LDC Fund and Special Climate Change Fund, the Kyoto Protocol Adaptation Fund, the World Bank's Pilot Programme for Climate Resilience and Australia's Adaptation to Climate Change Initiative are all dedicated adaptation funds. In contrast, the Japanese Initiative provides funding for both adaptation and mitigation, with the vast majority intended to go toward mitigation.

35 For example, Brazil's Fundo Amazônia and the African Development Bank's Congo Basin Forest Fund provide funding exclusively to forestry projects in particular regions.

36 The Kyoto Protocol Adaptation Fund is widely recognised for its high level of transparency, including the majority of developing country members on its governing Board (AFB), as well as provisions for direct access and provision for civil society observers at AFB meetings.

37 For example, there is coordination between the funds administered by the GEF (the SCCF, LDCF and GEF Strategic Priority on Adaptation Trust Fund), while bi-lateral and private sector funds tend to be managed more independently.



Fragmentation between adaptation and other development activities is also an issue, since many adaptation projects and programme are likely to occur in tandem with development projects. Separate reporting, and the lack of basis for comparing which risks and costs are attributable to climate change above a pre-existing development baseline, could add to the potential risks of corruption in adaptation.

Further, discussions in the AGF and other fora have focused on scaling up new resources, with limited attention to ensuring that existing resources are not lost to corruption. Increasing local accountability will be important both to maximise the effectiveness of new climate funds and to harness domestic resources by reducing illicit outflows of resources and increasing revenue collection.

Imperatives to disburse funds quickly are also a concern in adaptation. Increasingly alarming scientific projections, coupled with slow progress in negotiations for new commitments under the UNFCCC and Kyoto Protocol, create considerable pressure for governments, multi-lateral and other institutions to demonstrate that action on climate change is being taken. Pressure to disburse funds and/or to produce stories of successful implementation could reduce the level of oversight, creating opportunities for corruption.

Efforts to improve aid effectiveness, particularly the 2005 *Paris Declaration on Aid Effectiveness* and the 2008 *Accra Agenda for Action*, offer several strategies that may help to reduce the risks of corruption in adaptation. For example, the use of sector-wide approaches, consolidation of funds and/or decision-making, strengthening country systems and enhancing the accountability of both donors and partner countries may be helpful to reduce the risks of corruption and enhance the effectiveness of adaptation.

However, it is important to recognise the differences between climate finance – particularly for adaptation – and development assistance. Developing countries are arguing strongly in the UNFCCC process that the historical responsibility of developed countries for climate change must be reflected in structures and systems that are unlike those typical of aid and development. While the imperative to reduce corruption in adaptation is no less than in development assistance, the strategies that will be appropriate to reduce opportunities for corruption in adaptation must reflect these differences.

The following sections outline corruption risks in the planning and implementation of adaptation activities at the country level, and provide suggestions as to how these may be reduced.

2.2 Planning and setting priorities for adaptation

Assessing the impacts of and vulnerability to climate change, and subsequently identifying strategies and priorities for adaptation actions, will be critical to reduce the social, economic and environmental impacts of climate change in developing countries. To this end, all Parties to the UNFCCC committed to prepare, publish, implement and update programmes for adaptation (Art 4.1(b)).

The UNFCCC LDC Work Programme provides technical and financial support for LDCs to identify priority activities that respond to their urgent and immediate adaptation needs in National Adaptation



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Programmes of Action (NAPAs).³⁸ NAPAs focus on urgent and immediate needs, and are intended to build upon existing coping strategies rather than working from scenario-based modelling.

The process for preparing a NAPA includes:

- synthesis of available information;
- participatory assessment of vulnerability to current climate variability and extreme events and of areas where risks would increase due to climate change;
- identification of key adaptation measures as well as criteria for prioritizing activities;
- selection of a prioritized short list of activities; and
- short profiles of projects and/or activities intended to address urgent and immediate adaptation needs of LDCs.

LDCs submit completed NAPAs to the UNFCCC secretariat, where they are published online, and the LDC can then apply to the GEF for implementation support under the LDC Fund.

The process for non-LDC developing country Parties to plan for adaptation is less clear. Vulnerability and adaptation assessments are included in the National Communications that Parties submit to the UNFCCC, but these vary considerably in both frequency and content.³⁹ Lack of capacity, particularly related to data collection and technical expertise, has been identified as a key problem for developing countries undertaking adaptation planning.⁴⁰ While some information has been generated through workshops, tools and reports under the Nairobi work programme, its limited reach and accessibility have been criticised by developing countries.⁴¹ Similarly, the support for vulnerability and adaptation assessments as part of national communications under the GEF Trust Fund is insufficient to meet the needs of developing countries.⁴² The issue of increasing financial support to plan for adaptation and, particularly, to achieve adaptation action on the ground is a major focus of current UNFCCC negotiations.

Corruption could exacerbate the problems caused by capacity limitations in developing countries. Many adaptation projects and programmes will have particular benefits for certain groups. For example, restoration of mangroves will be particularly beneficial for adjacent coastal landowners and users of inshore fisheries; development of water, energy and infrastructure will have particular benefits

38 The special needs of LDCs are recognized in Art 4.9 of the Convention. LDCs are identified based on three criteria: low income, weak human assets and high economic vulnerability. The UN recognizes 49 LDCs, comprising 33 in Africa, ten in Asia, one in the Caribbean and five in the Pacific. UNFCCC (2009) *Least Developed Countries under the UNFCCC*, Bonn, Germany, unfccc.int/resource/docs/publications/ldc_brochure2009.pdf

39 Many developing countries have submitted only one National Communication, which may be over ten years old, and a few have not submitted any. UNFCCC (2009) "Information on financial support provided by the Global Environment Facility for the preparation of national communications from Parties not included in Annex I to the Convention", FCCC/SBI/2009/INF.5

40 UNFCCC (2007) *Climate Change: Impacts, Vulnerabilities and Adaptation in Developing Countries*, Bonn, Germany (hard copy version dated 2008) <http://unfccc.int/resource/docs/publications/impacts.pdf>, p 15.

41 UNFCCC (2010) Views and information on the effectiveness of the Nairobi work programme on impacts, vulnerability and adaptation to climate change in fulfilling its objective, expected outcome, scope of work and modalities, FCCC/SBSTA/2010/Misc.8 September 21, 2010.

42 The GEF has provided \$120 million for National Communications, but much of this has been spent on areas other than adaptation. GEF (2009) *Financing Adaptation Action*, <http://www.thegef.org/gef/node/12>, p. 9.



for companies involved in construction; distribution of drugs to address the spread of diseases will have particular benefits for certain pharmaceutical companies.

Corruption in the process of planning and setting priorities for adaptation may involve high level actors, such as political elites, government departments (particularly those responsible for land use planning, infrastructure, health and natural resource management), powerful national and international companies (e.g. major industries, utilities and project developers), landowners and the military.

The following section outlines key corruption risks for the planning and prioritisation of adaptation activities.

Corruption could exacerbate the problems caused by capacity limitations in developing countries.

2.2.1 Consultation with stakeholders

The ways in which stakeholders are able to participate in the process of planning for adaptation will have a significant impact on the outcomes of adaptation.

Corrupt practices in stakeholder consultation could include:

- State capture and abuse of discretion, e.g. vested interests receiving more information and access to decision-makers, and
- Bribery, solicitation, nepotism and clientelism, e.g. officials receiving cash or inappropriate hospitality in exchange for information, access to decision-makers and promises of favourable decisions.

Engaging a wide range of stakeholders from all levels of government, civil society, women, indigenous peoples, business, trade unions and other groups will therefore be important to maximise the effectiveness of adaptation plans and their subsequent implementation. As corruption can occur when certain groups are able to exercise undue, unfair influence, ensuring that balanced consideration is given to the views of all stakeholders will be critical.

2.2.2 Identification and prioritisation of adaptation plans

The shortfall between adaptation needs and the funding available means that many important adaptation programmes and projects will have to be delayed. The process of determining which programmes and projects to give priority to will thus be crucial to the effectiveness of adaptation. This is further complicated by the potential for adaptation plans to propose solutions to problems that are not due to climate change (but rather environmental mismanagement or corruption) and to propose maladaptive projects and programmes, which may have short-term benefits but increase vulnerability in the medium to long term, or indirect costs that outweigh their direct benefits.⁴³

⁴³ For example, a sea wall may protect a particular property in the short term, but increase erosion in other areas. In the medium to long term the sea wall may not be sufficient to protect even that property, leading to a waste of resources.



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Corruption could reduce the effectiveness of adaptation planning by causing countries to select and/or prioritise inappropriate programmes and projects for adaptation. This could then have flow on consequences for funding and project implementation, with potentially severe impacts on vulnerable groups.

Corrupt practices in the identification and prioritisation of adaptation activities could include:

- Bribery, solicitation, nepotism and clientelism, e.g. officials receiving cash or inappropriate hospitality in exchange for plans favouring interest groups rather than areas of greatest adaptation need, such as landowners seeking priority for particular properties or regions,
- Abuse of discretion to facilitate rent-seeking in the implementation of funds, e.g. a preference for infrastructure projects with greater opportunities for bribery than approaches such as ecosystem-based adaptation, and
- Fraud and collusion by groups seeking favourable treatment, e.g. provision of inaccurate information by industry groups in order to secure the adoption of particular technologies or methods. This could also include activities which are not necessarily corrupt but can weaken governance, such as the formation and funding of ‘astro turf’ organizations, scientists tasked with producing material to support particular views and ‘journobbying’.⁴⁴

The lack of capacity in developing countries to undertake adaptation planning and, more broadly, the lack of oversight by judicial, administrative and civil society organisations are key contributors to these risks. This is exacerbated by informational asymmetries and the novel, complex nature of climate change science (industry groups and consultants may have a greater understanding of adaptation needs and response options than officials). Corruption risks may also increase due to existing problems of state capture, as well as the low salaries typically paid to officials, particularly in comparison to the potential profits (and/or losses) for landowners, construction companies and other stakeholders as certain adaptation options are prioritised over others.

2.2.3 Recommendations to reduce corruption risks in adaptation planning

There is much that can be done to reduce risks of corruption in adaptation planning. Many actions are already being taken by UNDP and other international, national and regional organisations to build capacity, enhance transparency and strengthen oversight of adaptation planning. Building on these, the potential for corruption to reduce the effectiveness of adaptation planning for vulnerable countries and communities can be considerably reduced.

Enhancing the capacity of officials and the transparency of planning processes will be critical to reduce the risks of corruption in the process of planning and setting priorities for adaptation at the country level. In particular, capacity-strengthening for officials tasked with adaptation planning can be coupled with adequate technical and financial support for short, medium and long term adaptation planning in LDCs and all developing countries. UNCAC provides a valuable framework to guide anti-corruption measures in adaptation planning, as outlined in Annex C.

44 Transparency International (2009) *Controlling Corporate Lobbying and Financing of Political Activities* TI Policy Position #06/2009, p.13. http://www.transparency.org/publications/publications/policy_positions/pp_6_2009_corp_lobbying

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Establishing a transparent system for the design and development of adaptation plans, including clear policies and procedures at all levels of government, will be important prior to commencing adaptation planning. Corruption assessments developed and undertaken in partnership with local stakeholders should be used to identify potential corruption risks and to develop country-specific strategies to reduce these as part of the process of setting up adaptation planning systems. Securing buy-in from the public at the start of the process could also help to reduce corruption risks.

Undertaking regular and wide stakeholder consultation throughout the process will be critical to reduce corruption risks. Government information must be published, making use of broadcast and print media, local information boards and community meetings as well as online systems, and information-sharing among stakeholders and civil society should be encouraged. Close scrutiny and assessment through robust multi-stakeholder processes should be encouraged to reduce opportunities for corruption in adaptation planning.

Multi-stakeholder processes will also be important to identify and address instances where corruption has influenced adaptation planning. For example, review committees comprising relevant experts and civil society could be established to verify activities proposed in NAPAs and adaptation plans. Strengthening mechanisms for independent oversight, administrative and judicial review, as well as mechanisms to address political corruption more generally (such as lobbying registries, rules on disclosure and campaign financing, cooling off periods, codes of conduct, freedom of information and whistleblower legislation, penalties for undue influence) will also be important.

Much can be done to reduce risks of corruption in adaptation planning, building on the work of UNDP and others to enhance the capacity of officials and the transparency of planning processes.

Box 2: Supporting adaptation planning

UNDP has been providing assistance to over 100 countries in preparing national climate change vulnerability assessments and national communications to the UNFCCC. UNDP has been developing analytical resources (such as the Adaptation Policy Framework, country climate risk profiles and portfolio screening methodologies) to support adaptation planning in a range of countries. The overall objective is to promote “no regrets” short- and long-term coping strategies to reduce adverse impacts on vulnerable communities and countries.⁴⁵

45 UNDP (2008) *Climate Change at UNDP: Scaling Up to Meet the Challenge*, New York, UNDP Environment and Energy Group, www.undp.org/gef/documents/publications/CC_Strategy_WEB.pdf p. 14.



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Box 3: Supporting grassroots participation

As part of UNDP's corporate climate change programme, UNDP places an emphasis on assistance to countries at the grassroots level. Activities are designed to:

- Strengthen a community's ability to design and implement climate change adaptation measures,
- Ensure a multi-stakeholder process, which includes open discussion between community, local and national levels as well as development agencies,
- Support the dissemination of indigenous knowledge on managing climate-related risks, and
- Apply lessons and practices from community-led initiatives to the preparation of national policies.⁴⁶

2.3 Implementing adaptation

The focus of adaptation activities to date has been on vulnerability assessments and planning. While the need to move into implementation is widely recognised, developing countries often lack the resources necessary for this.⁴⁷ There is an urgent need for developed countries to provide support for developing countries to scale up adaptation efforts to ensure the sustainability of all MDG achievements.⁴⁸

The range of impacts, vulnerabilities and adaptation needs varies considerably between countries, regions and local communities. Implementing adaptation will thus involve a very wide range of activities, including technological, behavioural, managerial and policy activities. Adaptation will need to be undertaken at the sectoral level (particularly in the agriculture and food security, water resources, coastal zones and marine ecosystems, terrestrial ecosystems, human health and human settlements sectors) and across sectors. Adaptation must also be integrated with broader sustainable development plans and priorities.

Ensuring that corruption risks are minimised will be critical to the effectiveness of adaptation implementation. Corruption risks will vary across sectors; for example, the chaos and pressure to respond quickly to natural disasters creates particular opportunities for corruption.⁴⁹ Sectors that are highly technical, such as water and health, are particularly vulnerable. The need for specialised engineering and medical knowledge in those sectors make it difficult for those outside

46 UNDP (2010) *Advancing Climate Change Adaptation in Developing Countries: An Overview of the UNDP-GEF Portfolio*, New York, UNDP Bureau for Development Policy, http://www.undp.org/gef/documents/publications/EFS_Adaptation.pdf

47 UNFCCC (2010) *Adaptation Assessment, Planning and Practice: An overview of the Nairobi Work Programme on Impacts, Vulnerability and Adaptation to Climate Change*, unfccc.int/resource/docs/publications/10_nwp_adap_assess_en.pdf, p.71

48 UNDP (2010), *What will it take to achieve the Millennium Development Goals? An international assessment*, U.S., <http://content.undp.org/go/newsroom/2010/june/le-pnud-propose-un-programme-daction-en-huit-points.en>, p.17

49 Leeson,P.T. Sobel,R.S. (2008), "Weathering Corruption" *51 The Journal of Law and Economics* 667, pp.667-669.



the field to monitor or participate in decision-making, which in turn increases corruption risks.⁵⁰

Corruption risks will also vary depending on the stage and the nature of particular projects and programmes. Corrupt activities in the planning and design stages could involve high level actors, including all levels of government, local and multinational corporations, infrastructure suppliers and contractors, landowners, financing countries and institutions and relevant intergovernmental organisations. As adaptation programmes and projects are implemented on the ground, petty corruption involving smaller organisations, lower-level officials and individuals could become more prevalent.

Corruption risks will vary across sectors: for example, the chaos and pressure to respond quickly to natural disasters creates particular opportunities for corruption.

The following sections provide an overview of corruption risks in the implementation of adaptation activities, focusing on activities that will be undertaken in many sectors and drawing on lessons from corruption in some key sectors.

2.3.1 Project and regulatory design

Most adaptation programmes and projects will require considerable planning and development in addition to the planning undertaken at the NAPA/high level. Issues including the level of financial and other resources available, the specific location and beneficiaries of projects, appointment of staff and establishment of management structures, selection of technologies and procurement will need to be resolved before adaptation projects can be implemented successfully.

Corruption could potentially impact all aspects of project and programme design, and could reduce the capacity of vulnerable communities to adapt to climate change. Corruption in project design could enhance existing inequalities, increasing the vulnerability of women, indigenous peoples and other marginalised groups. Land use decisions that favour certain corporate and personal interests, for example, could result in the displacement of local communities or reduced access to food, water and other essentials. Weak enforcement of environmental impact assessment and other regulations could lead to maladaptive projects and adverse environmental impacts.

Corrupt practices in the design of projects, programmes and regulatory frameworks could include:

- Nepotism, clientelism and cronyism, e.g. giving preference to adaptation activities in areas where decision-makers and their families live, rather than areas of greatest vulnerability,

⁵⁰ In the water sector, the World Bank has estimated that 20 to 40 percent of finance is lost to corrupt practices. Jacobson, Maria & Tropp, Håkan (2010) Addressing corruption in climate change water adaptation 8 Rev Environ Sci Biotechnology 81, <http://www.springerlink.com/content/153567m15k17074w/>. In the health sector, the World Health Organisation has estimated that corruption consumes up to 25 percent of public procurement spending, with impacts on patient suffering, health outcomes and mortality rates. World Health Organisation (2010) "Medicines: Corruption and Pharmaceuticals", WHO Factsheet, <http://www.who.int/mediacentre/factsheets/fs335/en/index.html>



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- Bribery and solicitation, e.g. political patronage may be given to officials in exchange for selection of programmes that could be undertaken by particular suppliers,
- Weak enforcement of environmental impact assessment and other regulatory requirements,
- 'Double-dipping' and duplication of funding for identical results that are sought by different adaptation programmes/projects, mitigation or development projects
- Abuse of discretion to develop rules that will enable rent-seeking in the implementation of funds, e.g. complex projects and regulatory systems with high levels of discretion that may be used to seek kickbacks from contractors or to siphon funds for other purposes, and
- Fraud and collusion by industry stakeholders, e.g. pharmaceutical companies, equipment manufacturers and health providers seeking adoption of new drugs and technologies.

2.3.2 Procurement

Procurement is highly susceptible to corruption risks, especially procurement of large, capital-intensive and complex projects. Energy and water infrastructure projects, for example, often involve many sub-contractors, making procurement difficult to standardise and easy to manipulate. This is exacerbated by the large number of stakeholders, government agencies and private sector organisations involved at national, regional and local levels and the power imbalances between them. Power imbalances are a particular concern between upstream and downstream water users.

Corruption in procurement can have serious consequences for project and programme outcomes including poor quality and incomplete activities with reduced or, in extreme cases, maladaptive projects. Corrupt practices may occur at every stage of the procurement process, including:

- Inadequate advertising, short bidding times, tailoring of project requirements to suit particular bidders to enable officials to solicit bribes for information and awards of contracts,
- Collusion between industry stakeholders to demand certain prices and conditions, particularly engineering and construction firms,
- Bribery, solicitation, nepotism, clientelism and cronyism influencing the awarding of contracts,
- Bribery and kickbacks in the management of contracts, for example in exchange for weak enforcement of contract or regulatory requirements, and
- Siphoning of project funds for other purposes, resulting in incomplete or poor quality projects, concealment of substandard work, use of substandard materials, biased project supervision and contract variations.



2.3.3 Appointment of staff and committee members

The individuals who implement adaptation projects and programmes will play a major role in determining their effectiveness. For example, members of supervisory boards and committees managing resources, government officials collecting fees and health professionals delivering services will all be vested with discretion that could be used for corrupt purposes. Corruption by implementing officials could increase the cost and reduce the effectiveness of adaptation projects and programmes.

Corrupt practices in the appointment of staff and committee members could include:

- Nepotism, clientelism and cronyism, e.g. officials granting favourable roles to their friends, families and business associates, and
- Bribery and solicitation, e.g. 'selling' certain roles with high rent-seeking potential. These could range from high level roles, such as administering funding from donors with opportunities to siphon funds away from adaptation projects, to lower levels, such as transporting food, water and other commodities that may be diverted away from vulnerable communities.⁵¹

2.3.4 Service delivery

Corruption in the provision of essential services such as water, food and health services to local communities could seriously hinder achievement of the MDGs and significantly increase adaptation costs. With climate change already increasing the scarcity of essential resources, petty corruption in the delivery of adaptation services and supplies could have serious impacts for the most vulnerable communities.

Corrupt practices could include:

- Bribery, extortion and solicitation, e.g. by officials in the water sector obtaining extra-legal charges for new connections, maintaining connections, delivering water supplies, giving low meter readings, repairs of faulty infrastructure and processing licence applications,
- Abuse of discretion, e.g. by health professionals recommending expensive treatments or drugs in exchange for kickbacks from suppliers, or restricting access to hospitals or particular procedures to obtain bribes or other benefits,
- Theft, fraud and illegal on-selling of supplies, particularly water, food and other equipment, e.g. by officials delivering emergency relief, and
- Theft and fraud by contractors, e.g. medical suppliers providing low quality equipment, diluted or expired medicines, transport contractors siphoning and failing to deliver supplies.

51 Bruckner, T. and Entine, J. The American Enterprise Institute (2010) "The UN's World Food Program claims that allegations of a scandal in Somalia are overblown and isolated", 11 April, The Government Monitor, http://www.thegovmonitor.com/world_news/united_states/somalia-corruption-and-the-un-world-food-program-27692.html http://www.thegovmonitor.com/world_news/united_states/somalia-corruption-and-the-un-world-food-program-27692.html



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2.3.5 Recommendations to reduce corruption risks in adaptation implementation

As countries scale up efforts to implement adaptation there are a number of steps that can be undertaken to reduce corruption. Capacity-building, enhancing transparency and stakeholder participation will be crucial to the effectiveness of adaptation projects and programmes. Building on efforts by UNDP and others to enhance capacity, transparency and grassroots participation, there is much that can be done to mitigate corruption risks in the implementation of adaptation and to enhance the effectiveness of adaptation programmes and projects for vulnerable countries and communities.

Identification of existing corruption issues in adaptation sectors will be important to reduce opportunities for corruption in adaptation. UNCAC should be used to guide anti-corruption measures, and additional tools such as anti-corruption assessments should be developed and applied in partnership with local stakeholders. Capacity-strengthening for officials at all levels of government can reduce the risks of corruption, particularly coupled with transparent and participatory decision-making processes, clear rules and procedures. Anti-corruption compacts between stakeholders may also be useful, particularly in sectors such as water where corruption levels are already high.⁵²

Community co-operatives and local management committees should be considered wherever possible.

Local communities, NGOs and other stakeholders should be involved in decision-making, tendering and management of adaptation programmes and projects. Support should be provided for the consideration of community-based solutions prior to proceeding with high capital, high technology and engineering solutions. Community co-operatives and local management committees should be considered wherever possible.⁵³

Coordination between climate finance institutions and with other development activities should be undertaken at every opportunity. Use of sector wide approaches and the development of the multi-stakeholder climate finance framework proposed by UNDP⁵⁴ could significantly reduce the risk of corruption in adaptation implementation.

52 An anti-corruption agreement between Transparency International Colombia and a Colombian association of water engineers was successful in addressing widespread corruption in the water pipe industry, leading to a similar agreement being signed in Argentina. Swedish Water House (2006) *Corruption in the Water Sector: Causes, Consequences and Potential Reform*, (Swedish Water House Policy Brief No. 4, SIWI) at <http://www.siwi.org/sa/node.asp?node=167>, p.9

53 The majority of Bolivia's urban water services are organised as cooperatives, in which customers are members and part owners with voting rights. The Inter-American Development Bank has reported that two of these cooperatives have been particularly successful in minimising corruption and delivering a reliable, high-quality water service to residents. Paul Constance (2005) "Are Cooperatives a better way to solve Latin America's water problems?" IDB America; Holland, Ann-Christin Sjölander (2005) *The Water Business: Corporations versus People*, Zed Books, London, p.174

54 Glemarec, Yannick, O. Waissbein and H. Bayraktar (2010) *Human Development in a Changing Climate: A Framework for Climate Finance*, Discussion Paper, New York, UNDP, <http://www.preventionweb.net/english/professional/publications/v.php?id=15710>

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Box 4: Coordinating adaptation and development

UNDP is supporting countries to access, sequence and combine GEF-managed UNFCCC funds (the LDC Fund, Special Climate Change Fund and GEF Strategic Priority on Adaptation Trust Fund) with other sources of finance including national and bi-lateral funds. UNDP is also designing its climate change initiatives to integrate with or compliment ongoing development initiatives in line with national Poverty Reduction Strategies and/or over arching national and sub-national development strategic frameworks.⁵⁵

As with adaptation planning, information on implementation must be published, regularly updated and made available in a wide range of formats. Close scrutiny and assessment through robust multi-stakeholder processes should be encouraged to reduce opportunities for corruption. Strengthening mechanisms for independent oversight, administrative and judicial review will also be critical. Multi-stakeholder accountability mechanisms for complaints regarding conduct by officials and the private sector in key sectors could also help to reduce opportunities for corruption.

Box 5: Improving governance in the health sector

The World Health Organisation's Good Governance for Medicines programme (GGM) provides a useful model for reducing corruption risks associated with adaptation in the health sector. Since its introduction in 2004, the GGM has been expanded from four to 26 developing countries. The GGM is implemented in three phases:

Phase I: National assessment of transparency and corruption in the pharmaceutical sector.

Phase II: Nationwide consultation among key stakeholders in the pharmaceutical industry and development of a national GGM framework.

Phase III: Implementation of the national GGM framework in the pharmaceutical industry, general capacity-building and increasing awareness.⁵⁶

55 UNDP (2010) *Advancing Climate Change Adaptation in Developing Countries: An Overview of the UNDP-GEF Portfolio*, New York, UNDP Bureau for Development Policy, http://www.undp.org/gef/documents/publications/EFS_Adaptation.pdf

56 WHO (2010) "Good Governance for Medicines", WHO, <http://www.who.int/medicines/ggm/en/index.html> Adaptation Learning Mechanism (2010), "Integrated National Adaptation Plan: High Mountain Ecosystems, Colombia's Caribbean Insular Areas and Human Health", ALM, <http://www.adaptationlearning.net/project/integrated-national-adaptation-plan-high-mountain-ecosystems-colombias-caribbean-insular-are>



3 CORRUPTION RISKS AND ANTI-CORRUPTION MEASURES IN REDD+

3.1 Background

3.1.1 What is REDD+?

Reducing emissions from the global forest sector has an important role to play in both mitigation and adaptation. Deforestation and forest degradation, through agricultural expansion, conversion to pastureland, infrastructure development, destructive logging, fires, etc., account for 17% of global greenhouse gas emissions, or 5.8 GtCO₂ annually, more than the entire global transportation sector (14%), and second only to the energy sector.⁵⁷

In 2005, in response to a joint proposal from the governments of Papua New Guinea and Costa Rica, the UNFCCC's COP 11 considered the possibility of adopting a mechanism known as Reducing Emissions from Deforestation and Forest Degradation, and in 2007, at COP 13 in Bali, the concept of REDD+ gained further support as a potential mitigation measure.⁵⁸ (for a definition

of 'REDD+', see Table 1). The purpose of REDD+ is to establish a large-scale system of financial incentives to encourage developing countries to reduce their levels of deforestation and forest degradation, and to increase their forest carbon stocks. It has been estimated that financial flows for greenhouse gas emission reductions from REDD+ could reach up to US \$26 billion a year by 2030.⁵⁹

REDD+ has received widespread support from the international community and was recognised in the Copenhagen Accord as having a crucial role to play in mitigation. To date ten countries⁶⁰ have pledged over US \$ 5 billion to 'fast track' REDD+, although the mechanism for delivering this funding has yet to be agreed. However, at present, the international architecture for REDD+ remains under consideration

within the UNFCCC negotiations, with the current position being reflected in the draft Negotiating Text of the Ad Hoc Working Group on Long term Cooperative Action ('Negotiating Text')⁶¹. The topic will be considered further at COP 16 in December, in Cancun, Mexico.⁶²

The purpose of REDD+ is to establish a large-scale system of financial incentives to encourage developing countries to reduce their levels of deforestation and forest degradation, and to increase their forest carbon stocks.

57 IPCC Fourth Assessment report, 2007.

58 Bali Action Plan, UNFCCC Decision 1/CP.13; and Decision 2/CP.13. However the term 'REDD+' did not become official language until the following year at COP 14 in Poznan, Poland, 2008.

59 €13-23 billion- see Report of the Informal Working Group on Interim Finance for REDD, 2009. http://www.unredd.net/index.php?option=com_docman&task=doc_details&Itemid=&gid=1096

60 Australia, Canada, Belgium, Canada, France, Italy, Japan, Norway, Sweden, United Kingdom and the United States.

61 UNFCCC Advance Version, Negotiating Text, of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, 13 August 2010, (FCCC/AWGLCA/2010/14). http://unfccc.int/documentation/documents/advanced_search/items/3594.php?rec=j&preref=600005941#beg

62 COP 16 will take place from 29 November 2010 – 10 December 2010..



The international REDD+ mechanism as currently proposed contemplates five types of forest activities (see Table 1).⁶³

Table 1: Five elements of REDD+, with examples

		Activity	Example
Reducing carbon emissions	1.	Reducing deforestation	Slowing the rate of broad scale or clear fell logging
	2.	Reducing forest degradation	Reducing forest areas affected by selective logging, grazing, fire or fuel wood collection
Increasing the removal of carbon (the 'plus')	3.	Conserving forest carbon stocks	Preservation of existing forests
	4.	Sustainable management of forest	Extending logging cycles from 10 years to 30 years to allow a greater amount of carbon to develop in regrowth
	5.	Enhancement of forest carbon stocks	Forest regeneration and rehabilitation (but not afforestation and reforestation)

3.1.2 REDD+ Readiness

The Negotiating Text on REDD+ envisages a phased approach to REDD+ in which a country first undertakes 'REDD+ readiness' preparatory activities. REDD+ readiness relates to the efforts a country undertakes, with the support of multilateral or bilateral initiatives, to build capacity to be ready for participation in a REDD+ mechanism. The second phase involves the implementation of national REDD+ strategies and measures, and the third phase involves payments (either funds, credits, or both) if and when a country can demonstrate actual emissions reductions (referred to as 'results-based payments').

⁶³ Wertz-Kanounnikoff, S., and Angelsen, A., (2009), 'Global and national REDD++ architecture: Linking institutions and actions', in Angelsen, A., with Brockhaus, M., Kanninen, M., Sills, E., Sunderlin, W.D. and Wertz-Kanounnikoff, S. (eds)(2009), *Realising REDD+: National strategy and policy options*. CIFOR, Bogor, Indonesia, at pp 16-17.



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The two main multilateral readiness platforms, the UN-REDD Programme⁶⁴ and the Forest Carbon Partnership Facility⁶⁵ (FCPF, hosted by the World Bank) have defined that 'REDD+ readiness' involves an extensive programme that includes:

- Establishing institutional arrangements for the coordination of activities and ongoing and meaningful engagement of stakeholders, with particular focus on the need for engagement with indigenous peoples and other forest-dependent communities;
- Developing a comprehensive national REDD+ strategy which sets out the country's policy and governance framework for REDD+. This phase should include the development of a national legal framework for REDD+, containing detailed laws, regulations and policies to enable the implementation of REDD+,⁶⁶ as well as developing a benefit distribution system setting out how REDD+ revenues are to be administered and shared at national, provincial and local levels;
- Determining reference levels against which any future emissions reductions will be measured; and
- Establishing the systems and expertise to use remotely-sensed satellite imaging and ground-truthing to measure current forest carbon stocks, and to assess subsequent changes in those stocks, as well as reporting and verification systems.

The REDD+ readiness phase is supported by international donor funds, channelled mainly through the UN-REDD programme and the FCPF (with the World Bank's Forest Investment Programme (FIP) supporting phase 2 activities). The UN-REDD Programme is to date⁶⁷ assisting nine pilot and twenty partner countries to develop national REDD+ strategies.⁶⁸ The FCPF is assisting 37 countries to prepare Readiness Preparation Proposals (RPP).⁶⁹ Annex A contains a list of all countries participating in the UN-REDD Programme and/or FCPF.

64 The UN-REDD programme is a partnership of FAO, UNDP and UNEP. See www.un-redd.org

65 See www.fcpf.org

66 For a detailed analysis of possible legislative frameworks for REDD+, see *Background Analysis of REDD Regulatory Frameworks*, UN-REDD Programme and Terrestrial Carbon Group, May 2009, prepared by Covington & Burling LLP and Baker & McKenzie.

67 29 October 2010

68 To date, only two countries have released a national REDD+ strategy. In September 2010, Indonesia released a draft national REDD+ strategy which is available in Indonesian and English at <http://www.un.or.id/redd>, and the Philippines released its final National REDD-plus Strategy which was approved in September 2010 and is available at <http://ntfp.org/coderedd/wp-content/uploads/2010/08/Philippine-National-REDD+-Strategy.pdf>.

69 These processes are collectively referred to in this paper as 'national REDD+ frameworks'. It should be noted that national REDD+ strategies and Readiness Preparation Proposals are not 'legal' frameworks. However, national REDD+ frameworks will eventually need to be underpinned by detailed legislative frameworks..



In addition to these two multilateral programmes, some countries are also supporting the development of REDD+ through bilateral aid. For example, Norway has entered into bilateral arrangements on REDD+ with Indonesia, Guyana, Tanzania and Mexico,⁷⁰ Australia with Indonesia and Papua New Guinea⁷¹, and Germany with Ecuador.

3.1.3 Fragmentation of funding

The current fragmentation of funding sources for REDD+ readiness activities has the potential to undermine early anti-corruption efforts due to the differing standards for transparency and governance (including for safeguards) between donors and mechanisms (e.g. NAMAs, see below). The literature on aid effectiveness indicates that where standards differ among donors there is a risk that the recipient countries (and others hoping to receive aid) will receive mixed messages about the importance of addressing corruption risks.⁷² With fragmentation, there is also a risk that the same REDD+ activity may be funded twice, e.g. through being funded on a national basis with the same project receiving either bilateral funding or credits from the voluntary market.

There is thus a need for coordination among the various REDD+ funding mechanisms to ensure that a common approach is taken and double-counting does not occur. It should be noted that the two main multilateral platforms for REDD+, i.e. the FCPF and the UN-REDD Programme, have developed good coordination backed by a high level of commitment⁷³. In addition to a joint delivery in countries such as the Democratic Republic of the Congo⁷⁴, the FCPF and UN-REDD Programme are currently harmonizing their stakeholder engagement guidelines, developing common social and environmental principles for REDD+ and establishing principles for monitoring governance for REDD+. The Voluntary Database, developed by a joint UN-REDD/FCPF team providing secretariat services to the Interim REDD+ Partnership (Box 6), was also created to respond, in part, to the risk of double-counting.⁷⁵

70 Under its International Climate and Forest Initiative, Norway has committed US\$1 billion over the next 7-8 years to Indonesia in exchange for emission cuts from avoided deforestation, signing a Letter of Intent on 26 May 2010. UNDP is the fiduciary manager of these funds. Some of the funds will be used to assist with REDD+ readiness. Norway has also signed a Memorandum of Understanding on REDD+ with Guyana, and has pledged \$250 million to assist Guyana with REDD+ activities. Norway also has bilateral arrangements with Tanzania and Mexico: <http://www.regjeringen.no/en/dep/md/Selected-topics/climate/the-government-of-norways-international-/what-do-we-finance.html?id=557700>

71 Under the umbrella of its AUD\$200 million International Forest Carbon Initiative, the Australian Government has entered into bilateral arrangements with Indonesia and Papua New Guinea to provide support for REDD+ activities: http://www.usaid.gov.au/hottopics/pdf/IFCI_factsheet_1_11Dec09.pdf

72 See the OECD Development Cooperation Report (2010), by Eckhard Deutscher, Chair of the Development Assistance Committee, OECD Report, p 91.

73 See Joint letter sent to the Prime Minister of the United Kingdom by the United Nations Secretary-General and World Bank's President, available at http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=1331&Itemid=53

74 See Joint UN-REDD and FCPF publication at http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=3676&Itemid=53

75 This is a publicly available database, and can be accessed at <http://reddplusdatabase.org/>.



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Box 6: Interim REDD+ Partnership

The Interim REDD+ Partnership 2010, which was established in May 2010 and has since been joined by 69 countries, is intended in part to address the problems created by fragmentation of funding. The Partnership aims to scale up REDD+ activities, to fast track funding from donor countries, and to improve the effectiveness, transparency and coordination of REDD+ initiatives and finance.⁷⁶ After becoming a Partner, each developing country is expected to submit information on its financing and policies and measures on REDD+ to the Secretariat, to be included in the Voluntary REDD+ Database. This Partnership, if established effectively, could contribute to providing an efficient and accountable means of tracking the various REDD+ funding initiatives to avoid the risk of double-counting.

Under the Copenhagen Accord, developing country Parties can specify the nationally appropriate mitigation actions (NAMAs) that they intend to undertake,⁷⁷ and many developing countries have listed REDD+, or some elements of REDD+, in their NAMAs.⁷⁸ This could present a risk of double-dipping in that a country may obtain funding for REDD+ activities under its NAMA while also receiving funding from other multilateral, bilateral or voluntary market sources for the same activity – with political elites in the REDD+ country, or project developers, pocketing the duplicated funding.

There is also a risk that permitting REDD+ activities under NAMAs may undermine efforts to prevent corruption in REDD+ because, unlike the REDD+ mechanism proposed in the Negotiating Text, REDD+ activities which take place under NAMAs are not subject to any social or environmental safeguards. There is a clear need to ensure that the proposed REDD+ mechanism and REDD+ activities under NAMAs are coordinated and subject to the same requirements for transparency and accountability in order to avoid giving mixed messages to REDD+ countries about the importance of addressing corruption risks.

3.1.4 Overview of corruption risks

Given that corruption is widespread in the forestry sectors of most countries that are likely to participate in REDD+, which often have particularly high levels of poor governance as well, it is not unreasonable to expect that corruption may affect REDD+.⁷⁹ The World Bank estimates that illegal logging in developing countries results in a loss of assets and revenue in excess of US\$ 10 billion annually, with as much as US\$5 billion being lost annually to governments because of evaded taxes and royalties.⁸⁰ It is anticipated that the corrupt actors who are involved in these illegal logging activities will seek to

76 The Work Plan of the Interim REDD+ Partnership 2010 contains a proposal to establish a database of REDD+ financing, actions and results (Component 1) and a further proposal for an analysis of financing gaps and overlaps (Component 2). The 2010 work programme is available at <http://reddpluspartnership.org/22835-1-0.pdf>.

77 Copenhagen Accord, para 5.

78 These are listed in La Vina, A. G. M., (2010) *The Future of REDD-Plus: Pathways of Convergence for the UNFCCC Negotiations and the Partnership*, Working Paper, Foundation for International Environmental Law and Development, Table 1.

79 For a detailed analysis of corruption in the forestry sector, see Blundell, AG., and Harwell, EE. (2009) *Manual: An analysis of corruption in the forestry sector*, Transparency International and Natural Capital Advisors.

80 The World Bank (2006), *Strengthening Forest Law Enforcement and Governance: Addressing a Systemic Constraint to Sustainable Development*, Report No. 36638-GLB, The International Bank for Reconstruction and Development / The World Bank, p 1.



protect their illegal revenues, and will look for new opportunities to engage in corrupt activities under REDD+. As general observation, it should be noted that because REDD+ is relatively new and is not yet operational, it is not possible to map corruption risks as accurately or as comprehensively as has been done for the forestry sector.⁸¹

The corruption risks that may affect REDD+ are likely to differ depending upon the particular phase being considered, namely the readiness phase of REDD+, or the implementation phase. For example, the REDD+ readiness phase is more likely to be affected by state capture, effected through grand corruption and political corruption, in which powerful individuals and groups, such as politicians, logging companies, agribusiness and possibly the military, might seek to influence the design of a country's national REDD+ framework in order to benefit their private interests or to entrench their political power. This can be a way of 'legalizing' corruption.⁸²

The corruption risks that may affect REDD+ are likely to differ depending upon the particular phase being considered, namely the readiness phase of REDD+, or the implementation phase.

While the *implementation phase* of REDD+ may also be affected by grand corruption and political corruption (e.g. large bribes to exclude large areas of high value timber from REDD+), this phase may also involve the additional risk of petty corruption, in which the low to mid-level public officials who are responsible for implementing REDD+ are bribed to ignore routine breaches of REDD+ laws (e.g. illegal logging), or are bribed to create fraudulent land titles or carbon rights. It should be noted however that such breaches would result in less emissions reductions and therefore decreasing REDD+ performance payments. REDD+ as a performance payment mechanism will not in the long term reward corrupt practices if these affect emission reductions and carbon stock outcomes. In addition to petty corruption, the implementation phase is also more likely to involve the risk of embezzlement as REDD+ revenues begin to flow. All of these risks are summarised in a table in Annex E, and are covered in more detail below in sections 3.2 and 3.3.

3.1.5 Impact of corruption in REDD+

Corruption has the potential to undermine the very benefits that a well designed REDD+ mechanism may bring, i.e. mitigate emission, reduce poverty and improve livelihoods.

First, by decreasing confidence, corruption in REDD+ can result in a failure to mitigate emissions. For example, if the distribution of benefits is captured – legally or not – by a few elites, or if the level of corruption is perceived as high, local stakeholders will not take the risk of forgoing the income they derive from their current uses of forest resources. Conversely, donors and investors may grow weary of insecure investment environments and unpredictable emission reductions, and may be

81 Again, see, Blundell, AG., et al (2009).

82 UNDP (May 2008) *Tackling corruption, transforming lives: Accelerating Human Development in Asia and Pacific*, Asia-Pacific Human Development Report series, Macmillan Publishers India Ltd, at p. vii



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deterred from investing in REDD+. Furthermore, if REDD+ is to adopt a trading element, corruption which affects emission reductions will have a double environmental impact because not only will the opportunity to mitigate emissions be lost, but the purported offset (credit) which is generated will permit an equal volume of greenhouse gas emissions to be released elsewhere in the world.

Women in traditional communities are also more likely to be disproportionately affected by corruption in REDD+ because they often have weaker claims to customary title, may have little control over how funds or benefits are managed, and generally have lower literacy rates than men.

Finally, many hold concerns that corruption in REDD+ may adversely affect the lives of indigenous peoples and other forest-dependent communities, with particular impacts on women. It is estimated that about 60 million people live in the rainforests of South America, South-East Asia and Central Africa, with a further 350 million people living in, or next to, dense forests, relying on them for subsistence or income.⁸³

Indigenous people are particularly vulnerable to corruption, because they often live in remote areas, are poor and marginalised, and are usually unable to access the system of social and legal

protection available to other members of society. These characteristics are also more likely to make them targets for corruption.⁸⁴ Women in traditional communities are also more likely to be disproportionately affected by corruption in REDD+ because they often have weaker claims to customary title, may have little control over how funds or benefits are managed, and generally have lower literacy rates than men.⁸⁵

3.2 Design of national REDD+ frameworks

3.2.1 Corruption risks in design

This section of the paper considers the corruption risks which could arise at country level during the REDD+ readiness phase in which national REDD+ frameworks are being designed.⁸⁶ The corrupt actors in this phase may involve high level actors, such as political elites, institutions, powerful national and international timber companies, industrial scale agribusinesses (e.g. palm oil, sugarcane, soy and jatropha), multinational corporations (who may anticipate the need to buy carbon offsets), project developers and the military. These actors may seek to influence the design of national REDD+ frameworks, legislation and regulations in order to maximise their

83 Aleman, A., et al (2010), Realising rights, protecting forests: An alternative vision for Reducing Deforestation – Case studies from the Accra Caucus, Accra Caucus on Forests and Climate Change, p 5.

84 Chene, M., (2010) *Impact of corruption on indigenous peoples*, U4 Expert Answer, available at www.U4.no.

85 Sunderlin, *From Exclusion to Ownership*, pp. 14-15.

86 The paper does not address the corruption risks and anti-corruption measures which could be adopted at the international level under the UNFCCC/COP process.



chances of capturing REDD+ revenues. Some specific examples of particular design-phase risks are considered below.

Land use planning

Under the proposed international mechanism for REDD+, REDD+ is intended to take place as a large scale, planned and coordinated national activity. This represents a different approach to that of the Clean Development Mechanism (CDM), which adopts a small scale, project-based approach. As part of the REDD+ readiness phase, each REDD+ country will need to undertake an extensive review of its land use plans (spatial plans) and forestry plans to identify those forested areas which are suitable for REDD+, and those which may be used for other purposes, such as for agriculture or timber production.

Corrupt practices in land use planning might include:

- logging companies seeking to influence the design of land use plans by bribing officials to exclude high value timber concessions from REDD+, while pressing for areas which have already been degraded (selectively logged) to be included;⁸⁷
- project developers, multinational corporations or powerful agribusiness operators bribing public officials to ensure that the land areas they own or have an interest in are allocated to, or excluded from, REDD+.

Without adequate oversight, these corrupt practices may continue to attract corrupt behaviour after the initial land use plans are established because those actors holding timber concessions or controlling forested areas may seek to bribe public sector officials to rezone areas (spot rezoning) to either include or exclude particular areas from use in REDD+ (see section 3.3.1.2. below).

One means of ensuring that land use planning is undertaken transparently is for national frameworks to adopt a set of objective criteria, such as establishing the factors that will be used to guide land-use decision-making, such as listing factors to identify deforestation risks, soil suitability, carbon sequestration potential, and biodiversity values.⁸⁸ It is also essential that the rules for governing land use planning decision-making and the initial land use plans are made publicly available in an accessible format, and are the subject of multi-stakeholder consultations.

87 Tacconi, L., Downs, F., and Larmour, P., (2009) 'Anti-corruption policies in the forest sector and REDD+', Chapter 13 in Angelsen, A with Brockhous, M., Kanninen, M., Sills, E., Sunderlin, W.D., and Wertz-Kanounnikoff, S., (eds), *Realising REDD+: National strategy and policy options*, CIFOR, Bogor, Indonesia, at p 164.

88 Tacconi et al, (2010), at p. 164.



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Land and natural resource tenure

The manner in which national REDD+ frameworks will treat land and forest tenure will be of particular importance to indigenous peoples and other forest-dependent communities. In many REDD+ countries, customary land tenure and control over natural resources is weak, and precautions must be taken to ensure that REDD+ does not result in the systematic loss or displacement of indigenous peoples and forest-dependent communities from their customary land.⁸⁹ For example, indigenous and local communities are often unable to register their customary title because the land registration procedures are too costly or cumbersome.

Corruption may influence the design of the rules regarding land tenure and REDD+ by:

- failing to recognise competing rights of formal or informal customary land tenure, particularly in countries where State ownership of forests is already strong, so that political elites can “trump” customary tenure and capture REDD+ revenues; and
- adopting a REDD+ framework which appears to respect customary land tenure, e.g. by recognizing registered customary land titles (where such registration is possible, such as in the Philippines⁹⁰) while failing to provide the necessary administrative and budgetary support to build capacity for the land registration process. This might be characterised as ‘corruption by omission’, and illustrates the difficulty in distinguishing between corruption and a lack of capacity.

To address this risk, the REDD+ readiness phase should include capacity building for land administration institutions to undertake the task of clarifying land tenure through the systematic registration of customary land titles.⁹¹ Assistance should also be provided to local communities and NGOs who often play an important role in assisting indigenous peoples and other forest-dependent communities to access complex land registration processes.

Allocation of carbon rights

Carbon rights⁹² are a form of property right that ‘commoditise’ carbon and allow it to be traded. They separate the right to carbon from broader rights to forest and land.⁹³ Typically, the holder of the carbon rights will control the carbon resource, which they can sell or convert into REDD+ credits (unless a national REDD+ framework provides otherwise). Each REDD+ country will need to adopt

89 For a detailed analysis of the difficulties experienced by indigenous peoples and other forest-dependent communities in establishing customary land tenure and control over forest resources in developing countries, see Sunderlin, W.D., Hatcher, J., and Liddle, M., (2008), *From Exclusion to Ownership? Challenges and Opportunities in Advancing Forest Tenure Reform, Rights and Resources Initiative*.

90 The Indigenous Peoples Rights Act of 1997 (Philippines)

91 It should not always be assumed that registration of customary title is desirable from the perspective of protecting customary tenure. For example, in Papua New Guinea, where 97% of land is held as unregistered customary land, the act of registering customary title strips the land of its statutory protection thereby allowing it to be mortgaged or sold, and thus permanently alienated from the local community. In such circumstances, a national REDD legislative framework which imposes a requirement for land registration as a precondition to REDD might benefit local elites who could capture REDD+ revenues by registering customary land: see Tararia, A., et al, (2010), *Incorporated land groups and the registration of customary lands: Recent developments in Papua New Guinea*, published in *In Defence of Melanesian Customary Land*, Anderson, T., and Lee, G. (eds), AID/WATCH, Sydney, Australia.

92 Including carbon sequestration rights.

93 Cotula 2009, p 9. For a detailed analysis of carbon rights in REDD+, see Takacs, D., (2009) *Forest Carbon – Law + Property Rights*, Conservation International, Arlington VA, USA.



legislation which clarifies how carbon rights will be created, and who can hold them, (although this is not necessary if the REDD+ country does not intend to participate in carbon trading).⁹⁴

The rules which are adopted under a national REDD+ framework for allocating carbon rights has the potential to deliver windfall gains or profits, and is thus likely to be a highly contentious aspect of any REDD+ legislation. Examples of areas in which corrupt actors may seek to 'legalise' corruption is if political elites seek to link carbon rights to State ownership of forests –thus excluding any claims to carbon rights by those holding or asserting customary tenure. Given the prevalence of State ownership of forests in many REDD+ countries⁹⁵, this would mean that the lion's share of REDD+ revenues would be paid to the State, thus creating opportunities for 'skimming' and embezzlement. Another possibility is that REDD+ legislation may link carbon rights to logging concessions, thus allowing logging companies to convert their concessions (which may already be tainted by corruption) into carbon rights.

To address these risks, it is essential that REDD+ national proposals to allocate carbon rights be closely analysed, and that consensus on the proposed framework for allocation of carbon rights and benefit distribution be pursued through broad-based multi-stakeholder consultations.

Setting reference emission levels / reference levels

Each country that wishes to participate in REDD+ will first need to set a national baseline or reference emission level/ reference levels ('baseline') against which any future emissions reductions and removals can be measured.⁹⁶ The extent to which a country reduces its emissions and increases its removals against its baseline will establish the amount of REDD+ revenue to which that country is entitled. Countries will be likely to have the options to select the methodologies to determine baselines, including future projected baselines.

In terms of setting baselines, there is a risk that corruption may result in:

- artificially inflating the baseline in order to increase the emissions reductions, and thus the REDD+ revenues, which can subsequently be claimed, allowing the excess to be 'skimmed' by corrupt officials at a later date once the real rate of deforestation/degradation becomes apparent,⁹⁷
- collusion between political elites and the private sector (such as logging companies, industrial plantation owners and other powerful economic parties) to share the proceeds deriving from:
 - increasing deforestation rates in the lead up to the start of REDD+ activities, and to share the subsequent proceeds.⁹⁸

94 UN-REDD Programme and Terrestrial Carbon Group, Background Analysis of REDD+ Regulatory Frameworks.

95 See Sunderlin, WD., Hatcher, J., and Liddle, M., (2008), From Exclusion to Ownership? Challenges and Opportunities in Advancing Forest Tenure Reform, Rights and Resources Initiative.

96 SBSTA decision on Methodological Guidance for REDD+ (UNFCCC, Decision 4/CP.15. For an analysis of how reference levels might be set, see Angelsen, A., (2008) 'How do we set the reference levels for REDD+ payments?', in *Moving Ahead with REDD+: Issues, Options and Implications*, Angelsen, A. (ed.), CIFOR, Bogor, Indonesia, pp. 53-63.

97 Brown, M.L. (2010), *Limiting Corrupt Incentives in a Global REDD Regime*, 37 Ecology L.Q. 237., at p. 260

98 Typically, RL/REL calculation period is set to the average deforestation rate of the last 10 years, updated every 3 years (as suggested in an early proposals to UNFCCC), although many countries do not yet have reliable or consistent historical deforestation data. This corruption risk will be mitigated if countries conduct the REL/RL measuring as it is suggested in the COP/IPCC.



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- determining the time for calculating the Reference level/reference emission level and or choosing to incorporate national circumstances in a way that favours certain types of activities (such as plantations) or socio-economic environments.

Lessons should be learned from the problems experienced by the Clean Development Mechanism where it has been found that organisations were manipulating baselines by increasing their production of HFC-23, a potent greenhouse gas, in order to increase the Certified Emission Reductions (carbon credits) which could be generated for a project under the Kyoto Protocol.⁹⁹

In terms of solutions, the risk of inflated baselines must be addressed at the international level through the UNFCCC process, with the COP (or the Subsidiary Body for Scientific and Technological Advice) adopting clear methodological guidance as to how national baselines are to be established and verified.

Design of benefit distribution systems

It is expected that the REDD+ readiness phase will include the design of a benefit distribution system (BDS) (see the example from Viet Nam in Box 8 on page 42). In carrying out this task, there is a risk that the BDS may be unduly influenced by state capture, nepotism and cronyism, which could influence design of the BDS at national, provincial and local levels.

3.2.2 *Proposals to reduce corruption risks affecting the design of national REDD+ frameworks*

Identifying and addressing corruption risks in national REDD+ frameworks will be a particularly difficult and sensitive task.

Corruption risk assessments

It is suggested that as a first step, each REDD+ country should identify the main types and the scale of corruption risks (including the actors) posed by REDD+ through a corruption risk assessment. This should not only give a picture of the overall governance conditions in the country, including the forestry sector, but should also identify the extent to which corruption is a driver of deforestation. Towards this goal, the UN-REDD Programme has taken some steps to support the conduct of “multi stakeholder country-led REDD governance assessments”¹⁰⁰, undertaken by a partnership between government and civil society to help point to particular institutions or institutional arrangements as the cause of governance and corruption challenges and provide the basis for evidence-led reform. A risk assessment tool for social principles is also being developed to provide guidance in the development of UN-REDD National Programmes (see Box 7).

99 Brown (2010), at p 244.

100 UN-REDD Programme 2010 Scope of work : Multi -stakeholder country-led governance assessments for REDD+, available at http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=3677&Itemid=53



Box 7: UN-REDD Programme - Risk Assessment Tool for social principles

To assist with the risk assessment phase, the UN-REDD Programme is currently developing a Risk Assessment Tool for social principles that will assist in the detection and improvement of program weaknesses in of UN-REDD National Programmes – and national readiness processes more generally. Criterion 1 of this tool sets out a detailed decision-making tree for ensuring that proposed REDD+ activities have addressed corruption and fiduciary risks by asking a series of questions, e.g. ‘has the government ratified UNCAC or other regional anti-corruption instruments?’, and if so, ‘does the country actively enforce the principles from these conventions?’. Criterion 2 sets out a decision-making tree for ensuring that REDD+ activities are carried out in an accountable and transparent manner, and Criterion 3 sets out a process for ensuring that all stakeholders are able to participate in a meaningful and effective manner, with special attention given to most vulnerable groups and indigenous peoples.¹⁰¹

Economic and social impact assessment

The next step at the country level should be to conduct a detailed analysis of the extent to which vested interests may have influenced the design of the national REDD+ framework. It is recognised that this is a particularly sensitive task. The analysis might, for example, take the form of, or be included in, an economic and social impact assessment, which assesses the likely economic impact of REDD+ activities on current actors within the forestry sector (logging companies, agribusiness, etc), as well as assessing the potential impact on the most vulnerable people, viz, indigenous peoples, other forest-dependent people, and women.¹⁰² The analysis (and broader REDD+ readiness phase) should also include proposals for addressing the corruption risks in design (some of which are covered above), such as how objective land use planning guidelines will be established, how the registration of customary land tenure will be facilitated, and how carbon rights will be addressed.

This type of detailed economic and social analysis should be conducted at critical points in the development of national REDD+ frameworks. Initially it should form part of a country’s national REDD+ strategy, which does not appear to be happening at present.¹⁰³ An economic and social impact assessment should also be done at the point when draft REDD+ legislation is prepared, which is when legal rights are established. In order for this to happen, the multilateral and bilateral initiatives which are supporting the REDD+ readiness phase should be aware of the potential for corruption and vested interests to unduly influence the design of national REDD+ frameworks,

101 A summary of the Social and Environmental approach, which contains a link to the latest version of the Risk Assessment Tool is available at: http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=3554&Itemid=53

102 For example, the FCPF’s current RPP Template (v. 4, 28 January 2010) provides for an (optional) Social and Environmental Impact Assessment (Annex 2d), and the FCPF has also issued guidance on how to incorporate social and environmental considerations into the REDD readiness process, but these obligations do not extend to an economic impact assessment. These documents are available at: <http://www.forestcarbonpartnership.org/fcp/node/255>

103 A review in May 2010 of 16 RPPs and National Programme Documents found that “most of the proposals identify weak law enforcement and unclear land tenure as key governance challenges for REDD+. However, the depth of analysis of the underlying problems and potential solutions is relatively low at this stage. It is often not clear how countries intend to address these issues through their REDD+ strategies: Davis, C., *Governance in REDD+: Taking stock of governance issues raised in readiness proposals submitted to the FCPF and the UN-REDD Programme*, prepared for Expert Workshop, 24th-25th May 2010, Chatham House, London, Background Paper Two, p. 2.



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and should encourage corruption risk assessments and economic and social impact assessments throughout the REDD+ readiness phase. For example, these could be incorporated as express topics to be addressed under the FCPF's RPP template and be provided as guidance through the preparation of UN-REDD national programme documents.

Multi-stakeholder consultations

Finally, national REDD+ frameworks (strategies and legislation) should be scrutinised and assessed through robust, multi-stakeholder consultation processes which 'flush out' any instances where corruption has influenced the policy or legislation. These consultations should be informed by the information and analysis contained in the corruption risk assessments and in the economic and social impact assessments described above. The multilateral and bilateral initiatives which are assisting countries in REDD+ readiness phase are partly fulfilling this role already. The UN-REDD Programme has already taken some steps in this direction, with the multi-stakeholder country-led assessments mentioned above as well as through the implementation of an extensive programme of work on stakeholder engagement.¹⁰⁴

3.3 Implementation of REDD+

3.3.1 Corruption risks in implementation

This section of the paper considers the corruption risks in the implementation phase of REDD+.¹⁰⁵ In this phase we might expect to see a broader range of actors than in the design phase, therefore increasing the potential range and diversity of corrupt practices. For example, in addition to high-level actors (political elites, transnational logging companies), in terms of the potential for corrupt behaviour, there is also the potential for low to mid-level public sector officials, community leaders and elites of indigenous peoples and local communities, carbon brokers, military and para-military groups, and local and international NGOs to engage in corrupt practices.

While there is potential for grand corruption (large scale bribes) to affect implementation, in this phase typical forms of corruption might also involve petty corruption (or supply-side corruption) such as officials being bribed to turn a 'blind eye' to breaches of REDD+ laws, or officials being bribed to falsify land titles or carbon rights. In this respect public sector officials may have little incentive to reject bribes and to ensure that emissions reductions are achieved and can be verified, because there is no personal gain for them, and indeed there may even be a potential loss of (illegally-derived) income.¹⁰⁶ Specific examples of potential corrupt practices in implementation are considered below.

104 <http://www.un-redd.org/Home/EngagementofIPs/tabid/1033/language/en-US/Default.aspx>

105 Due to limited space, it has not been possible to address all corruption risks in the implementation phase of REDD+. For example, neither the moral hazard posed by reversals (non-permanence) and insurance, nor the risks of leakage in nested approaches, have been covered. For a discussion of moral hazard and reversals, see Barr, C., Dermawan, A., Purnomo, H. And Komarudin, H. 2010 *Financial governance and Indonesia's Reforestation Fund during the Soeharto and post-Soeharto periods, 1989-2009: a political economic analysis of lessons for REDD++*. Occasional paper 52. CIFOR, Bogor, Indonesia, pp. 63-64; for information on nested approaches, see Cortez, R., and others, *A Nested Approach to REDD++ - Structuring effective and transparent incentive mechanisms for REDD++ implementation at multiple scales*, published by The Nature Conservancy and Baker & McKenzie, 2010 <http://www.nature.org/initiatives/climatechange/files/nested_paper_final_60110.pdf

106 Brown, at p 262.



Land administration

In many REDD+ countries, effective land administration is undermined by poor governance, with poor practices for registering and maintaining statutory and registered customary land titles.¹⁰⁷

In REDD+, there is potential for corruption to affect land administration because some actors (e.g. provincial or local level elites, project developers) might seek to obtain land titles, and thus an entitlement to REDD+ revenues:

- bribing public sector officials to fraudulently create land titles,
- bribing to public sector officials to overlook competing customary claims to land titles, and
- bribing to induce public sector officials to register titles over State land in the name of particular individuals or corporations.

To overcome these risks, REDD+ readiness activities should recognise the particular difficulties affecting land administration, and take specific measures to provide for capacity-building and transparency in the land administration sector.

Spot rezoning

Corrupt practices could also arise where private landholders or concession holders seek ‘one off’ changes to the land use zoning designation over a particular parcel of land, which may be triggered by a fluctuation in commodity prices (see section above on establishing rules for land use planning). For example, a logging company might bribe a public sector official to include a specific parcel of land in REDD+, with a view to revoking the REDD+ zoning designation at a later date, thus allowing the logging concession over the land to be reactivated.

One means of addressing this risk is to require logging concessions to be surrendered or declared void once land is zoned for use in REDD+. It is also essential that all rezoning applications and decisions be made publicly available in an accessible format and be subject to a public consultation process.

Carbon rights

If a national REDD+ framework permits carbon rights to be decoupled from land and forest tenure, this is likely to open new avenues for corruption involving bribery and fraud relating to the creation and sale of carbon rights.

¹⁰⁷ See Sunderlin, W.D., Hatcher, J., and Liddle, M., (2008), *From Exclusion to Ownership? Challenges and Opportunities in Advancing Forest Tenure Reform*, Rights and Resources Initiative, pp. 23, and Chapter 4 generally. For a detailed description of the problems of land administration in Papua New Guinea, see the National Land Development Taskforce Report: Land Administration, Land Dispute Settlement, and Customary Land Use Development, prepared by the NLDL Committees on Land Administration, Land Dispute Settlement, and Customary Land Development, published by the National Research Institute (Papua New Guinea), NRI Monograph 39, February 2007.



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For example, corrupt practices might include:

- project developers, logging companies or local elites bribing public officials in the lands department to register the carbon rights over particular parcels of land in the name of the corrupt actor. The corrupt actor could sell the carbon rights to a third party, and then abscond with the proceeds. This could occur without the knowledge or consent of the indigenous people or other local communities who own, use or occupy the land, who may discover when it is too late they have been defrauded of their carbon rights;
- the laundering of money through the purchase and sale of carbon rights.

Because of the intangible nature of carbon rights (they only exist on a piece of paper), these risks are particularly difficult risk to manage. Risk management for carbon rights will require capacity building within the land administration sector to assist the sector to develop and manage the process for registering carbon rights, in accordance with adequate safeguards.

Carbon measurement risks

REDD+ depends for its effectiveness on the accurate measurement, reporting and verification of forest emissions and sequestration, and changes in forest carbon stocks (C-MRV). As REDD+ revenues will depend upon the extent to which a State can demonstrate that it has reduced its emissions and increased its removals below its baseline, this creates an opportunity for fraud.

Corrupt practice in carbon measurements might include:

- public sector officials over-estimating the amount of avoided emissions and emission reductions against the baseline in order to inflate REDD+ revenues, and the subsequent 'skimming off' and embezzlement of these additional revenues generated by political elites or public sector officials;
- project developers attempting to bribe public sector officials to falsify claimed emissions reductions from projects to secure additional revenues. Such reporting failures may be relatively easy to hide given the technical complexity of measuring changes in carbon stores.¹⁰⁸

Because of the technical complexity of forest carbon measurement and monitoring, C-MRV is an area where the line between corruption and a lack of technical capacity may easily become blurred. It is also an area where corruption in public sector appointments has real potential to undermine REDD+ because employees who have been appointed through patronage, nepotism or because of connections may lack the technical skills necessary to measure, report and verify carbon emissions.

Multilateral and bilateral initiatives must continue to focus attention on developing capacity in REDD+ countries to undertake the robust and transparent measurement, reporting and verification of carbon changes, which underpins the effectiveness of REDD+.¹⁰⁹

¹⁰⁸ Brown (2010), at p, 262.

¹⁰⁹ In the context of the UN-REDD Programme, this role is undertaken by the Food and Agriculture Organisation (FAO).



3.3.2 Administration of revenues and benefit distribution

In order to become 'REDD+ ready', each country should develop a system as to how it will administer and distribute REDD+ revenues.¹¹⁰

The main corruption risks in benefit distribution are:

- the diminution or loss of REDD+ revenues through embezzlement by public sector officials, and
- the potential for REDD+ revenues to be misappropriated by powerful groups, such as logging companies, the military, and project developers.¹¹¹

The form in which the international community will make REDD+ revenues available to developing countries is not yet clear. It may be based on donor funds made available by developed countries (fund-based); it may be market-based, which would involve the allocation and trade of REDD+ carbon credits; or it may be a combination of both.¹¹² Both fund-based and market-based approaches entail different corruption risks, each of which are discussed below.

Fund-based approach

A fund-based approach would involve payments being made to national governments for demonstrated reductions in emissions. With this approach, there is a risk that funds may be embezzled by political elites responsible for the management of REDD+ revenues for their own enrichment, or that funds will be siphoned off to others to secure political favours or support. The recent move towards decentralisation in many developing countries also has implications for corruption in the management of REDD+ revenues because the opportunity for public officials to embezzle REDD+ funds will increase with each additional layer of government, effectively leaving local communities to 'wait for the trickle down'.¹¹³

Compared to a market-based approach which generates carbon credits, fund-based payments may be more susceptible to corruption due to the difficulty of tracing cash funds. Careful decisions will need to be made as to who will administer REDD+ revenues at the country level – the Treasury department, the ministry of forestry, or a new stand alone fund such as a National REDD+ Fund – with careful consideration being given to the relative corruption risks of each, including the track

110 Curiously, the obligation to have in place a BDS is not listed as an obligation in the Negotiating Text on REDD+, which is silent on the issue. Viet Nam is one of the first countries to design a transparent and equitable benefit distribution system, which was prepared with support from the UN-REDD Programme and GTZ: *Design of a REDD+-Compliant Benefit Distribution System for Viet Nam*, (2010). Through regional coordination offered by the UN-REDD Programme, it is foreseen that other countries in the region will benefit from this work.

111 For example, in Indonesia it has been observed that many large-scale forestry enterprises, pulp and paper producers and oil palm companies have close ties to political elites, and are therefore well positioned to secure access to REDD+ revenues if distributed by government agencies: Barr, C., Dermawan, A., Purnomo, H. And Komarudin, H. 2010 *Financial governance and Indonesia's Reforestation Fund during the Soeharto and post-Soeharto periods, 1989-2009: a political economic analysis of lessons for REDD+*. Occasional paper 52. CIFOR, Bogor, Indonesia.

112 UNFCCC draft Neg Text, Option 2, para 12. It is also not yet clear whether payments will be made to national-level actors who would then be responsible for disbursing payments within their country, or whether payments could also be made directly to sub-national actors, such as provincial governments and private sector project developers.

113 Cotula 2009: 21.



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record, of each institution.¹¹⁴ In this regard, it is highly preferable that REDD+ funds be held off-budget and not be mixed with consolidated revenue, as the funds should be earmarked to reward performance of forest managers and communities.

The financial mechanism that links national REDD+ funds to local beneficiaries needs to be transparent and have a governance structure that includes all relevant stakeholders who can monitor the administration and expenditure of REDD+ revenues (see, for example, Box 8 on Benefit Distribution System for REDD+ in Viet Nam). This multi-stakeholder structure could also be used to distribute benefits under a market-based approach.

Box 8: Design of a REDD+ compliant Benefit distribution in Viet Nam

With the assistance of the UN-REDD Programme, Viet Nam has undertaken an extensive study to consider how to design a Benefit Distribution System for REDD+. It is established that REDD+ could generate about US\$80-\$100 million each year in Viet Nam. Viet Nam proposes to establish a National REDD+ Fund which will receive and hold the revenues 'off-budget' and will be responsible for disbursing the funds. The Fund will be overseen by a broad-based multi-stakeholder governing body. Provincial REDD+ Funds will be mirrored on the National model, which is then responsible for delivering payments and benefits to local beneficiaries.¹¹⁵

Market-based approach

The adoption of a market-based approach which involves the generation and sale of REDD+ credits poses different corruption risks.¹¹⁶ On the one hand, carbon credits are easier to track because, unlike funds, they are given a unique year and serial number which allows the chain of custody of the credit to be traced. However for this to work for REDD+ credits, it will require the establishment of a highly complex administrative system involving a national registry and separate national accounts to track the issue, purchase, sale and retirement of REDD+ credits in a similar manner to the system of managing Kyoto Units under the Kyoto Protocol).

114 See, for example, the report of Barr et al on Indonesia's Reforestation Fund which notes that Ernst & Young documented losses from the Fund over a four-year period (1993/4 – 1997/8) of US\$5.2 billion in public funds, 50% of which occurred after the funds had entered the Ministry of Forestry's accounts. This triggered a transfer of responsibility for fund management to the Ministry of Finance, and more recently again to a specially formed unit, the Forest Development Funding Agency Public Service Unit. Barr, C., Dermawan, A., Purnomo, H. And Komarudin, H. 2010 *Financial governance and Indonesia's Reforestation Fund during the Soeharto and post-Soeharto periods, 1989-2009: a political economic analysis of lessons for REDD+*. Occasional paper 52. CIFOR, Bogor, Indonesia.

115 UN-REDD Programme, (2010) Design of a REDD-Compliant Benefit Distribution System for Viet Nam, GTZ. Cambodia and Laos are preparing similar studies.

116 There is currently an emerging, although relatively small, voluntary carbon market for REDD+ in which the private sector is able to generate credits according to various methodological REDD+ standards. In 2009, the total volume of voluntary REDD+ credits which were transacted was US\$41.6 million, with a weighted price average of US\$13.33/tCO₂e (Hamilton, K., Chokkalingam, U., and Bendana, M., (2010a), State of the Forest Carbon Markets 2009: Taking Root & Branching Out, Ecosystem Marketplace).



Corrupt practices in national REDD+ carbon markets might include:

- a seller of REDD+ credits bribing a public sector official not to 'retire' credits when required to do so, allowing the credit to be resold (or recycled) for a profit; or
- a multinational corporation, which requires carbon offsets for compliance or voluntary purposes, colluding with public sector officials to sell illegally generated REDD+ credits to the corporation at a cheap price in return for a kickback for the official. Conduct such as this on the part of the multinational corporation would probably fall foul of the OECD Anti-Bribery Convention (see below).

The nature of REDD+ credits themselves may make them easy targets for corruption as they involve the creation of an intangible asset, namely, carbon credits, which exist only on paper and which are difficult to verify.¹¹⁷ It is not yet clear whether national governments will be permitted to issue REDD+ credits under an international REDD+ regime which will be recognised on the international plane. If permitted, this would present a significant corruption risk as public sector officials could be bribed to create fraudulent credits which could enter the international market.

A market-based approach presents an increased opportunity for the private sector to participate in REDD+ (e.g. project developers, multinational corporations, carbon brokers), and this introduces new corruption risks. Lessons from natural resource extraction indicate the potential for the private sector to bribe the public sector to provide access to the resource – which in REDD+ could apply to carbon. To address the risk that REDD+ funds may be lost through collusion between the public and private sectors, consideration should be given as to how the models which have been developed to improve transparency in natural resource revenues, such as the Extractive Industries Transparency Initiative (EITI), can be adapted for use in REDD+ (see Box 9), and the recent Dodd-Frank Wall Street Reform and Consumer Protection Act passed in the US (see Box 13).¹¹⁸



117 Peter Younger from Interpol has described carbon credits as follows: "You're obtaining not a physical entity or asset but a piece of paper". He notes that there are even greater risks for forest carbon offsets, stating "In effect, you could be falsifying ownership in something you can see (land) in order to sell something that you can't (carbon), and then inserting it into the carbon markets and selling it to people": Lang, C., 1 October 2010, REDD+ Monitor, 'Joining the little REDD+ dots: Stories from the world of carbon trading' <http://www.REDD+-monitor.org/2010/10/01/joining-the-little-REDD+-dots-stories-from-the-world-of-carbon-trading/#more-5884>

118 <http://eiti.org/>



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Box 9: Liberia, forestry and the EITI

The EITI model requires companies to disclose what they pay to government to access resources, and for government to disclose how much they have received. These amounts are then reconciled, with the process being overseen by a multi-stakeholder group. Around 50 of the world's largest oil, gas and mining companies support and actively participate in the EITI process. Liberia is a participant in EITI and, in addition to agriculture, minerals and oil, has chosen to include forestry as a covered sector.¹¹⁹ Liberia has developed a financial reporting template for companies in the forestry sector, which could easily be adapted for use in REDD+.¹²⁰

Local level benefit distribution

Whether REDD+ is fund based or market based, it appears likely that national government will retain control over how REDD+ benefits are to be distributed (among provinces, districts and communities), and in which form (cash, credits, or in the form of services such as schools or hospitals). In addition to the risk of embezzlement by provincial or local elites, decisions as to how REDD+ benefits will be distributed at provincial and local levels are also prone to the 'demand side' corruption risks of cronyism, nepotism and clientelism, which may affect both the design of provincial and local level benefit sharing plans and the implementation. These risks apply equally to fund-based and market-based approaches to REDD+.

3.3.3 Proposals to reduce corruption risks in implementation

Much has already been written about the need for a broad-based and robust monitoring system which REDD+ countries can use to measure, report and verify not only the carbon stored in forests, but for governance, environmental and social safeguards too. Indeed, it is worth noting that the Negotiating Text requires REDD+ countries to address these issues in their national REDD+ strategies.¹²¹ Some specific solutions for reducing corruption risks in implementation are discussed below.

119 <http://www.leiti.org.lr/>

120 http://www.leiti.org.lr/content_maindoc.php?main=67&related=67; and see also TI Manual: An analysis of corruption in the forestry sector, 2009, Appendix 8, at http://www.illegal-logging.info/item_single.php?it_id=845&it=document

121 In this regard, the draft Negotiating Text requires developing country Parties, when developing and implementing their national strategies or action plan ... to address, inter alia, drivers of deforestation and forest degradation, land tenure issues, forest governance issues, gender considerations and the safeguards identified in paragraph 2 [of the text] (para 7). A significant body of work on the need for MRV for governance has also been undertaken by Chatham House: see Saunders, J., and Reeve, R., (2010), *Monitoring Governance for Implementation of REDD+*, prepared for Monitoring Governance Safeguards in REDD+ Expert Workshop 24th - 25th May 2010, Chatham House, London, UK, Background Paper One.



Using UNCAC as an anti-corruption framework

It is suggested that a country's REDD+ framework should be designed using the provisions of UNCAC as an anti-corruption framework, or checklist. This should generally be possible, because of the 49 countries which are participating in either or both the UN-REDD Programme and the FCPF, only nine have not ratified UNCAC (see Annex A). Using UNCAC would encourage the following type of analysis of national REDD+ frameworks:

- Article 5 requires Anti-corruption policies: does the national REDD+ framework recognise corruption risks and incorporate effective anti-corruption policies?
- Article 6 requires Preventative anti-corruption bodies: does the national REDD+ framework provide a link to independent anti-corruption commissions or courts to enable these bodies to investigate and prosecute complaints concerning corruption in REDD+?
- Article 10 requires Public reporting: does the national REDD+ framework contain freedom of information provisions allowing members of the public to obtain information about REDD+, e.g. applications for rezoning, grant of REDD+ licences, benefit distribution, etc
- Article 13 requires support for civil society: does the national REDD+ framework contain provisions for capacity building and support of NGOs (CSOs) working on REDD+?

Annex D to this paper contains a more detailed checklist which could be used to assess whether a national REDD+ framework is consistent with the UNCAC framework.¹²²

Multi-stakeholder approaches

Transparency and accountability in both the development and implementation of REDD+ can be promoted through the use of a multi-stakeholder approach. For example, not only can a multi-stakeholder structure be used to administer and manage REDD+ revenues (see the example from Viet Nam's proposed Benefit Distribution System in Box 8), but they can also be used more broadly to oversee the design and implementation of national REDD+ frameworks. The establishment of a multistakeholder National REDD Committee in the Democratic Republic of the Congo provides a good illustration of how this might be done (Box 10).

122 The idea for this table was drawn from UNDP Anti-corruption Guidance Note (2008), p 9, Table 3 which contains a table setting out "UNCAC as a democratic governance and development framework". This presupposes that the REDD+ country is in fact a signatory to UNCAC: see Annex X for a list of REDD+ countries and whether they have ratified UNCAC.



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Box 10: Multi-stakeholder approach to REDD+ in Democratic Republic of the Congo

On 26 November 2009, the Prime Minister of the Democratic Republic of the Congo (DRC) adopted a Decree to establish the institutional structures for REDD.¹²³ The Decree establishes a National REDD Committee, which has overall responsibility for REDD, including preparing the guidelines for REDD, deciding on the actions to be taken, approving national work plans, monitoring and evaluating the implementation of REDD, and establishing a national fund to manage and distribute REDD revenues (s 4). Nearly one third of the members of the National REDD Committee must be drawn specifically from civil society and indigenous peoples organisations. Of the 13 members on the National Committee: 6 are from government; four must be representatives of NGOs, forest communities and native populations; one is from the Federation of Wood Industries (private sector); one is from the business sector; and one from a national agricultural research institute (s 5). This provides a broad range of stakeholders with a strong supervisory role in the design, implementation and monitoring of the REDD+ process. The Decree provides that this multi-stakeholder structure is also to be replicated at the provincial level (s 13).

Capacity-building and support for NGOs and anti-corruption bodies

NGOs play an important role as a corruption ‘watchdog’ and can assist in identifying instances of systemic or specific corruption. However, in asking NGOs to play this role, it should be recognised that they are often poorly resourced with little capacity to undertake this work. As part of the REDD+ readiness process, support should be provided to build capacity within NGOs to respond to corruption risks in REDD+, and to support local communities. Care should be taken, however, to ensure that the manner in which support is provided does not compromise the independence of NGOs, e.g. by providing funding which is tied to REDD+ activities, and which may itself may raise corruption risks.

In countries that have established anti-corruption commissions or other equivalent bodies, support for these institutions to develop their capacity on risks related to REDD+ and receive political commitment and funding will also be key. This may include strengthening their capacity to raise awareness, to develop and implement preventive mechanisms such as system audits and to investigate and monitor corruption cases in REDD+.

Recourse and complaints mechanisms

Ensuring that an independent, effective and accessible recourse and complaints mechanism is available to the public, including to indigenous peoples and other forest-dependent communities is an essential part of managing corruption risk in REDD+. In the absence of such mechanism corruption

123 Decree No 09140 of 26/11/2009 Providing for the Creation, Compositions and Organization of the Implementation Structure of the Process of Reducing Emissions from Deforestation and Forest Degradation, “REDD”, text (in English) available in Annex 1a to the DRC Readiness Plan for REDD, 2 March 2010, available at http://unfccc.int/files/methods_science/redd/country_specific_information/application/pdf/eng_rpp_drc_version_020310.pdf. For more information on the DRC 2009 REDD Decree to support REDD, see http://www.un-redd.org/Newsletter3_Congo_best_practice_en/tabid/2038/language/en-US/Default.aspx



activities can continue unchallenged or unchecked, thus continuing to undermine REDD+. National REDD+ frameworks should ensure that an effective recourse and complaints mechanism is available, and that it is accessible to indigenous peoples and local communities.

Box 11: UN-REDD, Free Prior and Informed Consent, and recourse mechanisms

The UN-REDD Programme has recently held a round of consultations with indigenous peoples representatives and CSOs in Hanoi (June 2010), and in Panama (October 2010) to facilitate the development of generic guidance on Free, Prior and Informed Consent (FPIC) and Recourse Mechanisms which can be used to guide national UN-REDD activities around the world.¹²⁴ A third regional consultation will take place in Africa in January 2011.

Sharing responsibility for managing corruption risk

While much focus is often placed on the need for developing countries to proactively address corruption risks, developed countries should recognise that they too have a responsibility to reduce corruption risks in REDD+, as well as in adaptation. Developed countries are in a position to control the supply side risks of corruption, also referred to as “active bribery”¹²⁵ which occurs when the donor country or a private sector investor (in the case of REDD+, from a developed country) engages in corruption by bribing or coercing public sector officials in developing countries in return for favourable treatment.

Actions which can be taken by developed countries to share responsibility for corruption risk include:

- Ratifying and fully implementing the 1997 *OECD Anti-Bribery Convention of Foreign Officials in International Business Transactions*, and specifically enforcing it in the context of REDD+ and adaptation.¹²⁶ This Convention requires signatory States to make it a criminal offence under domestic law for any person or company to bribe a foreign public official (legislative, administrative or judicial) in order to obtain or retain international business.

124 For more information on the UN-REDD round of consultations on FPIC and Recourse mechanisms in the Asia-Pacific region, see http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=3662&Itemid=53 ; and in Latin America / Caribbean, see http://www.unredd.net/index.php?option=com_docman&task=doc_download&gid=3663&Itemid=53

125 UNODC (2004), *The Global Programme Against Corruption: UN Anti-Corruption Toolkit*, 3rd ed, Vienna Chapter 1.

126 All Annex 1 countries have ratified the OECD Anti-Bribery Convention except Belarus, Croatia, Latvia, Liechtenstein, Lithuania, Monaco, Romania, Russian Federation and Ukraine. Three REDD+ countries have ratified the Convention: Argentina, Brazil and Chile.



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Box 12: Bribery Act 2010, UK

An example of the implementation of UNCAC is the United Kingdom's Bribery Act 2010, which is scheduled to come into force in April 2011.¹²⁷ The Act makes it a criminal offence for a person or corporation incorporated in the UK, or a company that carries on any part of its business in the UK, to bribe any public foreign official who holds a legislative, administrative or judicial position of any kind.¹²⁸

- Introducing legislation which requires corporations to involved in accessing REDD+ revenues (by receiving funds or REDD+ credits) to disclose any payment they make to developing country governments to access their carbon.

Box 13: Dodd-Frank Wall Street Reform and Consumer Protection Act

An example of legislation which requires natural resource revenue transparency is the Dodd-Frank Wall Street Reform and Consumer Protection Act which was passed by the US Congress in July 2010. Section 1504 of the Act requires all U.S. and foreign companies registered with the US Securities and Exchange Commission (SEC) to disclose in their annual reports how much they pay foreign governments for access to their oil, natural gas and minerals.¹²⁹



127 The *UK Bribery Act 2010* supplements the provisions of the UK's *Anti-terrorism, Crime and Security Act 2001*, which was only ever intended to be a temporary measure to implement the OECD Anti-Bribery Convention.

128 UK Bribery Act 2010, s 6.

129 For more detail on this legislation, see <http://www.publishwhatyoupay.org/en/resources/dodd-frank-law-2010-section-1504-disclosure-payments-resource-extraction-issuers>.



The prospect of increased international funding for adaptation and mitigation activities for developing countries creates many opportunities. However, it also presents a wide range of corruption risks. Given the urgency of both mitigation and adaptation, it is imperative to develop ways to address these risks in order to engage in effective action on climate change, and so as to continue progress towards the realisation of the MDGs.

There is much that can be done to reduce the corruption risks of climate change in facing adaptation and REDD+. With the design phase for both adaptation and national REDD+ frameworks currently underway, there is now a unique window of opportunity to build on the existing work detailed in this paper to address corruption risks.

The key overarching recommendations of this paper, that apply to both adaptation and REDD+, are as follows:

- Risk assessments should be developed and undertaken in partnership with local stakeholders in order to ascertain the condition of the general governance framework in the country concerned, and to tailor anti-corruption measures; to the country circumstances;
- UNCAC should be used as a guide to develop a comprehensive anti-corruption framework for adaptation and REDD+ activities, and for the small number of countries who have not yet ratified UNCAC, assistance should be provided to them to do so;
- Multi-stakeholder mechanisms should be established as tools to improve transparency and accountability which can guide the development of and monitor the implementation of adaptation and REDD+ activities;
- Support should be provided to improve the capacity of developing countries to administer the funds anticipated to arrive for adaptation and REDD+, and to strengthen their systems for public financial management and procurement;
- Support should be provided to facilitate participation of civil society and to assist civil society organisations them to play a 'watch dog' role;
- Independent recourse and complaints mechanisms should be established to improve transparency and accountability at all levels;
- Support should be provided to anti-corruption bodies to build their capacity to raise awareness, to develop and implement preventive mechanisms such as system audits and to investigate and monitor corruption cases related to adaptation and REDD+ activities; and
- Support should be provided to transparency and accountability in local governance institutions and systems.

Finally, it must be recognised that the responsibility to mitigate corruption risks in adaptation and REDD+ does not lie solely with developing countries. Both developed and developing countries must take action to mitigate corruption risks in adaptation and REDD+ to maximise the effectiveness of such activities for developing countries.



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ANNEX A: LIST OF DEVELOPING COUNTRIES PARTICIPATING IN THE UN-REDD PROGRAMME AND THE FCPF



Potential REDD+ country	UN-REDD Programme	World Bank FCPF	UNCAC	Inter-American Convention Against Corruption ¹³⁰	African Convention on Preventing and Combating Corruption ¹³¹
Ratification, acceptance, approval, accession, succession					
Africa					
Democratic Republic of the Congo	Yes- Pilot ¹³²	Yes	No		Signed 2003, but not ratified
Cameroon		Yes	2006		Signed 2008, but not ratified
Central African Republic	Yes	Yes	2006		No
Equatorial Guinea		Yes	No		Signed 2005, but not ratified
Ethiopia		Yes	2007		2007
Gabon	Yes	Yes	2007		2009
Ghana		Yes	2007		2007
Kenya	Yes	Yes	2003		2007
Liberia		Yes	2005		2007
Madagascar		Yes	2004		2004
Mozambique		Yes	2008		2006
Nigeria	Yes		2004		2006
Republic of Congo	Yes	Yes	2006		2006
Sudan	Yes		No. Signed in 2005, but not ratified		Signed 2008, but not ratified
Uganda		Yes	2004		2004
United Republic of Tanzania	Yes- Pilot	Yes	2005		2005
Zambia	Yes- Pilot		2007		2007
Sub-total = 17	9	14	Not ratified: 3		Not ratified: 5

130 Source: www.transparency.org/global_priorities/international_conventions/conventions_instruments/oas_convention, accessed on 22 October 2010.

131 Source: www.africa-union.org/root/au/Documents/Treaties/List/African%20Convention%20on%20Combating%20Corruption.pdf, accessed on 22 October 2010, list dated 6 August 2010.

132 'Pilot' means that the country in one of the 9 initial pilot countries eligible to receive funding under the UN-REDD Programme to develop and implement a national REDD+ strategy.



ANNEX A: LIST OF DEVELOPING COUNTRIES PARTICIPATING IN THE UN-REDD PROGRAMME AND THE FCPF

Potential REDD+ country	UN-REDD Programme	World Bank FCPF	UNCAC	Inter-American Convention Against Corruption ¹³⁰	African Convention on Preventing and Combating Corruption ¹³¹
Ratification, acceptance, approval, accession, succession					
Asia - Pacific					
Bangladesh	Yes		2007		
Bhutan	Yes		Signed (2005) but not ratified		
Cambodia	Yes	Yes	2007		
Indonesia	Yes - Pilot	Yes	2006		
Lao People's Democratic Republic		Yes	2009		
Nepal	Yes	Yes	No. Signed in 2003, but not ratified.		
Papua New Guinea	Yes- Pilot	Yes	2007		
Philippines	Yes		2006		
Solomon Islands	Yes		No		
Sri Lanka	Yes		2004		
Thailand		Yes	No. Signed in 2003, but not ratified.		
Vanuatu		Yes	No		
Viet Nam	Yes- Pilot	Yes	2009		
Sub-total = 13	10	8	Not ratified: 5		
Latin America - Caribbean					
Argentina	Yes	Yes	2006	1997	
Bolivia	Yes- Pilot	Yes	2005	1997	
Chile		Yes	2006	1998	
Colombia	Yes	Yes	2006	1998	
Costa Rica	Yes	Yes	2007	1997	
Ecuador	Yes		2005	1997	
El Salvador		Yes	2004	1998	
Guatemala	Yes	Yes	2006	2001	
Guyana		Yes	2008	2000	

ANNEX A: LIST OF DEVELOPING COUNTRIES PARTICIPATING IN THE UN-REDD PROGRAMME AND THE FCPF



Potential REDD+ country	UN-REDD Programme	World Bank FCPF	UNCAC	Inter-American Convention Against Corruption ¹³⁰	African Convention on Preventing and Combating Corruption ¹³¹
			Ratification, acceptance, approval, accession, succession		
Honduras		Yes	2005	1998	
Mexico	Yes	Yes	2004	1997	
Nicaragua		Yes	2006	1999	
Panama	Yes- Pilot	Yes	2005	1998	
Paraguay	Yes- Pilot	Yes	2005	1996	
Peru		Yes	2004	1997	
Suriname		Yes	No	2002	
Sub-total = 16	9	15	Not ratified = 1	Not ratified = 0	
Total countries = 46	29	37	Not ratified = 9	N/A	N/A



ANNEX B: MAP OF CORRUPTION RISKS IN CLIMATE CHANGE ADAPTATION AT THE COUNTRY LEVEL

Activity	Actors involved		Corruption threat	Corrupt practice	Risk assessment
	Demand side	Supply side			
Planning and Setting Priorities for Adaptation					
Consultation with stakeholders	Political elite Officials	Landowners Consultants Engineers Suppliers NGOs	State capture	<p>Extortion, solicitation and clientelism by officials, e.g.</p> <ul style="list-style-type: none"> ■ Vested interests given unfair access to decision-makers ■ Information released selectively <p>Bribery, fraud and collusion by groups seeking favourable treatment, e.g.</p> <ul style="list-style-type: none"> ■ Promoting adoption of particular technologies or methods ■ Seeking preference for particular properties or regions 	Medium - High risk
Identification and prioritisation of adaptation actions	Officials Ministers Political elite	Landowners Officials Consultants Engineers Suppliers NGOs	State capture leading to poor planning, reducing capacity to respond to climate change and build resilience to future impacts	<p>Bribery, patronage, nepotism and clientelism, e.g.</p> <ul style="list-style-type: none"> ■ Selection of projects, properties and technologies favouring vested interests <p>Abuse of discretion to prioritise activities that maximise potential for rent-seeking, e.g.</p> <ul style="list-style-type: none"> ■ Capital-intensive infrastructure projects over ecosystem-based adaptation and community-based management ■ Complex licensing and regulatory systems 	Medium risk

ANNEX B: MAP OF CORRUPTION RISKS IN CLIMATE CHANGE ADAPTATION AT THE COUNTRY LEVEL



Activity	Actors involved		Corruption threat	Corrupt practice	Risk assessment
	Demand side	Supply side			
Implementation of Adaptation Programmes and Projects					
Project, programme and regulatory design	Ministers Political elite Officials	Landowners Engineers, construction and other consultants	State capture, abuse of discretion Inefficient use of resources, failure to build resilience, maladaptation	<p>Bribery, nepotism, clientelism and cronyism, e.g.</p> <ul style="list-style-type: none"> ■ Preference to adaptation activities favoring vested interests, rather than areas of greater vulnerability ■ Weak enforcement of environmental impact assessment procedures and other regulatory requirements <p>Abuse of discretion to develop rules that will enable rent-seeking in the implementation of funds, e.g.</p> <ul style="list-style-type: none"> ■ Complex projects and regulatory systems with high levels of discretion that may be used to seek kickbacks from contractors or to siphon funds for other purposes <p>Fraud, theft and collusion, e.g.</p> <ul style="list-style-type: none"> ■ Seeking funding for identical results through different adaptation programmes/projects ■ Corporate interests seeking adoption of particular technologies 	Medium - High risk



ANNEX B: MAP OF CORRUPTION RISKS IN CLIMATE CHANGE ADAPTATION AT THE COUNTRY LEVEL

Activity	Actors involved		Corruption threat	Corrupt practice	Risk assessment
	Demand side	Supply side			
Procurement	Ministers Political Elite Officials Contractors and Consultants	Engineers Construction Consultants	Poor quality, incomplete projects, inefficient use of resources, failure to build resilience, maladaptation	<p>Bribery, solicitation, nepotism, clientelism and cronyism, e.g.</p> <ul style="list-style-type: none"> ■ Tailoring of project requirements to suit particular bidders ■ Over-stating project requirements ■ Inadequate advertising, short bidding times to enable officials to solicit bribes for information and contract awards ■ Withholding information/ access to tender process, charging for information/ access ■ Weak enforcement of contract requirements, environmental impact assessment and regulatory requirements <p>Collusion between industry stakeholders, particularly engineering and construction firms, e.g.</p> <ul style="list-style-type: none"> ■ Pre-agreement on prices, contract conditions <p>Theft, fraud and embezzlement, e.g.</p> <ul style="list-style-type: none"> ■ On-selling of equipment ■ Over-billing ■ Siphoning of project funds ■ Concealing substandard work ■ Providing sub-standard equipment, drugs, food and water 	Medium risk
Appointment of staff and committee members	Political Elite Officials Industry	Ministers Political Elite Officials	Reduced capacity to respond to adaptation needs and build resilience	<p>Favouritism, nepotism, clientelism and cronyism, e.g.</p> <ul style="list-style-type: none"> ■ Officials grant favourable roles to their friends, families and business associates <p>Bribery and solicitation, e.g.</p> <ul style="list-style-type: none"> ■ 'Buying' and 'selling' certain roles with high rent-seeking potential 	High risk

ANNEX B: MAP OF CORRUPTION RISKS IN CLIMATE CHANGE ADAPTATION AT THE COUNTRY LEVEL



Activity	Actors involved		Corruption threat	Corrupt practice	Risk assessment
	Demand side	Supply side			
Service delivery	Officials Contractors Transporters	Industry Households Irrigators	Petty corruption inflating the cost and reducing the quality and accessibility of services	<p>Bribery, extortion and solicitation, e.g.</p> <ul style="list-style-type: none"> ■ Extra-legal charges for connections, services, deliveries, expediting repairs and processing licence applications ■ Over-billing to enable officials to obtain bribes to revise bills <p>Theft and fraud, e.g.</p> <ul style="list-style-type: none"> ■ Illegal on-selling of food, medicines and other equipment ■ Illegal connections to supplies ■ Diversion of maintenance funding <p>Bribery, nepotism and clientelism, e.g.</p> <ul style="list-style-type: none"> ■ Weak enforcement of regulations and allocations ■ Preferential treatment in licensing and allocations for certain industries or regions 	High risk



ANNEX C: UNCAC AS AN ANTI-CORRUPTION FRAMEWORK FOR ADAPTATION

The table below provide an example of UNCAC might be used as an anti-corruption framework to guide anti-corruption measures in adaptation.¹³³

UNCAC		Implications for adaptation planning
Article	Obligation on State	
Chapter II - Preventive measures		
Article 5: Anti-corruption policies	To develop, implement and maintain effective and coordinated anti-corruption policies that promote participation, transparency and accountability	<p>Is the country a party to UNCAC and if it is a dualist country has it implemented anti-corruption legislation?</p> <p>Does adaptation planning consider the country's anti-corruption legislation, policies and guidelines?</p> <p>Does adaptation planning at the national and local level involve participation of climate change affected communities?</p> <p>Is the adaptation planning process transparent and is it done by a range of government bodies or departments (eg water, fisheries, planning, coastal, health departments)? Is there a central body that reviews national adaptation plans before they are sent out to the UNFCCC?</p> <p>Can local communities review or comment on government decisions at each of the adaptation planning stages?</p> <p>How is adaptation financing and ODA administered by the government and are there anti-corruption policies dealing with this? Which government department is held accountable to international funding bodies for use of the adaptation funds?</p>
Article 6: Preventive anti-corruption bodies	To establish an independent body or bodies (eg corruption commissions, Corruption Court) to implement anti-corruption policies and to disseminate knowledge on corruption prevention	<p>Is there an independent corruption body established? If so, do adaptation planning activities and adaptation financing fall within the remit of relevant corruption bodies?</p> <p>Do these bodies consider that climate change adaptation is an area that could be ripe for corruption in such country and are they aware of the risks?</p> <p>Can the corruption bodies review the administration of adaptation planning and financing by the relevant government bodies?</p>
Article 7: Public sector	To adopt, maintain and strengthen systems for the recruitment, hiring, retention promotion and retirement of civil servants ... that include training of individuals for public positions considered especially vulnerable to corruption to enhance their awareness of the risks of corruption.	<p>Are civil servants that undertake adaptation assessment and planning required to undergo training and does this training include anti-corruption training?</p> <p>Are there any civil servants currently involved in adaptation planning that have a history of corrupt activities?</p> <p>Are civil servants experienced in the administration of ODA?</p>

133 The idea for this table was drawn from UNDP Anti-corruption Guidance Note (2008), p 9, Table 3 which contains a table setting out "UNCAC as a democratic governance and development framework".

ANNEX C: UNCAC AS AN ANTI-CORRUPTION FRAMEWORK FOR ADAPTATION



UNCAC		
Article	Obligation on State	Implications for adaptation planning
Article 8: Codes of conduct for public officials	To apply codes or standards of conduct to encourage the proper performance of public functions, to facilitate reporting by public officials of acts of corruption, and to require public officials to declare conflicts of interest	<p>Does the country have any codes or legislation in place dealing with corruption? Is there whistle-blowing legislation in place or a culture of whistle-blowing for acts of corruption?</p> <p>Are there any conflicts of interest between public officials' private interests (eg company shareholdings, family businesses) and the public adaptation planning? Further, is there training on conflicts of interest and procedures in place for dealing with conflicts of interest when they arise?</p>
Article 9: Public procurement and management of public finance	To take steps to establish appropriate systems of procurement, based on transparency, competition and objective criteria. To take measure to promote transparency and accountability in the management of public finances.	<p>Is there a process in place to deal with the procurement of contracts for infrastructure projects and delivery of public services?</p> <p>Is there a transparent bidding process for infrastructure projects and delivery of public services?</p> <p>Are the public able to review decisions made for procurement and are state finances audited and available for public review and comment?</p>
Article 10: Public reporting	To take measures to adopt procedures or regulations allowing members of the public to obtain information on the organization, functioning and decision-making processes of public administration. Publishing information on the risks of corruption in public administration.	<p>Are adaptation planning processes transparent, allowing local communities to participate and raise concerns at relevant stages of the decision-making process (eg coastal adaptation planning should consult coastal communities)?</p> <p>Can communities obtain public information on adaptation planning and are they provided with information and education regarding the process (including in non-internet based formats as many poor communities may not have internet access)?</p> <p>Are any publications on the risks of corruption in the public sector provided to local communities?</p>
Article 11: Judiciary and prosecution services	To take measures to strengthen integrity and to prevent opportunities for corruption among members of the judiciary, e.g. through rules of conduct	<p>Is there corruption within the judiciary and are there possible conflicts of interest between members of the judiciary and adaptation planning projects (eg where a member of the judiciary may have businesses/ contacts in adaptation infrastructure projects)?</p> <p>Are adaptation planning decisions subject to judicial review and if so, are there guidelines for review?</p> <p>Are the judiciary educated about the corruption risks involved with adaptation planning?</p>
Article 12: Private sector	To take measures to prevent corruption involving the private sector.	<p>Are there codes and/or legislation developed to ensure adaptation planning is not subject to corrupt practices at both the international, national and local levels?</p> <p>Do companies and contractors operating within the country have internal codes of conduct that prevent corrupt practices and if so, are these codes enforced?</p> <p>Are foreign companies and contractors that may be involved in adaptation activities (e.g. instalment of infrastructure) parties to UNCAC and do they have adequate and enforceable codes and/or legislation?</p>



ANNEX C: UNCAC AS AN ANTI-CORRUPTION FRAMEWORK FOR ADAPTATION

UNCAC		
Article	Obligation on State	Implications for adaptation planning
Article 13: Civil society	To promote the active participation of individuals and groups outside the public sector, such as civil society, non-governmental organizations and community-based organizations, in the prevention of and fight against corruption, e.g. by ensuring that the public has effective access to information.	<p>Can the public freely participate in adaptation planning decisions and is there capacity-building for NGOs?</p> <p>Are NGOs and the press able to freely voice concerns over any adaptation planning decisions?</p> <p>Is there adequate, accurate and timely information regarding adaptation planning disseminated to the public and the press?</p> <p>Are NGOs and community-based organizations free from corruption?</p>
Chapter III – Criminalization and law enforcement		
Article 15: Bribery of national public officials	To adopt legislation making it a criminal offence to bribe a public official to induce the official to act or refrain from acting in the exercise of his or her official duties.	Is there national legislation that makes bribery or such inducement of a public official illegal? If so, is such legislation adequately monitored and enforced?
Article 16: Bribery of foreign public officials and officials of public international organisations	To adopt legislation making it a criminal offence to bribe a foreign public official or an official of a public international organization to induce the official to act or refrain from acting in accordance with their duties.	Is there national legislation that makes bribery or such inducement of a foreign public official or public international organization illegal? If so, is such legislation adequately monitored and enforced?
Article 17: Embezzlement, misappropriation of property by public official	To adopt legislation establishing as criminal offences, the embezzlement, misappropriation or other diversion by a public official for his or her own benefit of property or funds entrusted to the public official.	Is there national legislation that makes it illegal for public officials to embezzle or misappropriate public funds? Also, is it clear that any adaptation funding is public funding and hence subject to this legislation?

ANNEX D: UNCAC AS AN ANTI-CORRUPTION FRAMEWORK FOR REDD+



The table below provide an example of UNCAC might be used as an anti-corruption framework to guide anti-corruption measures in national REDD+ strategies.¹³⁴

UNCAC		Implications for national REDD++ strategies
Article	Obligation on State	
Chapter II - Preventive measures		
Article 5: Anti-corruption policies	To develop, implement and maintain effective and coordinated anti-corruption policies that promote participation, transparency and accountability	National REDD+ strategy should address the legal framework, strategies and processes which will be used to address corruption in REDD+.
Article 6: Preventive anti-corruption bodies	To establish an independent body or bodies (eg corruption commissions, Corruption Court) to implement anti-corruption policies and to disseminate knowledge on corruption prevention	Does the national REDD+ strategy make provision to link REDD+ to the country's anti-corruption bodies? Are the anti-corruption bodies informed about REDD+ and prepared to implement anti-corruption measures and to take enforcement action if indications of corruption emerge in REDD+ activities.
Article 7: Public sector	To adopt, maintain and strengthen systems for the recruitment, hiring, retention promotion and retirement of civil servants ... that include training of individuals for public positions considered especially vulnerable to corruption to enhance their awareness of the risks of corruption.	Does the national REDD+ strategy address the need for civil service capacity building in the institutions who will be responsible for implementing REDD+ (Treasury, finance, department of Forestry, department of Lands/ Planning, etc)? Does the strategy include training for staff on the specific risks of corruption in REDD+?
Article 8: Codes of conduct for public officials	To apply codes or standards of conduct to encourage the proper performance of public functions, to facilitate reporting by public officials of acts of corruption, and to require public officials to declare conflicts of interest	Does the national REDD+ strategy identify whether the institutions responsible for implementing REDD+ have codes of conduct which are suitable for REDD+? If not, the strategy should identify the need to develop codes of conduct.
Article 9: Public procurement and management of public finance	To take steps to establish appropriate systems of procurement based on transparency, competition and objective criteria. To take measure to promote transparency and accountability in the management of public finances.	Does the national REDD+ strategy identify how REDD+ revenues will be administered in a manner that is transparent and accountable?
Article 10: Public reporting	To take measures to adopt procedures or regulations allowing members of the public to obtain information on the organization, functioning and decision-making processes of public administration. Publishing information on the risks of corruption in public administration.	Does the national REDD+ strategy include freedom of information provisions regarding decision making processes under REDD+, e.g. in relation to zoning decisions, applications for rezoning, REDD+ approvals, benefit distribution systems, enforcement action

134 The idea for this table was drawn from UNDP Anti-corruption Guidance Note (2008), p 9, Table 3 which contains a table setting out "UNCAC as a democratic governance and development framework".



ANNEX D: UNCAC AS AN ANTI-CORRUPTION FRAMEWORK FOR REDD+

UNCAC		Implications for national REDD++ strategies
Article	Obligation on State	
Article 11: Judiciary and prosecution services	To take measures to strengthen integrity and to prevent opportunities for corruption among members of the judiciary, e.g. through rules of conduct	Does the national REDD+ strategy identify the corruption risk involving the judiciary? Does the strategy include prosecution guidelines? Does the strategy provide opportunities for judicial education on REDD+?
Article 12: Private sector	To take measures to prevent corruption involving the private sector.	Does the national REDD+ strategy address the risk of corruption from the private sector in REDD+? Does national legislation make it a criminal offence for private sector actors to engage in corrupt practices?
Article 13: Civil society	To promote the active participation of individuals and groups outside the public sector, such as civil society, non-governmental organizations and community-based organizations, in the prevention of and fight against corruption, e.g. by ensuring that the public has effective access to information.	Does the national REDD+ strategy provide for capacity building of NGOs engaged with REDD+? Does the strategy make provision for access to information?
Chapter III – Criminalization and law enforcement		
Article 15: Bribery of national public officials	To adopt legislation making it a criminal offence to bribe a public official to induce the official to act or refrain from acting in the exercise of his or her official duties.	Does the national REDD+ strategy identify whether such legislation is in place, and if not, recommend that such legislation be adopted as part of the REDD+ readiness process?
Article 16: Bribery of foreign public officials and officials of public international organisations	To adopt legislation making it a criminal offence to bribe a foreign public official or an official of a public international organization to induce the official to act or refrain from acting in accordance with their duties.	Does the national REDD+ strategy identify whether such legislation is in place, and if not, recommend that such legislation be adopted as part of the REDD+ readiness process?
Article 17: Embezzlement, misappropriation of property by public official	To adopt legislation establishing as criminal offences, the embezzlement, misappropriation or other diversion by a public official for his or her own benefit of property or funds entrusted to the public official.	Does the national REDD+ strategy identify whether such legislation is in place, and if not, recommend that such legislation be adopted as part of the REDD+ readiness process?

ANNEX E: SUMMARY OF POTENTIAL CORRUPTION RISKS ASSOCIATED WITH REDD+¹³⁵



	Actors Involved			Corruption Threat	Corrupt Practice	Anti-Corruption measure/s
	National	Provincial	Local			
REGULATORY (establishing the rules)						
Design of national REDD+ framework generally	Parliamentarians, political elites, international and national logging companies, industrial scale agribusiness (palm oil, sugarcane, soy, jatropha), multinational corporations, project developers, military			<p>State capture allowing undue influence to affect design of REDD+ strategy</p> <p>Political corruption</p> <p>Grand corruption</p>	<p>Undue influence by political elite, logging companies, agribusiness, etc to prepare a weak national REDD+ framework, or to prepare a framework that will benefit powerful interests</p>	<p>Corruption risk assessment, followed by a detailed and through analysis of proposed framework, possibly under an economic and social impact assessment</p> <p>Multi-stakeholders consultations at all stages of development of national REDD+ framework (including national strategy, legislation and regulations)</p>
Preparation of initial land use plans for REDD+ (spatial planning)	<p>Ministry/ Department of Planning</p> <p>Ministry/ Department of Forestry</p>	Governors and provincial level land use planners	Local government planners	<p>State capture, political corruption, grand corruption influencing REDD+ land use plans, resulting in failure to respect rights of indigenous peoples and other forest-dependent communities</p>	<p>Undue influence or bribes to exclude high value timber concessions from REDD+, while pressing for other areas which have already been degraded (selectively logged) to be included in REDD+ land use plans.</p>	<p>Establish objective criteria to guide land use planning decisions (e.g. 'at risk' factors to identify forests to be covered, soil suitability, carbon sequestration potential, biodiversity values).</p> <p>All decision making rules and individual decisions to be made publicly available in an accessible format.</p>

135 This Table is adapted from Transparency International's manual analysing corruption in the forestry sector: see Blundell, AG. and Harwell, EE. (2009) *Manual: An analysis of corruption in the forestry sector*, Transparency International and Natural Capital Advisors, LLC, at p 20 (Table 6), and pp 38 – 47 (Appendix 3) which contains a generic map of corrupt practices in the forestry sector, available at <http://www.illegal-logging.info/uploads/Forestsectorcorruptiontoolsnov09FINAL.pdf>



ANNEX E: SUMMARY OF POTENTIAL CORRUPTION RISKS ASSOCIATED WITH REDD+¹³⁵

	Actors Involved			Corruption Threat	Corrupt Practice	Anti-Corruption measure/s
	National	Provincial	Local			
Land and natural resource tenure	Parliament, political elite, departments of planning and forestry			State capture and political corruption resulting in a failure to recognise customary land tenure	Undue influence or bribery to resulting in failure to recognise competing rights of customary land tenure, so that 'political elites' can trump customary claims and capture REDD revenues	Capacity building for land administration sector. Assistance to NGOs who often assist customary communities with land registration process.
Allocation of carbon rights	Parliament, political elites, powerful logging companies, project developers			State capture, political corruption or grand corruption resulting in an inequitable allocation of carbon rights under legal REDD+ framework	Undue influence to link carbon rights to State owner land titles or logging concessions, thus excluding customary communities from control of carbon resources (and possibly REDD revenues)	Close analysis through multi-stakeholder consultations of proposed carbon rights allocation rules
Setting reference levels / emission reference levels	Ministry/ department of Forestry Political elites Powerful logging or agribusiness companies			State capture, political corruption, grand corruption resulting in an over estimation of national reference levels Collusion	Undue influence to artificially inflate baseline so that excess can be 'skimmed' by corrupt officials at a later date; or to set timeline and national circumstances	Clear guidance on establishing baselines to be given by SBSTA, with third party verification of nominated baseline
Design of benefit distribution systems (BDS)	Ministry of Forestry, Ministry of Finance, Political elites	Political elites	Political elites	State capture, favouritism, nepotism, cronyism resulting in weak design of financial management system	Undue influence on BDS which influences who receives REDD+ revenues and benefits	Improvement of public financial management Public financial reporting, multi-stakeholder body to oversee design and implementation of BDS

ANNEX E: SUMMARY OF POTENTIAL CORRUPTION RISKS ASSOCIATED WITH REDD+¹³⁵



	Actors Involved			Corruption Threat	Corrupt Practice	Anti-Corruption measure/s
	National	Provincial	Local			
IMPLEMENTATION OF REDD+						
Land administration		Land administration officials	Land administration officials	Bribery by multinational corporations, project developers	Bribery of land administration officials to overlook competing customary claims to land title, or to create fraudulent land titles	Capacity building and transparency in land administration sector Recourse mechanisms
Spot rezoning of land to permit (or exclude) REDD+ activities in specific areas		Logging operators Carbon brokers	Local level public officials, logging operators, carbon brokers	Bribery	Bribery of public sector officials to change the zoning of an area to allow or exclude REDD+	Public notification and call for public submissions for all rezoning applications and rezoning decisions
Carbon rights		Planning officials Project developers	Local level planning officials	Bribery by corrupt actors of public officials resulting in the loss of carbon rights for indigenous peoples and other forest-dependent communities	Bribery to overlooks competing claims to carbon rights or to fraudulently create or register carbon rights	Capacity building for land administration sector All applications to register carbon rights and decision to register rights to be made publicly available Recourse mechanisms
Carbon measurement risks		Public sector officials in forestry sector	Local level public sector officials	Petty bribery by project developer or at sub-national level	Public sector officials over-estimating the amount of carbon emission reductions or carbon sequestered	C-MRV procedures







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