

# **CORRUPTION AND CLIMATE FINANCE TOPIC GUIDE**

Compiled by the Anti-Corruption Helpdesk

Transparency International is a global movement with one vision: a world in which government, business, civil society and the daily lives of people are free of corruption. Through more than 100 chapters worldwide and an international secretariat in Berlin, we are leading the fight against corruption to turn this vision into reality.

Topic guides are a series of publications developed by the Anti-Corruption Helpdesk on key corruption and anti-corruption issues. They provide an overview of the current anti-corruption debate and a list of the most up-to-date and relevant studies and resources on a given corruption related topic.

**[www.transparency.org](http://www.transparency.org)**

Author: Leah Good

Reviewer(s): Brice Bohmer, Lisa Elges, PhD, Claire Martin, Thomas Vink, Marie Chêne

Date: June 2017

© 2017 Transparency International. All rights reserved.



With support from the European Commission

*This document should not be considered as representative of the European Commission or Transparency International's official position. Neither the European Commission, Transparency International nor any person acting on behalf of the Commission is responsible for how the following information is used.*

# TABLE OF CONTENTS

---

<b>CLIMATE FINANCE &amp; CORRUPTION</b>	<b>4</b>
OVERVIEW OF THE GLOBAL CLIMATE FINANCE ARCHITECTURE	4
CORRUPTION RISKS IN CLIMATE FINANCE	5
Policy development	6
Generation of finance	6
Project selection phase	7
Project implementation phase	7
Procurement	8
Project monitoring, reporting and verification phase	8
ANTI-CORRUPTION TOOLS AND APPROACHES	9
Strong institutional architecture	9
Strong legislative framework	9
Transparency of climate finance flows	10
Integrity pacts	10
Complaints mechanisms	10
Climate policy and project monitoring	10
Accountability and controls	11
RESOURCES ON CLIMATE FINANCE	11
Background studies	11
Governance assessments	11
Standards and guidelines	13
Practical insights: handbooks and how-to guides	14
Tools and solutions	15
Resources from Transparency International's Anti-Corruption Helpdesk	15
Organisations and websites	16

This topic guide provides an overview of overview of major corruption risks and anti-corruption approaches in climate finance, and a compilation of the most up-to-date and relevant studies and resources on the topic.

# CLIMATE FINANCE & CORRUPTION

---

## OVERVIEW OF THE GLOBAL CLIMATE FINANCE ARCHITECTURE

Climate finance is public and/or private funding that is invested in actions to reduce greenhouse gas emissions (such as solar or wind power projects) or support communities to adapt to the effects of climate change (for example, through infrastructure projects like cyclone resistant housing or floodwalls). Within the international climate change negotiations, international financing for low-carbon development and climate adaptation in the global South was originally conceived under the “polluter pays principle” where industrialised nations, which have been the main drivers of climate change, contribute substantially to support developing nations to cope with its effects.

In the Paris Agreement, developed countries pledged to provide US\$100 billion per year by 2020 from public and private sources to finance adaptation and mitigation actions in developing countries. Huge sums of money are already flowing, with close to US\$42 billion a year spent in developing countries in 2013 and 2014<sup>1</sup>. In addition to international climate finance, national budget allocations also make up a significant portion of the funding available for climate adaptation and mitigation actions, with estimates that some 74 per cent of the US\$391 billion global climate finance budget in 2014 was raised and spent in the same country<sup>2</sup>.

Given the great scale of the funds involved, and the dire consequences at stake if they are lost to corruption, it is vital to consider and seek to mitigate the risks of corruption in the delivery of climate finance.

A key challenge in monitoring and shoring up the governance of climate finance is the complexity and fragmentation of the global climate finance architecture. Since the establishment of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, a suite of multilevel governance arrangements have been developed to channel international climate finance<sup>3</sup>:

- The **Green Climate Fund (GCF)**, operational since 2015, is the newest fund under UNFCCC and expected to become the main multilateral financing mechanism to support climate action in developing countries<sup>4</sup>.
- The World Bank’s **Climate Investment Funds**<sup>5</sup> were established in 2008 as a partnership of multilateral development banks to support climate actions in the fields of clean technology, renewable energy, climate resilience and forest conservation.

---

<sup>1</sup> UNFCCC. 2016. Summary and recommendations by the Standing Committee on Finance on the 2016 biennial assessment and overview of climate finance flows online. [http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/standing\\_committee/application/pdf/2016\\_ba\\_summary\\_and\\_recommendations.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2016_ba_summary_and_recommendations.pdf)

<sup>2</sup> Global Landscape of Climate Finance. 2015. Barbara Buchner, Chiara Trabacchi, Federico Mazza, Dario Abramskieln and David Wang, November, 2015. <https://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2015/>

<sup>3</sup> The main financing mechanisms are included here, but there are many more in operation. An up-to-date list of international climate funds is available at <http://www.climatefundupdate.org/data/the-funds-v2>

<sup>4</sup> By November 2015, the GCF had mobilised US\$10.2 billion.

<sup>5</sup> To date, the funds have committed approximately US\$ 8.3 billion in grants, subsidised loans and guarantees.

- The [Adaptation Fund](#)<sup>6</sup>, formed in 2009 under the UNFCCC's Kyoto Protocol provides grants to developing countries to build resilience and adapt to climate change.
- The [Global Environment Facility \(GEF\)](#)<sup>7</sup>, which was formed as partnership of multilateral agencies in the early 1990s, hosts a number of climate specific funds supporting adaptation and mitigation actions and one fund targeting Least Developed Countries.
- Two international funds have been established specifically to support forest conservation: the [UN-REDD Programme](#) and the World Bank's [Forest Carbon Partnership Facility](#). Regional and country specific funds include the [Central African Forest Initiative](#) and the [Amazon Fund](#). These bodies provide funding for the Reducing Emissions from Deforestation and Forest Degradation (REDD+) initiative, which aims to reduce carbon dioxide emissions by financially rewarding forest-rich developing countries for protecting their forests<sup>8</sup>.
- A large proportion of climate money is also channelled bilaterally<sup>9</sup>. Currently, the largest funds are the UK's International Climate Fund (ICF), Germany's [International Climate Initiative \(IKI\)](#) and Norway's [International Climate and Forest Initiative \(NICFI\)](#).

Various entities operate at the national level to channel climate funds and implement projects, including (but not limited to): national climate funds; UN agencies; multilateral development banks; relevant national ministries, such as the environment or energy ministries; local government agencies; and NGOs.

Different funding bodies have distinct requirements for accessing finance and shoring up governance. For example, some global funds, such as the Adaptation Fund, the Green Climate Fund and the Global Environment Facility require implementing entities to be accredited in order to receive finance, while others do not. The diversity of funding mechanisms, the distinct governance standards in place and the lack of clarity over chains of accountability between actors can make it difficult to track results and prevent corruption.

## CORRUPTION RISKS IN CLIMATE FINANCE

Corruption risks can hamper effective climate action at all levels, from international climate policy development to the implementation of climate adaptation and mitigation projects in developing countries. Climate finance encompasses many kinds of activities and diverse investments in recipient countries that often have weak institutions and governance frameworks. Furthermore, climate finance is being channelled through a complex network of (relatively new) institutions at the international, national and local levels, and into sectors that have high risks of corruption, such as construction, forestry and energy.

<sup>6</sup> Since its inception, the fund's entire funding volume reached US\$358 million.

<sup>7</sup> To date, the GEF has attracted a total funding volume of US\$ 16.7 billion.

<sup>8</sup> REDD+ financing is available in two phases: "REDD Readiness" supports capacity building, reforms and preparation of a national REDD+ strategy; and results-based payments for avoided emissions, which is channelled once a REDD+ scheme can prove it has achieved reductions in deforestation and forest degradation. For an introduction to REDD+ and overview of corruption risks, see Transparency International's online course on REDD+ Integrity <https://courses.transparency.org/> and Transparency International's Keeping REDD+ Clean Manual [http://www.transparency.org/whatwedo/publication/keeping\\_redd\\_clean](http://www.transparency.org/whatwedo/publication/keeping_redd_clean)

<sup>9</sup> The combined budgets of the three major bilateral climate funds (the UK's International Climate Fund, Germany's International Climate Change Initiative and Norway's International Climate and Forest Initiative) currently exceeds that of the largest global climate fund, the Green Climate Fund. The combined total of bilateral funding is US\$10.8 billion (ICF 6 billion, NICFI 3.4 billion; IKI 1.1 billion), compared with the GCF's 10.2 billion) See: <http://www.climatefundupdate.org/global-trends/size-spending>

The scale and urgency of the climate crisis generates a rush and pressure to spend which could further exacerbate corruption risks. The diversity in scope of climate finance investments means that the risks of corruption are varied and context specific. Corruption may be hard to detect due to the complexity of the procedures involved, which often require a high level of technical expertise at all stages of the process.

## Policy development

Lobbying and undue influence present particular challenges for the development of fair and effective climate mitigation and adaptation policies at the international and national level. There is ample evidence to suggest that lobbying by the fossil fuel industries has sought to influence international climate negotiations, with some arguing that international climate policy has essentially been captured by fossil fuel interests and steered towards carbon trading and adaptation, rather than catalysing rapid transitions to low-carbon economies<sup>10</sup>. At the national level, powerful corporations and industry groups (such as agriculture, automobile and logging sectors) may be against effective climate policy and regulations<sup>11</sup>, and their influence over government climate decision making needs to be monitored and kept in check<sup>12</sup>.

## Generation of finance

Developed countries have committed to supporting developing countries to adapt to and mitigate the effects of climate change to the tune of US\$100 billion per year by 2020. Under the Kyoto Protocol, it was agreed that climate finance should be “new and additional” to the overseas development aid (ODA) commitments developed nations had already made. In practice, there is much overlap between climate finance and ODA. Developed country governments have been criticised for falling short of their climate finance commitments, and for simply re-packaging development finance as adaptation finance. A study assessing Fast Start Finance contributions (funding generated between 2010 and 2012) found that only 24 per cent was additional to existing aid commitments<sup>13</sup>. Other researchers have questioned the validity of OECD countries’ self-reporting, finding that only US\$2.3 billion of the US\$10 billion (a mere 23 per cent) of funds that OECD countries had labelled as adaptation finance was actually genuinely adaptation related<sup>14</sup>.

The lack of an internationally agreed-upon definition of what constitutes climate finance remains a significant barrier to the development of a common basis and methodology for tracking, measuring and reporting on climate finance.

---

<sup>10</sup> Whittington, J. 2012. The prey of uncertainty: Climate change as opportunity. *Ephemera: theory and politics in organization*, 12(1). Retrieved August 16, 2016, from [http://www.ephemerajournal.org/sites/default/files/pdfs/12-1ephemera-may12\\_1.pdf#page=116](http://www.ephemerajournal.org/sites/default/files/pdfs/12-1ephemera-may12_1.pdf#page=116)

<sup>11</sup> Please see examples of weakened regulations for car industry in Europe: <https://www.theguardian.com/environment/2015/sep/24/uk-france-and-germany-lobbied-for-flawed-car-emissions-tests-documents-reveal> and lobbying of agribusiness sector in Brazil: <https://www.theguardian.com/world/2014/dec/24/brazil-agriculture-katia-abreu-climate-change>

<sup>12</sup> Gullberg, Anne-Therese. 2011. Business and NGO lobbying on EU climate policy; and Blumenthal, Paul. 2011. US climate policies: A snapshot of lobbyist influence in Transparency International (2011) Global Corruption Report Climate Change. [http://www.transparency.org/whatwedo/publication/global\\_corruption\\_report\\_climate\\_change](http://www.transparency.org/whatwedo/publication/global_corruption_report_climate_change)

<sup>13</sup> Bose, Sunita. 2012. The climate ‘fiscal cliff’: An evaluation of Fast Start Finance and lessons for the future <http://policy-practice.oxfam.org.uk/publications/the-climate-fiscal-cliff-an-evaluation-of-fast-start-finance-and-lessons-for-th-253332>

<sup>14</sup> Baum et al. 2015. Adaptation aid projects: Genuinely categorized? *The 2015 adaptation finance transparency gap report*. [https://static1.squarespace.com/static/56410412e4b09d10c39ce64f/t/56552e96e4b0f60cdb91b6ac/1448423062880/AW\\_Report\\_24+11+15.pdf](https://static1.squarespace.com/static/56410412e4b09d10c39ce64f/t/56552e96e4b0f60cdb91b6ac/1448423062880/AW_Report_24+11+15.pdf)

To reach the US\$100 billion target, much emphasis is being placed on the need to use public finance to leverage increased private climate finance investments. The UK's climate public-private partnership (CP3) is the largest of such schemes that channels foreign aid money via two commercially run private equity funds<sup>15</sup>. Public-private initiatives bring their own specific transparency and accountability challenges, as commercial confidentiality can result in a limited disclosure of vital information. Furthermore, as equity funds are often domiciled in offshore secret jurisdictions, the possibility to carry out due diligence (including anti-corruption) checks on co-investors may be limited<sup>16</sup>.

## Project selection phase

Decision making around the allocation of finance and selection of climate finance projects presents particular integrity challenges. Bribery, nepotism and clientelism are all risks where specific interest groups, rather than areas of greatest need, are prioritised. For example, at the international fund level, decisions may be made that favour a specific country or region when there is representation from that country or region on the board<sup>17</sup>. At the national level, government officials may choose to locate projects in particular regions for political gain, or give priority to certain infrastructure projects where opportunities for bribery are greatest<sup>18</sup>. The fragmented nature of climate finance (from multilateral, bilateral, national, public and private sources) can make it difficult to monitor where resources are coming from, where they are going, who is making the decisions and who is benefiting.

## Project implementation phase

Climate finance encompasses such a broad range of activities that risks during the implementation phase vary significantly depending the type of finance (for example, grants, concessional loans, private equity or carbon crediting schemes), project (for example, adaptation, mitigation, REDD+) and sector (for example, renewable energy, forestry, infrastructure). For instance, a significant proportion of climate finance is currently being spent on "readiness" support (which often involves institutional capacity building such as through training courses and consultancies) and presents very distinct corruption risks when compared to something like the construction of a large infrastructure project like a hydropower dam or floodgate.

Institutional readiness funding may be subject to risks such as nepotism or kickbacks in the selection of consultants or, as was documented in the Democratic Republic of Congo REDD+ Readiness process, government representatives paying a percentage of per diems received to officials higher up in exchange for being selected to attend a workshop<sup>19</sup>.

For large-scale infrastructure projects, other risks in addition to bribery and nepotism in the awarding of contracts may include the fraudulent manipulation of data in environmental impact assessments or

---

<sup>15</sup> Cafod. 2015. Investing in our future? Making the UK's climate public-private partnership fit for purpose.

<http://cafod.org.uk/content/download/24315/174594/file/Investing%20in%20our%20future.pdf>

<sup>16</sup> Reyes. 2013. Critical issues for channelling climate finance via private sector actors.

[http://cafod.org.uk/content/download/9496/76572/file/Channelling%20Climate%20Finance%20via%20PS%20actors\\_April2013.pdf](http://cafod.org.uk/content/download/9496/76572/file/Channelling%20Climate%20Finance%20via%20PS%20actors_April2013.pdf)

<sup>17</sup> Ardigó, Iñaki Albisu. 2016. Transparency corruption risks and mitigating approaches in climate finance.

[http://www.transparency.org/files/content/corruptionqas/Corruption\\_risks\\_and\\_mitigating\\_approaches\\_in\\_climate\\_finance\\_2016.pdf](http://www.transparency.org/files/content/corruptionqas/Corruption_risks_and_mitigating_approaches_in_climate_finance_2016.pdf)

<sup>18</sup> Idem.

<sup>19</sup> Assembe-Mvondo, Samuel. 2015. National-level corruption risks and mitigation strategies in the implementation of REDD+ in the DRC. U4 Issue, April 2015, No.9. <http://www.cifor.org/library/5552/national-level-corruption-risks-and-mitigation-strategies-in-the-implementation-of-redd-in-the-democratic-republic-of-the-congo-an-overview-of-the-current-situation/>

the siphoning off of funding through abuse of the public procurement process<sup>20</sup>. For project-based finance, a challenge across the board is that the sectors involved have historically been vulnerable to corruption. For instance, the World Bank estimates of corruption in the construction and infrastructure industries accounts for anywhere between 5 per cent to 20 per cent of the total costs in developing countries<sup>21</sup>.

A further challenge is that climate finance is managed and delivered by a multiplicity of actors (UN agencies, companies, local government authorities, ministries, to name just a few) through complex (and often unclear) chains of accountability, all of which tend to have different governance standards and related corruption risks. Transparency International's research into the governance of multilateral climate funds raised concerns that accountability is passed down the chain of command from an international fund to an implementing entity, and further displaced downstream via sub-contractors, and there is little clarity about where responsibility lies if corruption occurs<sup>22</sup>.

## Procurement

As with all large-scale infrastructure projects, risks of corruption in climate finance procurement are likely to be significant. Procurement processes typically involve many sub-contractors, and are highly complex and technical, making procurement processes easy to manipulate through bribery, collusion between industry stakeholders, kickbacks in the management of contracts, and so on. A Transparency International study (forthcoming) assesses both procurement policies in place at the Green Climate Fund as well as experiences with contracting at the national level with internationally funded renewable energy projects in Kenya and Mexico. At the level of the fund's secretariat, the study's initial findings show that there is still some way to go to put in place a strong policy basis from which to ensure corruption resistant procurement. The initial results from country level research showed a mixed picture of compliance with best practices in public contracting, in terms of the transparency of contracting processes and the engagement of the most affected stakeholders. The need for strong procurement standards is clear to ensure that climate finance is used for its intended purposes and that critical infrastructure is delivered to a high standard.

## Project monitoring, reporting and verification phase

Tracking and ensuring the validity of the results of climate finance investments is particularly challenging. The highly technical nature of climate adaptation and mitigation action makes it easier for a small number of experts and vested interests to control and potentially distort information. This factor has proven especially problematic in monitoring carbon emissions reductions and, by extension, carbon trading schemes, many of which have been hampered by allegations of fraud<sup>23</sup>.

---

<sup>20</sup> Williams, Aled and Dupuy, Kendra. 2016. Deciding over nature: Corruption and environmental impact assessments. (U4 Issue 2016:5). <http://www.U4.No/Publications/Deciding-over-Nature-Corruption-and-Environmental-Impact-Assessments/>

<sup>21</sup> Kenny, C. 2006. Measuring and reducing the impact of corruption in infrastructure. World Bank Policy Research Working Paper 4099. <http://siteresources.worldbank.org/intinfnetwork/resources/wps4099.pdf>

<sup>22</sup> Elges, L., & Martin, C. 2014. Protecting Climate Finance: An Anti-Corruption Assessment of Multilateral Climate Funds. Berlin: Transparency International.

[http://www.transparency.org/news/feature/climate\\_change\\_funds\\_safe\\_from\\_corruption](http://www.transparency.org/news/feature/climate_change_funds_safe_from_corruption)

<sup>23</sup> Scheider, Lambert. 2011. The Trade-offs of trade: realities and risks of carbon markets in Transparency International (2011) Global Corruption Report Climate Change:

[http://www.transparency.org/whatwedo/publication/global\\_corruption\\_report\\_climate\\_change](http://www.transparency.org/whatwedo/publication/global_corruption_report_climate_change)



Specific governance challenges are associated with the monitoring reporting and verification (MRV) of REDD+ schemes<sup>24</sup>. The forest carbon stocks which would need to be regularly calculated under countrywide REDD+ commitments are often measured by one central facility relying on large amounts of remotely sensed data, raising corruption risks among the various government bodies, consultancies and research organisations with the technical capacity for undertaking the measurement of forest carbon stocks. Conflicts of interests could arise where those who are set to benefit from REDD+ payments could play a role or exert influence over the MRV process. Verifiers could intentionally distort their analysis to achieve a more favourable measurement, for example by measuring only certain variables, leaving out relevant leakage effects (where a REDD+ conservation project puts pressure on forest resources elsewhere, resulting in emissions from logging simply being displaced) or by carefully selecting the sites for collecting data to result in a more favourable, and profitable, measurement.

## ANTI-CORRUPTION TOOLS AND APPROACHES

### Strong institutional architecture

The institutions established to manage climate finance require the highest governance standards to safeguard against corruption at all levels, including: clear chains of accountability; conflict of interest and anti-corruption policies; safe and accessible corruption complaints mechanisms; effective sanctions for wrongdoing; regular audits and oversight of procurement; and, citizen engagement and monitoring of climate policy and project cycles.

From 2013 to 2014, Transparency International published governance assessments of seven multilateral climate funding initiatives: the Adaptation Fund, the two Climate Investment Funds (CIFs) trust funds, the Global Environment Facility's Special Climate Change Fund and Least Developed Countries Fund, the Forest Carbon Partnership Facility and UN-REDD. The studies found that none of the funds had a comprehensive, zero tolerance for corruption policy in place, and that they lacked clarity regarding their accountability mechanisms for decision-making processes or sanctions for unethical or corrupt behaviour<sup>25</sup>. Since then, the Adaptation Fund, the GEF and the CIFs have clarified their accountability frameworks. The Adaptation Fund has adopted a zero-tolerance policy and a complaints handling mechanism. The CIFs have introduced a code of conduct for their governing body. The GEF Council has determined that it will adopt a policy on ethics and conflicts of interest. These, among other efforts, are crucial to safeguard against corruption and promote institutional integrity<sup>26</sup>.

### Strong legislative framework

The national level legal and policy framework in climate finance recipient countries greatly influences the scope and severity of corruption risks. Legislation to protect whistleblowers and rights of access to information, civil society space and the rights of vulnerable groups, including indigenous peoples, are key, as well as the regulation and monitoring of lobbying of distinct interest groups concerned with

---

<sup>24</sup> See and Transparency International's Keeping REDD+ Clean Manual, available here: [http://www.transparency.org/whatwedo/publication/keeping\\_redd\\_clean](http://www.transparency.org/whatwedo/publication/keeping_redd_clean) and Transparency International Integrity Talks Outcome: Combatting Corruption Risks in REDD+

[https://www.transparency.org/files/content/event/2014\\_CFIPIntegrityTalks\\_REDD\\_MRV\\_Outcomes.pdf](https://www.transparency.org/files/content/event/2014_CFIPIntegrityTalks_REDD_MRV_Outcomes.pdf)

<sup>25</sup> Ibid.

<sup>26</sup> Transparency International. 2017. Protecting climate finance: Progress updates on the CIFs, AF and GEF, available at <https://transparency.eu/project/climate-finance/>

mitigation and adaptation policies. Climate change laws have been passed in Kenya and Mexico which include important provisions to enhance the governance of climate action<sup>27</sup>.

## Transparency of climate finance flows

Climate finance flows through myriad of multilateral and bilateral instruments, as well as through regional and national channels. Recent years have also seen an increase in the use of public climate funds to leverage private financing<sup>28</sup>. Given the complexity of the funding landscape, tracking climate finance from decision making on the allocation of funds to how and where funding is channelled and the results of investments is a challenging but necessary first step to combatting corruption risks.

There are a number of existing tools to track climate financing commitments and disbursements, such as the Climate Funds Update ([www.climatefundsupdate.org](http://www.climatefundsupdate.org)) and the International Aid Transparency Initiative ([www.aidtransparency.net](http://www.aidtransparency.net)) standard. At the national level, Transparency International chapters in six climate finance recipient countries have tracked international and national flows<sup>29</sup>, and Grupo de Financiamiento Climático para América Latina y el Caribe (GFLAC), has also sought to identify national and international finance flows in four countries in the region<sup>30</sup>.

## Integrity pacts

Civil society monitoring of climate finance procurement processes can help to mitigate risks of corruption. Bidding companies and procurement officials can commit to abstain from bribery and to prevent corruption by signing an integrity pact<sup>31</sup> as a tool to establish a level playing field in a procurement process. The integrity pact also includes an important role for civil society as a monitor of this pact, to shed light on the process, hold government and business to account for their commitments and act as the link to the public. Although applied in the context of one specific project, engagement in the integrity pact process has significant learning potential in terms of building multi-stakeholder engagement and trust, identifying blockages and weak points, building commitment to reform and demonstrating good practices.

## Complaints mechanisms

Those affected by climate finance decisions and projects require easily accessible and safe channels through which to lodge grievances and/or corruption allegations at any stage in the project cycle, from decisions on how funding is allocated to issues that may arise at the project implementation and evaluation stages. Civil society plays a key role in supporting communities to seek redress, but to ensure meaningful redress for corruption, formal, safe and accessible channels are also required at the national and international fund level.

## Climate policy and project monitoring

Strengthening civil society participation and empowering citizens to engage with climate policy and projects that affect them is crucial to shore up integrity. Establishing multi-stakeholder climate

---

<sup>27</sup> See details on both Kenya and Mexico's climate change laws at the Climate Law and Governance Institute: <http://www.climatelawgovernance.org/climate-law-and-policy-innovations-a.html>

<sup>28</sup> Nakhooda, S. Watson, C. Schalatek, L. 2016. Climate Finance Fundamentals: The Global Climate Finance Architecture Online, See <https://www.odi.org/sites/odi.org.uk/files/resource-documents/11021.pdf>

<sup>29</sup> Transparency International National Climate Governance Assessments for Kenya, Mexico, Bangladesh, the Dominican Republic, the Maldives and Peru are available here [http://www.transparency.org/news/feature/keep\\_corruption\\_out\\_to\\_halt\\_climate\\_change](http://www.transparency.org/news/feature/keep_corruption_out_to_halt_climate_change)

<sup>30</sup> Reports available (in Spanish) here <http://gflac.org/en/>

<sup>31</sup> For further information on integrity pacts, see here [http://www.transparency.org/whatwedo/tools/integrity\\_pacts](http://www.transparency.org/whatwedo/tools/integrity_pacts)

governance platforms with guaranteed civil society participation in decision making around international and national finance can improve accountability and increase transparency. At the project level, local civil society engagement in monitoring project implementation can uncover wrongdoing and improve social and environmental outcomes<sup>32</sup>.

## Accountability and controls

There is a need to foster better coordination between climate finance stakeholders and organisations that focus on improving governance and providing oversight, such as government anti-corruption agencies, audit institutions, law enforcement and parliaments. Independent internal control systems and external audits and oversight are instrumental to ensure that government officials are held accountable for their decisions throughout the climate finance project cycle. This includes establishing effective mechanisms to uncover and investigate corruption, systematic and credible enforcement of the rules and the use of proportionate and dissuasive sanctions.

# RESOURCES ON CLIMATE FINANCE

## Background studies

***National climate change governance: A topic guide.* Worker, J. 2017.**

Birmingham, UK: GSDRC, University of Birmingham.

<http://www.gsdrc.org/topic-guides/national-climate-change-governance/>

This topic guide explores climate change governance and the political economy of climate policy development and implementation at the national level in developing country contexts. It was commissioned by the UK's Department for International Development (DFID) and is targeted at donor agency staff with a view to support country partners in implementing climate and sustainable development policies. The guide deals with governance challenges broadly (the guide does not address corruption specifically) with insights and examples of governance challenges and potential entry points from addressing them.

***Global Corruption Report: Climate change.* Transparency International. 2011.**

[http://www.transparency.org/whatwedo/publication/global\\_corruption\\_report\\_climate\\_change](http://www.transparency.org/whatwedo/publication/global_corruption_report_climate_change)

The Global Corruption Report (GCR) was the first comprehensive publication to explore the corruption risks related to tackling climate change. From international policy making to national level mitigation and adaptation strategies and with a special focus on the forestry sector, the GCR draws on the expertise of more than 50 experts and practitioners from the anti-corruption movement and the climate change field.

## Governance assessments

***Future of the funds: Exploring the architecture of multilateral climate finance.* Amerasinghe, N.M., Thwaites, J., Larsen, G. & Ballesteros, A. 2017.**

---

<sup>32</sup> For example, TI Bangladesh is working with communities affected by adaptation projects to monitor their effectiveness and identify corruption risks. Relevant findings are summarised online here:

[https://www.ti-bangladesh.org/beta3/images/max\\_file/es\\_cfg\\_executive\\_summary\\_english.pdf](https://www.ti-bangladesh.org/beta3/images/max_file/es_cfg_executive_summary_english.pdf)

<http://www.wri.org/publication/future-of-the-funds>

The World Resources Institute provides an overview of the architecture of multilateral climate finance landscape, with analysis of seven of the key multilateral climate funds, including the Green Climate Fund. The paper provides recommendations for increased coordination between the funds, as well as specific operational and architectural reforms targeted to each of the main funds.

***Development success in perspective: A political economy of REDD+ and corruption in Vietnam.* Huynn, T.B. 2016.**

U4 issue paper.

<http://www.u4.no/publications/development-success-in-perspective-a-political-economy-of-redd-and-corruption-in-vietnam/>

Vietnam has become a key target for donor REDD+ investments. It is estimated that the forest and climate scheme could generate an annual income of between US\$80-100 million, roughly half of the country's annual health sector budget. To realise REDD+ in Vietnam, over US\$84 million has been committed since 2009 to support REDD+ readiness activities. It is widely recognised that development of specific governance safeguards is required to ensure the effective use of these funds, given historic and contemporary corruption challenges in the country's forest sector. This paper assesses REDD+ related corruption risks in the context of Vietnam's wider development efforts. It highlights opportunities for mitigating REDD+ corruption risks through improving data availability and transparency, promoting national collaboration, enhancing participation and engagement, and improving monitoring and evaluation capabilities.

***REDD+ and corruption risks for Africa's forests: Case studies from Cameroon, Ghana, Zambia and Zimbabwe.* Transparency International. 2016.**

[https://www.transparency.org/whatwedo/publication/redd\\_and\\_corruption\\_risks\\_for\\_africas\\_forests\\_case\\_studies\\_from\\_cameroon\\_gh](https://www.transparency.org/whatwedo/publication/redd_and_corruption_risks_for_africas_forests_case_studies_from_cameroon_gh)

Transparency International chapters in four African countries – Cameroon, Ghana, Zambia and Zimbabwe – conducted corruption risk assessments for REDD+, employing a multi-stakeholder action research methodology. Stakeholders were selected to participate based on their experience in the forestry sector, and included representatives from governments, academia, the judiciary, non-governmental organisations (NGOs), the media, international organisations and the private sector.

***REDD integrity: An evidence based approach to anti-corruption in REDD+.* Williams, A., Dupuy, K., Downs, F. 2015.**

U4 Issue.

<http://www.u4.no/publications/redd-integrity-an-evidence-based-approach-to-anti-corruption-in-redd/>

Schemes for REDD+ have emerged as a means to address deforestation trends in developing countries and related emissions of forest carbon. Governance and corruption challenges facing REDD+ are widely acknowledged to be daunting both in their scale and severity. Learning lessons from empirical studies on corruption, anti-corruption and early REDD+ activities is important for minimising corruption risks in future REDD+ implementation. This U4 Issue paper draws together findings and suggestions for anti-corruption policy and practice from U4's three-year REDD integrity project. The authors note that corruption in REDD+ requires a broad approach to accountability and not one merely focused on protecting REDD+ financing. There are often few legal mechanisms for external monitoring of community elites engaging with REDD+, and more attention needs to be placed on developing a cadre of REDD+ programme staff with anti-corruption expertise. Clearer procedures for managing forest carbon funds and distributing them to relevant rights holders will be vital to reduce many corruption risks.

**Anti-corruption assessments of the multilateral climate change funds. Transparency International. 2014.**

[http://www.transparency.org/news/feature/climate\\_change\\_funds\\_safe\\_from\\_corruption](http://www.transparency.org/news/feature/climate_change_funds_safe_from_corruption)

Transparency International carried out governance assessments that examine the anti-corruption practices and internal accountability mechanisms of seven major climate funds: the Adaptation Fund; the two Climate Investment Fund Trust Funds, two of the Global Environment Facility's Funds, the UN-REDD Programme and the Forest Carbon Partnership Facility. Since 2014, when the assessments were published, Transparency International's climate team has engaged closely with the funds' governing boards and secretariats to provide support for reforms. An updated report on the progress made by the Climate Investment Funds, Global Environment Facility and Adaptation Fund is [available here](#). This research also fed into Transparency International's recommendations to the developing governance architecture of the Green Climate Fund, which can be accessed [here](#).

**National assessments of climate governance in Bangladesh, Dominican Republic, Kenya, Maldives, Mexico, Peru. Transparency International. 2014**

[https://www.transparency.org/news/feature/keep\\_corruption\\_out\\_to\\_halt\\_climate\\_change](https://www.transparency.org/news/feature/keep_corruption_out_to_halt_climate_change)

Transparency International chapters from Maldives, Bangladesh, Kenya, Peru, Dominican Republic and Mexico tracked the climate finance flows from international sources and assessed the governance architecture to manage climate funds in their countries, offering recommendations for strengthened governance and to combat corruption. The reports can be downloaded here: [Bangladesh](#) | [Dominican Republic](#) | [Kenya](#) | [Maldives](#) | [Mexico](#) | [Peru](#)

## Standards and guidelines

**The Initiative for Climate Action Transparency (ICAT)'s methodological framework.**

<http://www.climateactiontransparency.org/methodological-framework/>

ICAT was launched after the Paris Agreement to provide policy makers with guidance on how to measure the effectiveness of national climate policies and report progress. The guidance aims to foster greater transparency, effectiveness, trust and ambition in climate policies worldwide. The initiative is made up of climate change experts and practitioners (including representation by Transparency International) who are developing a methodological framework that countries can use to measure, publicly report and evaluate the impacts of national climate actions. The framework includes 10 components (energy, agriculture, non-state action, transformational change, stakeholder participation, transport, forestry, sustainable development, finance and verification) which are under development and set to be piloted in 20 participating countries from 2018.

**International Aid Transparency Initiative (IATI)'s Standard.**

<http://iatistandard.org/>

The IATI Standard is a framework to increase the transparency of how international aid money is spent. Over 500 organisations publish their aid data in the IATI Registry. The standardised data format allows for comparison of information between donors and projects, and the information required is more comprehensive than the OECD-DAC system, and includes projections as well as retrospective reporting. Most of the major bilateral climate finance donor countries report using the IATI Standard, as does the Adaptation Fund.

**Open Contracting global principles.**

[http://www.open-contracting.org/global\\_principles](http://www.open-contracting.org/global_principles)

The Open Contracting Partnership (OCP) has facilitated a global consultation process to create a set of global principles that can serve as a guide for all of those seeking to advance open contracting around the world. The principles reflect norms and best practices from around the world related to disclosure and participation in public contracting. These collaborators contributed inputs from various sector-specific perspectives (such as service delivery, infrastructure, extractive industries and land). The OCP's principles have been applied to climate finance in an assessment of the Green Climate Fund's procurement policies and national studies of climate mitigation projects in Kenya and Mexico in a study (forthcoming) published by Transparency International and OCP.

## Practical insights: handbooks and how-to guides

### ***Climate governance e-learning course.* Transparency International. 2015**

<https://courses.transparency.org/>

Transparency International's e-learning course is designed to provide any interested stakeholder (from government, civil society, academia, business or others) with an easy to navigate and accessible introduction to key concepts of climate governance. The course can be used by climate change specialists or governance experts to gain an overview of the connections between these two fields. There are three modules available: an introduction to climate finance governance, a follow-on module that covers climate finance corruption risks and solutions, and finally a dedicated module on building integrity in REDD+. The course is free, open to anyone and available in English, French and (partly) Spanish. The courses take approximately 12 hours to complete, can be taken at the user's own pace and participants receive a certificate for the completion of each module.

### ***Climate governance integrity: A handbook for getting started.* Transparency International. 2015**

[https://www.dropbox.com/s/pwd90m74v372m4p/TI\\_Climate\\_Governance\\_Handbook.pdf?dl=0](https://www.dropbox.com/s/pwd90m74v372m4p/TI_Climate_Governance_Handbook.pdf?dl=0)

This handbook aims to assist the Transparency International movement and other civil society groups that want to contribute to ensuring good climate finance governance in their countries. The guide aims to deepen understanding about the need for improved transparency, accountability and integrity in climate finance, as well as some of the corresponding tools to achieve this. The guide sums up experiences and lessons learnt through Transparency International's global and national climate governance integrity work over the past five years. The handbook includes a range of case studies from Transparency International chapters in Kenya, Mexico, Peru, Bangladesh, the Maldives and Papua New Guinea, showcasing strategies and best practices for civil society groups seeking to prevent corruption in climate action.

### ***Using corruption risk assessments for REDD +: An introduction for practitioners.* Williams, A. 2014.**

U4 Issue.

<http://www.u4.no/publications/using-corruption-risk-assessments-for-redd-an-introduction-for-practitioners/>

Corruption risk assessments (CRAs) are both an analytic and due diligence exercise to identify issues associated with, contributing to, or otherwise facilitating corruption in a particular setting. An area where improved understanding of corruption risks, and the adaptation of development aid interventions to take them into account, is seen to be of crucial importance in the implementation of REDD+ programmes. This U4 Issue considers two recent CRA approaches for REDD+ in the Democratic Republic of Congo and the Philippines. The intention is to provide development practitioners who may be unfamiliar with the study of corruption, or with the methods employed by CRAs, with an overview of the approaches currently available for REDD+ schemes. Referring to recent literature on the evidence for the effectiveness of donor anti-corruption approaches, the paper discusses some practical considerations for development practitioners to improve the way in which CRAs are used.

## Tools and solutions

### **Tracking adaptation finance: An approach for civil society organisations to improve accountability for climate change action. Oxfam. 2015.**

<https://policy-practice.oxfamamerica.org/static/media/files/adaptation-finance-final-web.pdf>

This guide is designed to help civil society organisations track climate change adaptation finance flows in their countries. It provides background information on climate adaptation and adaptation finance and describes a five-step process for tracking international adaptation finance flows. Further, the guide outlines how to use information on the flow of adaptation finance to design evidence-based advocacy strategies and influence the governance of adaptation finance at the national level.

### **Climate Public Expenditures and Institutional Review (CPEIR). UNDP. No date.**

<https://www.climatefinance-developmenteffectiveness.org/about/what-cpeir>

The CPEIR is a tool developed by UNDP to monitor climate finance spending, which focuses specifically on national budget allocations in developing countries, rather than international climate finance. The tool has been piloted by governments in Bangladesh, Cambodia, Indonesia, Nepal, Philippines, Samoa, Thailand and Vietnam. The definition of climate change related expenditures is tailored for each country based on a consultative process that takes into account its national priorities. In addition to tracking the public climate expenditures of a country, the CPEIR methodology also reviews its climate change plans and policies, institutional framework and public finance architecture to make recommendations to strengthen them.

### **Keeping REDD+ clean: A step by step guide to preventing corruption. Transparency International. 2012.**

[http://www.transparency.org/whatwedo/publication/keeping\\_redd\\_clean](http://www.transparency.org/whatwedo/publication/keeping_redd_clean)

This manual helps interested parties to understand and address corruption risks associated with forest carbon accounting – particularly REDD+ – programmes and strategies at the national level. Users will learn how to identify corruption risks and instruments to help address these risks within the development of national REDD+ action plans and strategies, and the implementation of REDD+ and other forest carbon projects. The manual's scope does not extend to corruption risks at the international level. Rather it is deliberately focused on processes that occur in country, to facilitate the participation of national and local groups in informing national policy, planning and project implementation. This tool is principally designed for civil society actors who work with other NGOs, governments and the private sector to help design systems that are transparent, accountable, responsive and thus effective. It will help inform and guide forest carbon risk assessments, but should be adapted by users to fit their country contexts.

## Resources from Transparency International's Anti-Corruption Helpdesk

### **Corruption risks and mitigating approaches in climate finance.**

[http://www.transparency.org/files/content/corruptionqas/Corruption\\_risks\\_and\\_mitigating\\_approaches\\_in\\_climate\\_finance\\_2016.pdf](http://www.transparency.org/files/content/corruptionqas/Corruption_risks_and_mitigating_approaches_in_climate_finance_2016.pdf)

This study provides an overview of the major integrity and corruption challenges associated with climate finance. This review serves as an update on the Helpdesk Answer published in 2014 on climate finance corruption and mitigation strategies. The study focuses particularly on risks in adaptation financing, and explores the distinct corruption risks related to climate finance according to the phase of the process: undue lobbying and conflict of interest at the policy development and project

approval stage; and bribery, nepotism and embezzlement at the execution stage of mitigation and adaptation projects.

#### **Carbon market corruption risks and mitigation strategies.**

[http://www.transparency.org/files/content/corruptionqas/Carbon\\_market\\_corruption\\_risks\\_and\\_mitigation\\_strategies\\_2015.pdf](http://www.transparency.org/files/content/corruptionqas/Carbon_market_corruption_risks_and_mitigation_strategies_2015.pdf)

This paper examines the developing carbon market architecture's vulnerability to corruption and other integrity risks. These risks are significant, because any attempt to undermine the carbon market jeopardises one of the major elements of our global response to climate change. It concludes each section with an overview of some of the mitigation strategies in place to reduce corruption and ensure that the carbon market functions to fulfil its ultimate aim: to reduce greenhouse gas emissions.

#### **Overview of corruption risks in REDD+ in the Congo Basin.**

[http://www.transparency.org/files/content/corruptionqas/Corruption\\_risks\\_in\\_REDD+\\_in\\_the\\_Congo\\_Basin\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/Corruption_risks_in_REDD+_in_the_Congo_Basin_2014.pdf)

This overview explores the corruption risks related to the REDD+ mechanism in detail. In the readiness phase, the areas of risks identified are: determining forest and carbon rights, setting carbon reference levels and deciding on how to share revenue. In the implementation phase, the risks identified are: land and forest rights implementation, measuring and verifying carbon credits and collecting and managing REDD+ revenues. The study explores these risks and their particular relevance in the Congo Basin.

#### **Corruption risks and mitigating approaches in climate finance.**

[http://www.transparency.org/files/content/corruptionqas/Corruption\\_risks\\_and\\_mitigating\\_approaches\\_in\\_climate\\_finance\\_2014.pdf](http://www.transparency.org/files/content/corruptionqas/Corruption_risks_and_mitigating_approaches_in_climate_finance_2014.pdf)

This is an overview of key literature and findings related to the major governance and corruption challenges associated with climate finance. When this study was conducted, climate governance was still in a formative stage and, as such, research on the corruption risks associated with climate finance was nascent. An important stream of research focused on understanding the complex web of actors and institutions involved in climate finance decisions, the scale and nature of money flows, as well as where the money was sourced and allocated. This overview finds that lessons learnt on best practice from development assistance as well as other sectors can help inform the debate.

## Organisations and websites

#### **Transparency International's Climate Finance Integrity Programme.**

<https://www.transparency.org/programmes/detail/cgip>

Transparency International's Climate Finance Integrity Programme tackles corruption risks in climate finance from the global to the national level in 14 climate finance recipient countries. The programme's website provides access to relevant publications including: governance assessments of all the major multilateral climate mitigation, REDD+ and adaptation funds, and national mappings of climate funds in several developing countries. The site also has regular news updates from Transparency International chapters working to shore up climate governance on the ground.

#### **Climate Funds Update (Overseas Development Institute-Heinrich-Böll Foundation).**

[www.climatefundsupdate.org](http://www.climatefundsupdate.org)



Climate Funds Update is an independent website that provides information on the growing number of international climate finance initiatives designed to help developing countries address the challenges of climate change. This site details: where and by whom climate change funds are being developed; the scale of proposed and actual financing; and what countries, regions and types of projects the funds support. It allows organisation of the data by fund, region, sector and country. The Climate Finance Fundamentals policy briefings provide an overview and analysis of the state of international climate finance on an annual basis.

**World Resources Institute (WRI).**

<https://www.wri.org/>

WRI leads a number of initiatives to address climate governance challenges. The organisation hosts the Global Forest Watch online platform (<http://www.globalforestwatch.org>) that provides comprehensive open source data to help diverse actors monitor forests worldwide. WRI publishes the Environmental Democracy Index on an annual basis and leads a network of civil society organisations working on access to information, public participation and access to justice in environmental issues through the Access Initiative. WRI is also co-chair, with the Government of France, of the Open Government Partnership, and has prioritised open government solutions to drive ambitious climate action.

**AdaptationWatch.**

[www.adaptationwatch.org](http://www.adaptationwatch.org)

AdaptationWatch is a growing partnership of organisations from across the world aiming to raise governance standards for adaptation to climate change. AdaptationWatch partners combine cutting edge tools on tracking development finance with world class research, advocacy and capacity building. Transparency International chapters in Maldives and Bangladesh have collaborated with AdaptationWatch partners (including Adaptify and Brown University) to develop and pilot a multi-stakeholder research methodology that sets a standards for the governance of adaptation finance.

**Grupo de Financiamiento Climático para América Latina y el Caribe (GFLAC).**

<http://gflac.org/>

The Climate Finance Group for Latin America and Caribbean is an informal coalition of civil society organisations that have developed and employed a common methodology to identify and trace climate finance flows at the national level in Latin America and the Caribbean. National reports available on the site include those from Argentina, Chile, Ecuador and Peru. The coalition also includes representation from several other countries in the region.

**U4: Pathways to REDD+ Integrity.**

<http://www.u4.no/themes/redd-integrity/>

The U4 Anti-Corruption Resource Centre aims to support development practitioners who wish to effectively address corruption challenges in their work through applied research, a helpdesk service (co-hosted with Transparency International) and online training courses. The Pathways to REDD+ Integrity stream provides research and analysis on key drivers and solutions for corruption in REDD+ schemes, with in-depth case study investigations into key REDD+ countries.

**Climate Transparency Initiative.**

<http://www.climate-transparency.org/>

The Climate Transparency Initiative seeks to provide credible, comprehensive and comparable information on climate action, with a focus on G20 countries as the world's biggest greenhouse gas emitters. The Brown to Green Report covers easy-to-use information on all major areas, such as mitigation and climate finance and includes detailed fact sheets on all G20 countries. It is published on an annual basis on the eve of the G20 Summit.

**CDP.**

<https://www.cdp.net/en/climate>

CDP (formerly the Carbon Disclosure Project) works with companies to increase their awareness and action on climate change and deforestation. CDP asks companies to disclose information on the actions they take to reduce carbon emissions from their core business and deforestation from their supply chains. The organisation publishes annual reports summarising global corporate performance on climate change, showcasing best practice actions by corporate leaders and urging companies to increase their ambition.

Transparency International  
International Secretariat  
Alt-Moabit 96  
10559 Berlin  
Germany

Phone: +49 - 30 - 34 38 200  
Fax: +49 - 30 - 34 70 39 12

[ti@transparency.org](mailto:ti@transparency.org)  
[www.transparency.org](http://www.transparency.org)

[blog.transparency.org](http://blog.transparency.org)  
[facebook.com/transparencyinternational](https://www.facebook.com/transparencyinternational)  
[twitter.com/anticorruption](https://twitter.com/anticorruption)