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Corruption and REDD+
Identifying Risks Amid Complexity

15th IACC Workshop

Preventing the Risks of Corruption in REDD+ Financing

8th November 2012

Agenda

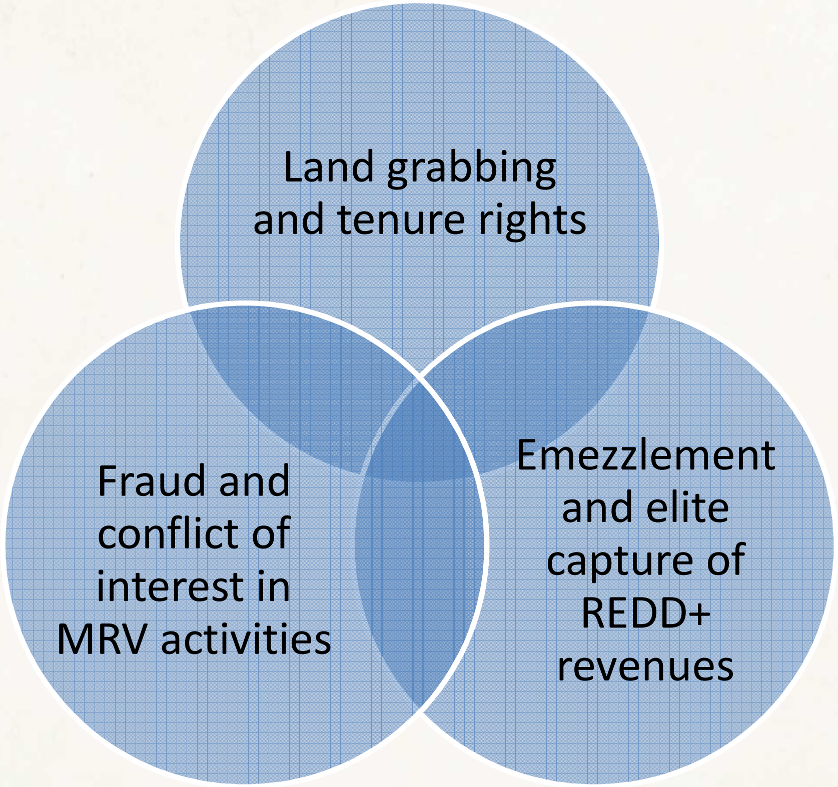
- Why REDD+ presents familiar but difficult challenges
- Three main groups of corruption risk for REDD+
- Lessons from Uganda World Bank/GEF case
- Reflections on the bigger picture

Why REDD+ presents familiar but difficult challenges

- Forest sector among top ten sectors prone to bribery globally
- Primary research, law enforcement investigations, legal trials show how bribes and conflicts of interest in the sector have contributed to misguided short term decisions
- Substantial evidence that different forms of corruption undermine effectiveness of state agencies for forest regulation
- Corruption (but also consumption demand) is an important reason why illegal logging continues, particularly in the tropics
- Corruption plays a role in determining who benefits from forests and how forest-related revenues are used
- YET: In order to mitigate climate change, biodiversity decline and deforestation, donor funding and engagement is required to improve forest management in tropical forested countries

Sources: Burgess et al (2011), Cavanagh (2012), Standing (2012), TI Global Corruption Barometer 2011.

Three main groups of anticipated corruption risk for REDD+



Corruption Risk 1: Land Grabbing and Tenure Rights

Value of forest-land enhanced

Increased incentive to secure forest ownership and control

Use of illicit means to aquire land and assumed carbon rights

Corruption Risk 2: Fraud and Conflicts of Interest in MRV activities

- REDD+ rewards determined by data collected
- Incentives for dishonest measurements and reporting
- Undue influence or offers of illicit financial payments to agencies responsible for data production and analysis

Corruption Risk 3: Embezzlement and Elite Capture of REDD+ Revenues

- REDD+ will depend on revenue streams to states, companies, land owners, NGOs, CBOs and charities
- Incentives for capture or theft of revenues
- Use of illegal accounting practices on benefit sharing agreements for communities

Lessons from Uganda World Bank/GEF case

- 2002-2010: World Bank disbursed around USD 37 million to Ugandan MoT and UWA
- 2011: Commission of inquiry led by retired supreme court judge discovered widespread irregularities with many project objectives not met
- Lack of planned infrastructural outputs, construction of housing, national park entrances, boreholes
- Twice yearly World Bank inspections did not raise red flags
- 2012: Criminal charges yet to be filed and Uganda liable to repay most of the USD 37 million, plus interest

Source: Cavanagh (2012)

Lesson 1: Reflect on biophysical characteristics of forest reserves when designing MRV

Forests remote and expansive

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Standard audits and inspections may not reveal problems

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MRV should be innovative and field-based

Lesson 2: Formulate «double blind» MRV procedures

Project Coordination Units can be the locus of corrupt activity

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If not subject to other forms of supervision problems may go undetected

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Apply «double blind» supervision of MRV activities involving evaluators who don’t know each other

Lesson 3: Explore crowd-sourcing and anonymous reporting services for MRV activities

Some forest reserves are bordered by densly populated communities with basic access to ICTs

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New mobile phone and internet applications can allow public to anonymously report irregularities

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Provide mechanisms and platforms for witness accounts and triangulate these with official MRV reports

Reflections on the bigger picture

- Addressing corruption in REDD+ is not only a technical issue
- A basic challenge lies in levels of participatory and deliberative democracy in REDD+ implementing countries
- Citizens in many REDD+ implementing countries still have limited (but perhaps growing) political voice and access to information
- Transparency alone is a tenuous route for addressing corruption
- Citizens (and not only NGOs) affected by REDD+ need strong and accountable institutions that ensure they are involved

Source: Standing and Williams (2012)

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