TRANSPARENCY INTERNATIONAL
the global coalition against corruption

A Manual for Assessing Integrity in the Development and Implementation of Forest Carbon Projects and National REDD+ Strategies.

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Abbreviations

ACR	American Carbon Registry
ALM	Agricultural Land Management
AR	Aforestation / Reforestation
ARR	Afforestation, Reforestation and Revegetation
CCB	Climate, Community and Biodiversity (Standard)
CCBA	Climate Community and Biodiversity Alliances
CCBS	Climate, Community, and Biodiversity Standards
CCX	Chicago Climate Exchange
CFS	CarbonFix Standard
CO2	Carbon dioxide
COP	Conference of the Parties
CSO	Civil Society Organisation
FCPF	Forest Carbon Partnership Facility
GHGs	Green House Gasses
IFM	Improved Forest Management
IFM	Improved Forest Management
IPCC	Intergovernmental Panel on Climate Change
MMNR	Ministry of Mines and Natural Resources
MoA	Ministry of Agriculture
MoF	Ministry of Forestry
MRV	Measurement, Reporting and Verification process
NGO	Non Governmental Organisation
OECD	Organization of Economic Cooperation and Development
PEFC	Programme for the Endorsement of Forest Certification Schemes
PIN	Project Idea Note
PRC	Peatland Rewetting and Conservation
RA	Rainforest Alliance
REDD	Reducing Emissions from Deforestation and Degradation
REDD+	Reducing Emissions from Deforestation and Degradation Plus
RPP	Readiness Preparation Proposal
RSPO	Round Table on Sustainable Palm Oil
SFM	Sustainable Forest Management
UNDP	UN Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market
VCS	Verified Carbon Standard

Introduction
How to use this manual
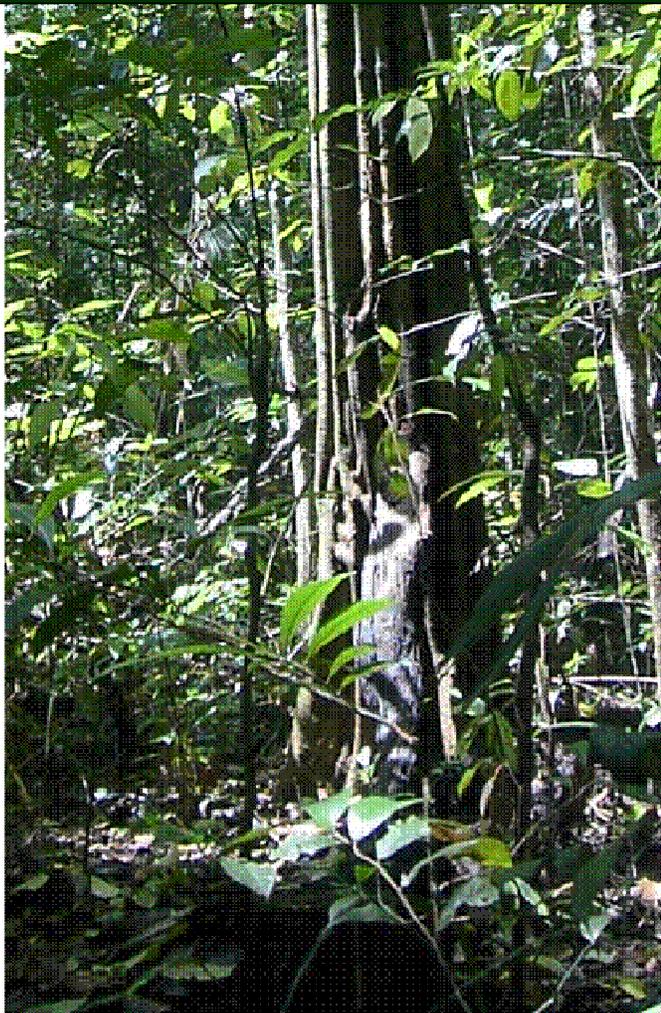
How to use this manual

Purpose of the Manual

The manual is intended to provide a resource for those wishing to assess and address risks to integrity within national REDD+ development process as well as local forest carbon and REDD+ pilot projects.

The manual is designed principally for civil society actors who may work with other NGOs and CSOs as well as government and private sector actors to assess the potential risks of corruption and identify ways to support the building of systems that are transparent, accountable and responsive and will lead to more effective forest carbon project and national REDD+ implementation.

Scope of the Manual

The manual supports users in **identifying corruption risks** and **instruments to help address these risks** within the development and implementation of:

- **National REDD+ Action Plans and Strategies (referred to collectively as national REDD+ development) and**
- **Forest Carbon Projects.**

The manual does not try to cover all potential corruption risks in these areas including those at international level. Rather it is deliberately focused on processes that occur within a country, in order to facilitate application by national and local groups, and thereby inform national policy, planning and project implementation.

The manual uses the following **framework** to identify activities that comprise national REDD+ development and forest carbon projects, and capture associated corruption risks, which is discussed further in Modules 3 and 4.
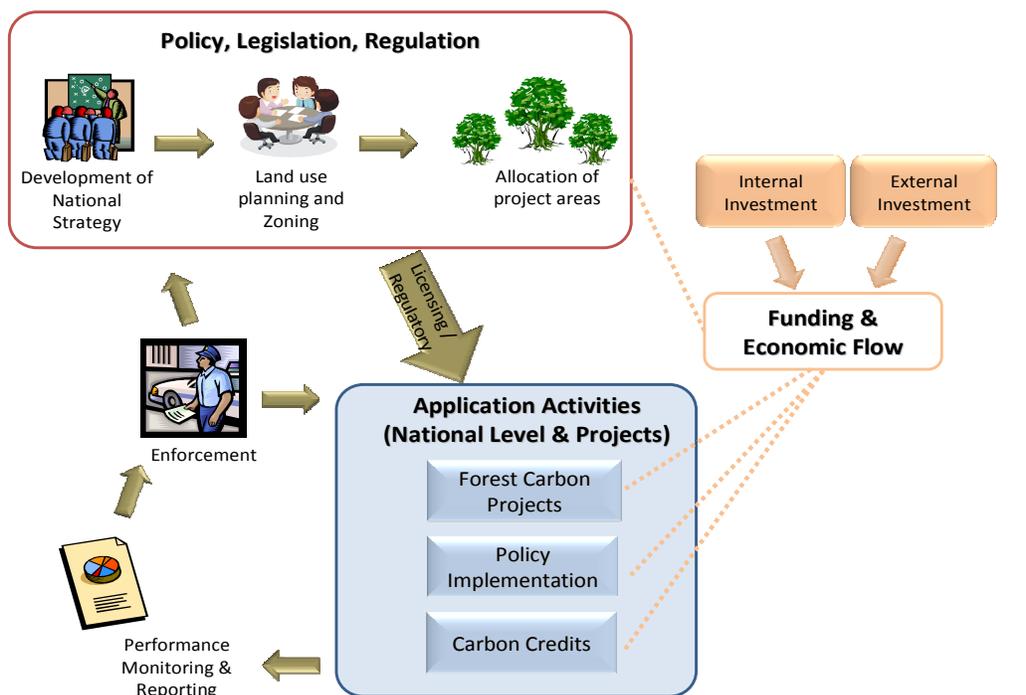
Context

The arena of forest carbon projects and REDD+ developments are relatively new and complex, and is rapidly changing as international discussions and agreements continue. Forest carbon and REDD+ concepts include all aspects of the forestry sector, but will include other sectors and therefore potentially new stakeholders who may not be traditionally associated with forest-related issues. It is within this challenging context that this manual is developed to facilitate interested parties, in particular civil society groups engaged in independent monitoring and advocacy, in understanding and addressing risks of corruption associated with forest carbon and REDD+ developments in their country.

Structure of the Manual

The manual is divided into four modules
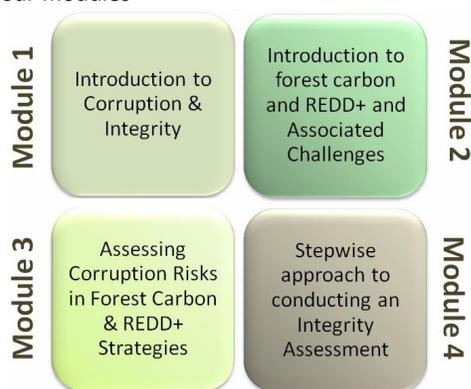
Module 1

Provides a brief introduction to understanding corruption risks and associated practices, with examples from the natural resource sector.

Module 2

Provides an introduction to the concepts of forest carbon and REDD+ and to some of the challenges that exist in developing a system at country level and project level.

Module 3

Provides an introduction to designing and conducting a corruption risk assessment in the development and implementation of forest carbon projects and National REDD+ Strategies.

Module 4

Provides a structured and practical guide to walk users through conducting an assessment of corruption risks for forest carbon projects and / or national REDD+ development processes comprising of four steps:

- o **Step 1 -** provides users with a guide to identifying the purpose of their risk assessment.
- o **Step 2** - guides users through a process of identifying existing and potential corruption risks within the area they are assessing, and prioritising them;
- o **Step 3** - guides users through a process of analysing these risks to identify common actors and root causes of corruption;
- o **Step 4** - provides users guidance on identifying existing instruments that are intended to address corruption risks, assessing current application and effectiveness, and identifying gaps that need to be addressed; and
- o **Step 5** - guides users through a process of developing an Integrity Strategy – prioritising what actions should be focused on for advocacy, mitigation and monitoring risks, and generating support for further action.

Annexes and Glossary

The Annexes are divided into two types for ease of access and application.

The first type (A) comprises the Active Templates which relate directly to guidance in the text in Modules 1-4. These template annexes are intended to be used and modified as required by the users of this manual. These annexes can serve as the foundation of the users' own customised country-specific tools.

The second type (B) is a series of Resource Annexes which are intended to provide additional information to complement the information in the body of the manual, and includes a glossary of terms used.

How to Use the Manual

- The manual is **principally designed as a tool for civil society actors**. It can however be used by any group interested in assessing existing and potential corruption risks in forest carbon and REDD+ and developing instruments to address these risks.

- The manual **should be used as an aid to a facilitated corruption risk assessment process**. It should be adapted by users to fit the national context and used only as a resource to help inform and guide the assessment process. It is anticipated that this process can happen over a range of time frames and scales. It is important that users clearly identify the objectives of the process prior to starting the process.

- Modules 1 and 2 **provide background information** to help users understand different types of corruption risk and instruments to support integrity as well as details on forest carbon projects and national REDD+ developments. These modules should be used as both a learning tool and resource (along with information within the annexes) through the assessment to help guide and refine ideas.

- Modules 3-4 **provide information on implementing a multistep assessment** to identifying assess and analysing corruption risks before supporting participants in developing an action strategy to help support integrity within forest carbon projects and or national REDD+ development processes.

Module 1
Introduction to Assessing Corruption Risks

Module 1: Introduction to Assessing Corruption Risks

Objective of Section

- To introduce the concepts of a corruption risk assessment

Output of Section

Users should:
- to understand the impacts of corruption
- to become familiar with key concepts within a corruption risk assessment
- identify a number of instruments that can be used to address corruption risks

How to Use this Section

The section is primarily designed for self learning but can be adapted with use of referenced materials to provide a basic training session on identifying corruption within the natural resources sector. This is advisable if users are to implement the corruption risk assessment process with stakeholders who are not familiar with the issues.

Introduction

The natural resource sector in general plays a vital role in the economy of many countries. The fortunes of these countries, however, vary extensively with some utilising their resources to support vast strides towards poverty alleviation and economic and social development. Others have failed to achieve this and have suffered economic stagnation, social conflict and in some cases civil war. There is no one reason behind this and academics, politicians and citizens alike continue to debate many of the issues. One area, however, that is certain is that corruption within the natural resource sector hampers the efficient and equitable allocation of resources – something that reduces their potential to drive economic and social development while also respecting the environment.

The forest sector has been particularly susceptible to the impacts of corruption and illegality. It is estimated that between US$10-23billion worth of timber is illegally felled or produced from suspicious origins annually[1]. As a result of this the governments of forest rich countries – some of the poorest in the world – are deprived of close to US$5billion in taxes and royalties[2].

The first step in developing a strategy to address corruption is to conduct a corruption risk assessment. A risk assessment should help users to understand what the existing and potential corruption risks are, what the root causes of these risks are, and what instruments currently exist to address these and why these may or may not be effective. Answering these questions will help users to prioritise where their time, energy and finances can be most effectively used to address the root causes of their priority corruption risks.

This module provides users with an introduction to corruption, the impacts that corruption can have and an overview of an approach to a corruption risk assessment. This information can be used to inform users when undertaking the five step approach to a Corruption Risk Assessment provided in Module 4.

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[1] World Bank (2006) Strengthening Forest Law enforcement and Governance: Addressing a Systemic constraint to Sustainable development (Washington DC)
[2] ibid

Defining Corruption

There are many different definitions of corruption. The World Bank's definition '*the abuse of public office for private gain*' is one of the most commonly used. This definition limits corruption to individuals and groups within government and their interactions with other actors. In most countries, however, the state is just one of many organisations involved in natural resource management and extraction, with communities, NGOs, the private sector, and civil society all engaged in or effected by decisions relating to resource use. Transparency International has a broader definition to encompass all actors. The definition is:

"Corruption is the abuse of entrusted power for private gain."

Within this definition corruption can relate to an exchange of either economic or social resources for private gain by any actor. Economic corruption can be defined as the exchange of tangible goods such as cash, official positions or material goods, while social corruption may also include the exchange of favours, social acknowledgement/status and power that cannot easily be translated into material resources.

It should be observed however that behaviour which the wider public may consider as an abuse of power may vary from one context to another. The relativity of legitimate behaviour will depend on context in which it takes place. For example, where the rule of law is well established, the impartiality and effectiveness of formal institutions can be relied on by citizens in their everyday life. Where the rule of law does not work for various reasons (corruption, poverty, limited governance capacities), formal institutions may have little value and other means may become accepted to ensure access to important transactions in everyday life. In such contexts, corruption may instead only be perceived as abusive once it passes a certain expected level.

Facilitation Note: Agreeing a definition of Corruption

When developing an assessment of corruption it will be important to clarify what participants define as corruption. This may well be a combination of national law, international best practice and personal experience. Ensuring that this definition is clear at the beginning of the assessment and can be easily presented will be important in both gaining further information from stakeholders and presenting results.

Key Terms

Integrity can be defined as behaviours and actions consistent with a set of moral or ethical principles and standards, embraced by individuals as well as institutions, which create a barrier to corruption

Transparency – can be defined as a characteristic of governments, companies, organisations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions.

Accountability – can be defined as the concept that individuals, agencies and organisations (public, private and civil society) are held responsible for executing their powers properly.

Rent – is an excess earning above normal profits. Rents within natural resources are common as the price of the resource may not directly reflect the cost of extraction particularly if extraction is easy in that location.

Legalised corruption – occurs when those with entrusted power create a legal system that either supports corruption, or; makes it difficult to observe corruption, or; legalise a certain behaviour which would otherwise qualify as corrupt. This may also be considered to have occurred when the legal system makes it impossible for certain groups to access rents or other forms of economic or social benefit.

Instrument – an instrument to address corruption includes international and national legislation and regulations, voluntary initiatives, standards and monitoring activities

Impacts of Corruption

Corruption is damaging for the simple reason that important decisions are determined by ulterior motives, with no concern for the consequences of the wider community. Key impacts can occur in the following areas:

Allocation of financial resources

Corruption diminishes the total amount of resources available for public purposes

Corruption can affect the utilisation of public and private finances making their use inefficient, inequitable and ineffective. Money leaves the investment cycle and enters the private domain and can be used for illegal purposes.

The potential for financial kickbacks and political patronage can also lead officials to create artificial scarcity and red tape or encourage the selection of uneconomical or unsustainable projects. Within this, inappropriate procurement processes can waste huge sums of money through overbilling and the purchase of unnecessary goods. It can also lead to increased costs of administration for basic services as well as deterring investment, with firms reluctant to invest in places where the business environment can be risky and uncertain. Similarly, donors can be reluctant to provide development finance due to concerns that funds will not go to the projects and programmes to which they had intended. These latter two elements will be particularly significant in efforts to develop both forest carbon projects and National REDD+ strategies.

Poverty reduction and welfare

Corruption will often have a disproportional impact on the poor. Failure to invest in public services will affect the poor who rely more heavily on them and may entrench systems of corruption, for instance, as the result of understaffed agencies and underpaid staff. Corruption is also likely to further alienate poor communities from the decision making processes, often resulting in decisions that damage or negatively impact their living environment or access to resources – for instance in the allocation of logging permits with out due consultation with communities on the ground.

The UNDP has identified the effect of corruption on the poor as a violation of their human rights noting that 'corruption affects the poor disproportionately due to their powerlessness to change the status quo and inability to pay bribes, creating inequalities that violate their human rights'[3].

Perceptions and operations of the state

Corruption has the potential to undermine any political system. In situations where the state fails to engage with its citizens and focuses on a ruling elite affect the attitudes of the population towards the state. Citizens can loose faith in elections and view politicians and civil servants as only corrupt and not to be trusted. This can also lead to a spread in corruption with other parts of the state and society deciding to adopt corrupt practices as that is 'the way things are done'. This not only undermines the present functioning of the state but also the future with individuals only being attracted to state jobs as a way of furthering personal interests. Such conditions can also lead to further divisions within society that can in extreme circumstances lead to violent conflict.

Natural resources and ecosystems

Corruption has the potential to lead to serious environmental degradation or destruction, with the importance of ecosystem services being ignored along with existing safeguards for environmental protection. A desire to capture additional natural resource rents can also lead to over exploitation, degradation and illegal trade in high-value products, particularly with regards to timber.

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[3] UNDP (2004)

The Elements of a Corruption Risk assessment

In order to address corruption it is important to understand and identify what *corruption risks* exist, to then analyse what the *root causes* of these risk may be and to then assess what *instruments exist* to address them. These steps are used within this manual (see module 4) to assess corruption risks in national REDD+ development and forest carbon projects.

Identifying Corruption Risks

Identifying corruption risks can be seen as comprising three different elements – identification of the activities that are under assessment, identification of the corruption risks that may be associated with these activities, and identification of associated corrupt practices.

- **Activities**

The first step of any risk assessment is to identify the *activities* that are taking place which users of this manual wish to assess. Within the natural resources sector activities will cover a wide range of different actors and stakeholders and will involve different areas of government from the most local to national level. It can be useful when identifying different activities to think through the full lifecycle of any natural resource utilisation. Five basic thematic areas can be used to help this process.

Table 1: Thematic Activity Areas

Thematic Area	Description of Activities	Example Activity
Policy, Legislation and Regulation	Activities relating to the overarching policies that govern the sector and indeed the country.	Officials have to decide where a resources can be harvested from and how much can be harvested at any time
Finance and Economic Flows	Activities relating to financial and economic flows including the paying and collecting of taxes, provision of donor or foreign finance.	Tax collection from a logging company corresponding to the volume of timber cut.
Application Activities	Activities relating to the actual application of activities relating to resource.	Harvesting of timber from a specific concession
Monitoring and Reporting	Activities relating to effective monitoring of all other thematic areas to ensure they are being conducted in accordance with the legal and voluntary regulations	Monitoring of that timber is harvested in accordance with quotas allocated
Enforcement	Activities relating to the enforcement of both legal and voluntary regulations	Punishment of operators who fail to comply to regulation

When identifying activities it can also be beneficial to identify the actors and stakeholders that will be involved with each activity as it is these groups that will be able to provide the most valuable information regarding the different corruption risks that exist within the activities.

- **Corruption risks**

Having identified activities, associated corruption risks can be thought through. Corruption risks refer to the challenges that corruption can cause to the implementation of the activity identified.
There may be several different corruption risks within any activity relating to the scale at which corruption would occur and the actors involved. Table 2 provides an example of different corruption risks.

• **Corrupt Practices**

Within each corruption risk there will be a number of associated corrupt practices which may take place. These are the physical manifestations or actions of corruption that occur and are often the focus of specific legislation. Box 1 provides a further list of the different corrupt practices that may occur and Table 2 provides an example of different corrupt practices.

Box 1: Overview of different corrupt practices

Bribery refers to the act of offering and giving someone a benefit (money, services or other inducements) to persuade them to do something in return. Bribes can also be referred to as kickbacks, hush money, or protection money.

Fraud refers to any behaviour designed to trick or fool another person or entity for one's own or a third party's benefit.

Embezzlement is the taking or conversion of money, property or valuable items by an individual who is not entitled to them but by virtue of his or her position or employment has access to them.

Favouritism, nepotism, cronyism refer to the favourable treatment of friends, to business associates (cronyism) and family (nepotism) in the distribution of resources and positions, regardless of their objective merits.

Extortion refers to the process of coercion where a person or institution forces another party to pay money or other valuable in exchange for acting or failing to act.

Abuse of discretion refers to when officials utilise their authority to give undue preferential treatment to any group or individuals, or discriminate against any group or individuals for personal gain.

Collusion/ complicity which refers to an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party. The most common form of collusion is when bidders agree among themselves on prices and "who should win." This may or may not involve paying bribes to government officials so that they may "turn a blind eye" to the practice.

Adapted from UNODC (2004)

Table 2: Example Activities Corruption Risks and Corrupt Practices within the Forestry Sector

Example Activity	Example Corruption Risks	Example Corrupt Practices
Officials have to decide where a resources can be harvested from and how much can be harvested at any time	- Forest zoning is not done in a way that reflects best environmental and economic interests	- Bribery – to change zoning to allow logging in a new area
Tax collection from a logging company corresponding to the volume of timber cut.	- Insufficient tax is collected and entered into the system	- Fraud – lower levels of timber extraction are reported to reduce tax bill - Bribery – bribes are paid to reduce tax bill
Harvesting of timber from a specific concession	- Over harvesting of timber leading to long term damage to the concession area	- Bribery – to submit false timber inventories - Fraud – with timber extraction volumes being under reported
Monitoring of that timber is harvested in accordance with quotas allocated	- Failure to fully report on income from timber extraction	- Embezzlement – forestry revenue embezzled
Punishment of operators who fail to comply to regulation	- Failure to punish operators for not complying to regulations	- Bribery – to avoid reporting of failures

Analysing Root Causes of Corruption Risks

Analysis of the root causes of corruption is the next stage of the risk assessment covered in this manual. Analysing root causes facilitates the identification of strategies to address corruption at its base. Root causes of corruption will be country specific and will be based on the interaction between the characteristics of the natural resource itself and the existing political, economic and social context. To identify nation-specific drivers of corruption it is important to look at the underlying context in which corruption is taking place; this can be done by looking at the different motivations and opportunities for the different actors associated with the corruption risks. The framework of **structures, institutions and political processes** that exist can be used to help this analysis.

The term **structures** refer to the fundamental factors that shape the situation. They tend to change only slowly and cannot be readily influenced in the short to medium term. Examples will include levels of natural resource endowments and the extent to which income from these provides revenue for the government relative to other sectors of the economy. The physical location or nature of a resource would also be included within structures.

> **Example Analysis Questions: Structures**
> - What proportion of national income comes from natural resources?
> - What effect does regional security have on the stability of the political stability of the country?

Institutions refer to the formal and informal rules and relationships including cultural norms, governing the behaviour of actors. Informal institutions can complement, reinforce or undermine formal institutions. The balance between formal and informal institutions determines the type of governance regime that prevails in a specific country. A governance regime describes the nature of the state and the extent to which it works according to formal rules and / or whether more personalised and informal arrangements are more important (such as patronage). The value of understanding the balance between the formal and informal institutions in the exercise of power is that it will provide information on the likely effectiveness of various types of preventive measures to mitigate the risk of corruption. For example, where the rule of law is weak, proposing new legislation or enhanced implementation of existing laws may not be a useful short term remedy. Institutions are susceptible to change over the medium term.

> **Example Analysis Questions: Institutions**
> - What type of state exists – democratic, autocratic?
> - What is more important in the running of the state – formal regulations or informal alliances?

Political processes are concerned with the contestation between social groups and between social groups and the state over the use production and distribution of resources. They occur within the constraints established by the framework of institutions and structures.

> **Example Analysis Questions: Political**
> - What other social groups do the ruling elite have to listen to?
> - What international actors matter on the domestic stage?

Analysing Instruments to Address Corruption

There are however a number of different international and national normative instruments and initiatives that can be utilised to support efforts to address corruption. These instruments can be divided into four different categories as presented in Table 3.

Table 3: Examples of Instruments and Initiatives to Address Corruption

Instrument Category	Sub-category	Examples of Instrument
Legal Instruments	International Conventions	• **United Nations Convention Against Corruption** • **United Nations Convention against Organised Crime**
	Regional Conventions	• **OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions** • **The Council of Europe Criminal Law Convention on Corruption** • **The African Union Convention on Preventing and Combating Corruption**
	International Legislation	• **Lacey act** • **Procurement Legislation**
	National Legislation and Regulations	• **Freedom of Information legislation** • **Whistle blower legislation** • **Public procurement and concession regulations that require competitive bidding** • **Political campaign finance laws restricting undue influence** • **Anti-corruption legislation** • **Laws regarding requirements for public consultation including Free prior informed consent**
Non-legal International Standards / Initiatives	International Initiatives	• **The Extractive Industries Transparency Initiative** • **The Forest Law Enforcement Governance and Trade Initiative** • **The Kimberly Process**
	Third Party Standards	• **Forest Stewardship Council** • **PEFC** • **The Verified Carbon Standards** • **CCBA** • **Plan Vivo Forest Carbon Standards** • **Fair Trade** • **Roundtables and industry codes and practices**
Independent Monitoring and Research	International Third Party Monitoring	• **The Global Integrity Report** • **Transparency International** • **National Integrity System Assessments** • **Global Corruption Barometer** • **Freedom House** • **Freedom in the World Report**
	National third part monitoring	• **Domestic NGO** • **Independent Forest Monitor**
Citizen-centered Anti-corruption programmes and projects	Nationally specific actions	• **Citizen report cards** • **Legal Advice Centers** • **Whistleblower hotlines** • **Training Workshops**

How to choose which instruments to focus on will depend on the specific social, economic and political context. The factors that influence the risk of corruption and the various types of associated corrupt practices will influence what instrument to use, as well as its expected effectiveness in that context. It will also depend on the resources both human and financial available to those looking to address corruption and their role (government, private sector, civil society or NGO).

Module 4 will help to guide users of the manual through a process of prioritising corruption risks within national REDD+ and / or forest carbon project development and implementation that will help to identify which elements of corruption should be focused on and how this can be done.

Additional Resources

Transparency International's Source Book (2000) Confronting Corruption: The Elements of a National Integrity System http://www.transparency.org/publications/sourcebook

Transparency International – Anti-corruption Plain Language Guide http://www.transparency.org/publications/publications/other/plain_language_guide

Transparency International (2011) Global Corruption Report: Climate Change - http://www.transparency.org/publications/gcr

U4 Anti Corruption Resource Center - http://www.u4.no/index.cfm

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Output for Module 1

After working through the information presented in this module, the assessment team should have an understanding of where corruption may lie in the country where the assessment is taking place.

Module 2
Concepts of Forest Carbon and REDD+

Module 2: Introduction to Forest Carbon Projects and REDD+

Objective of Section

To introduce concepts of climate change, reduced emissions from deforestation and forest degradation REDD, REDD+, forest carbon projects and the voluntary carbon market to users of the manual

Output of Section

Users should become familiar with:
- the overall concepts of Forest Carbon Projects and REDD+ and their relationships
- the interactions between the international and national levels within both processes
- the overall process of national REDD+ development and readiness
- what organisations are supporting REDD+
- the links between forest carbon, REDD+ and forest governance
- forest carbon projects funded through the voluntary carbon market

How to Use this Section

The section is primarily designed for self learning but can be adapted with use of referenced materials to provide a basic training session forest carbon projects and national REDD+ developments. This is advisable if users are to implement the corruption risk assessment process with stakeholders who are not familiar with the issues.

Background on REDD+

Overview of the climate change challenge

Climate change is probably the most significant challenge facing the world at this time. The **Intergovernmental Panel on Climate Change** (the IPCC) has summarised scientific research on climate and in 2007, published a report stating that warming of the climate is unequivocal and that most of the observed increase is very likely (over 90%) to have been caused by man-made **green house gases (GHG's)**. The IPCC predicted that this warming will, if no action is taken to reduce emissions, increase with an overall global temperature rise of 6.4^{o}C by the end of this century. These changes would result in the increasing occurrence of severe weather events, rises in sea level and decreases in precipitation in the tropics and sub-tropics, likely widespread habitat loss, species extinction, and human migration, as well as impacts which we may not able to foresee yet..

So significant are the potential impacts that the world's governments have agreed that action should be taken to reduce emissions of the GHGs that have been primarily responsible for changes in the climate and to take steps in order to reduce the speed and impacts of climate change. At the UN Conference on Environment and Development in Rio de Janeiro in 1992 the **United Nations Framework Convention on Climate Change** was established. This remains the cornerstone of international climate policy setting mandatory limits on the emissions of greenhouse gases from different states according to 'the common but differentiated responsibilities' of industrialised (Annex 1) and non-industrialised (Annex 2) nation states. The **Kyoto Protocol** which entered into force in 1997 was the first update to the convention requiring Annex 1 countries to reduce their levels of GHG emissions against their emissions in 1990. This agreement will come to an end in 2012.

Parties to the Convention meet every year at the **Conference of the Parties (COP)** to discuss the potential to update the convention and there remains interest in developing a new agreement that will further regulate emissions. Progress towards this can be broadly divided into strategies to **mitigate climate change** (by reducing emissions of GHGs and increase their storage) and strategies to help countries **adapt (Climate Change Adaptation)** to changes that are occurring. Funding for certain elements of these strategies are already being made available by national governments through both bilateral funding and multilateral funds.

What part can forest carbon play in this?

Forests cover approximately 31% of the earth's surface and when left undisturbed absorb CO_2 (a GHG) acting as a natural 'store' of thee gas. However forests represent a valuable resource as well as covering land which may be under pressure for conversion to agriculture and other uses. Forests are therefore being both **degraded** and removed, through **deforestation**, from the landscape at a rate of close to 13million hectares each year[4] (or over 18million football pitches). When forests are destroyed, much of the carbon stored in the trees and their associated habitat is released into the atmosphere as CO_2. As a result emissions of GHG from deforestation and degradation currently account for between 15 and 20% of all GHG emissions[5].

Ending deforestation and degradation would therefore play a dual role in climate change mitigation, by both reducing emissions and maintaining a sink for GHGs released elsewhere. In addition to this the valuable environmental services provided by forests (such as protecting watersheds and maintaining habitats for biodiversity) also support efforts towards adapting to climate change. These benefits have not been missed by the international community and discussions on developing a mechanism to provide financial support to countries for **Reducing Emissions from Deforestation and Forest Degradation (REDD)** has been an important part of the COP meetings for several years.

What are REDD and REDD+

A mechanism to reduce emissions from deforestation and forest degradation is based on a simple proposal. Each country will identify its current rate of deforestation and degradation – and corresponding CO_2 emissions – and project this into the future, to establish a reference emission level. Countries will then take measures to reduce this level and will receive payments for the emission reduction that they achieve (see Figure 1).

Figure 1: The original concept of REDD

A proposal for this that was presented to UNFCCC at the COP in 2005 and received general support. The concept has evolved since then and there has been interest from a number of different parties (countries) in the definition being broadened to include other elements of forest conservation and maintenance to ensure that countries who have been effective stewards of their forests are rewarded and that logging is not just displaced from one location to another (an issue referred to as **leakage**). As a result of this in the 'Bali Action Plan', a document that laid out work to be undertaken under the UNFCCC between 2007 and 2009, and agreed at the 13th COP (COP13) in 2007, REDD was expanded to include:

- **The conservation of forest carbon stocks**
- **Sustainable management of forests; and**
- **Enhancement of forest carbon stocks**

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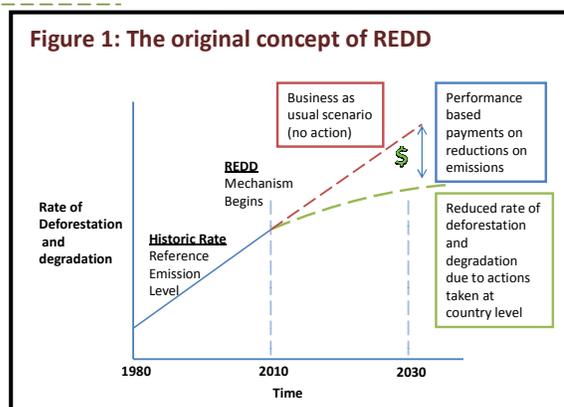
[4] FAO (2010) Global Forest Resources Assessment 2010: Key findings (Rome: FAO 2010) p3
[5] Stern Review – The Economics of Climate Change (2006) available at:
http://mudancasclimaticas.cptec.inpe.br/~rmclima/pdfs/destaques/sternreview_report_complete.pdf

These other elements are collectively referred to as the + in REDD+. A decision on exactly how a mechanism will be developed is yet to be finalised and there are many questions still outstanding. Box 2 highlights some of the characteristics of REDD+ and the questions that remain around it many of which will also be relevant at national, and project levels

Box 2: Some key characteristics of REDD+

- **There is potentially a lot of money associated with it**
  Financing for REDD+ has been one area of significant progress with a number of different donors and multi-lateral initiatives looking to invest. There is also rapid growth in the transaction of REDD projects within the voluntary carbon market. Inclusion of REDD+ within a future compliance market could potentially create a huge market with significant funds for target countries.

- **The mechanism will need to provide the right incentives to protect forests in both remote and rapidly populating locations**
  Much of the forest area relevant for any mechanism on REDD+ is located in remote areas with poor access providing the right incentives to groups within these areas as well as measuring and monitoring progress will not be easy

- **The avoided emissions that REDD+ is based on remains a complex science**
  The nature of what may come to be traded in any future compliance market is still being defined. Calculation of forest carbon is complex and requires measuring and monitoring at a number of different levels. Equally any 'proxy' measures of assessment may also be complex. The important challenge is that what is being traded is not a tangible product (such as timber) but an assurance that something has been done (a tree has not been cut down).

- **It is new and evolving rapidly**
  A mechanism on REDD+ under the UNFCCC is still a very new concept the nature of which is evolving rapidly. Information on techniques, approaches and available financing are updated regularly and there are many areas in which uncertainty regarding a final mechanism exist including levels of finance and the specific rules guiding it. The role of forest carbon projects within the voluntary carbon market is also evolving, and their future role within a REDD+ mechanism, whether carbon credits will be tracked a national or local level for example, remains unclear.

- **It involves a range of international actors**
  Efforts to develop mechanisms for REDD+ at the national and international level engage a host of different actors including local communities, NGOs, private firms, investment banks, and donor governments

- **The fundamental principals of the mechanism are not about governance but about emissions reductions**
  It is increasingly acknowledged that without addressing governance failures, emissions will not be reduced. An agreement under the UNFCCC looks to develop a mechanism that provides *'positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.'*

- **There remains uncertainty over the existence of a mechanism for REDD+**
  Doubt has been raised regarding the likelihood of success of the REDD+ mechanisms under discussion, from different parties including NGOs, civil society and private sector. Private sector may not have sufficient confidence in national mechanisms to invest in REDD+, and the cost of implementing effective REDD+ may outweigh the value of the resulting carbon benefits. These challenges may yet cause a fundamental change to any mechanism for REDD+.

REDD+ at the national level

In anticipation of a future agreement a number of funds have been established to help countries get ready for REDD+ (often referred to as a process of REDD+ Readiness see figure 2), and to pilot different approaches to achieving the REDD+ outcomes at the national, sub-national and project scales. The most prominent of these are the **Forest Carbon Partnership Facility (FCPF)** (which supports 37 countries at present) and the **UN-REDD Programme** (which supports 13 countries) which were both established specifically to support National REDD+ developments. A number of other donors and multilateral funds are also working to support either specific elements of REDD+ readiness globally or specific country efforts, one of largest of which is the bilateral initiative by the Norwegian government.

Figure 2: Proposed phases of REDD+ development
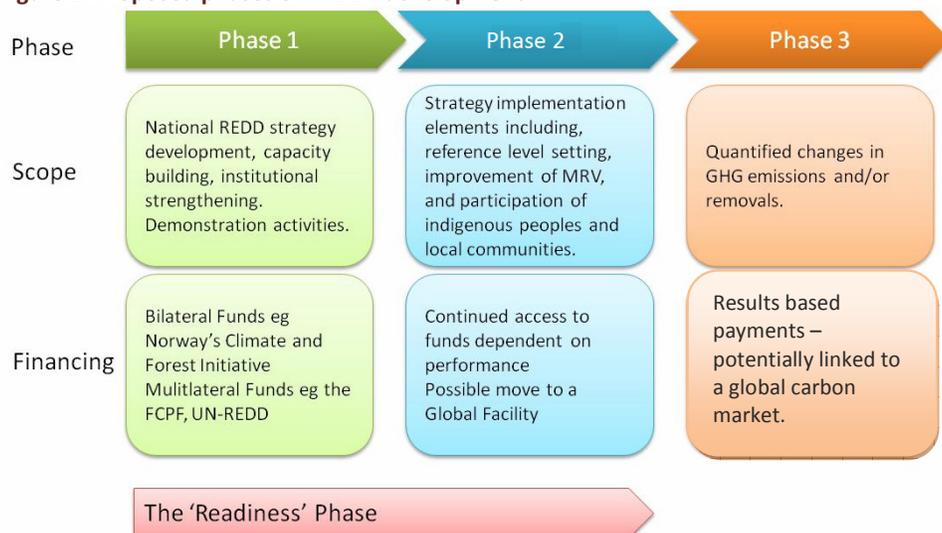
This manual is intended for use prior to or during the 'readiness phase', which relates mainly to phases 1 and 2. It is intended to help users identify corruption risks during the development and implementation of National Strategies for REDD+ Readiness, and the implementation of demonstration REDD+ projects that are both part of these strategies as well as being part of the Voluntary Carbon Market. In doing this it will also help to improve preparations for Phase 3, results based payments, by increasing awareness of the corruption risks that may occur when this phase is reached and what instruments can be used to help manage these risks.

National REDD+ Development

What is a National readiness process?

There is no formal definition of Readiness and it is recognised that a country's progress is likely to gradually evolve between the three phases shown in Figure 2. Overall, readiness is seen as needing to address current issues in the forest governance structures, land tenure, law enforcement and engagement with forest dependent communities, so that a country will be able to implement REDD+ activities in an effective, equitable and efficient way. These changes will need to focus on providing incentives for reductions in emissions from deforestation and degradation to occur along with the conservation of forest carbon stocks, the sustainable management of forests and enhancement of forest carbon stocks. Systems will also need to be put in place to measure and monitor these changes. Although exactly what it is that will be measured remains under discussion with tonnes of CO_2 or, as an example, hectares of forest remaining, or a combination potentially being used for payments to reduce deforestation and resulting reductions in emissions.

As such the Readiness phase will include a number of key planning and operational matters, some of which are included in Table 3. The FCPF and the UN-REDD Programme are credited to have gone the furthest towards developing a definition of Readiness through the process of funding, analysis and reporting that they have developed. The overall structure of this within the FCPF system is shown in Figure 3, where the R-PIN is the initial concept note and the R-PP is the national plan for REDD+

Figure 3: FCPF phases of REDD+ readiness
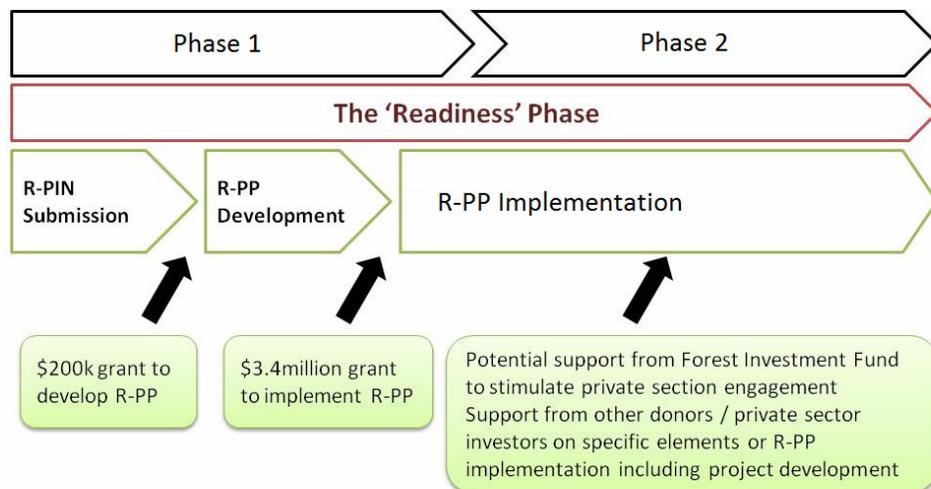
Within both the UN-REDD Programme and the FCPF systems the development of a national roadmap towards readiness (called a Readiness Preparation Proposal within the FCPF system or a National Programme Document in the UN-REDD system but now based on the same template) is one of the most significant steps towards mapping out how Readiness will be achieved[6].The template provided for this document is divided into six sections which represent many of the decision and action areas necessary in a country's early progress towards REDD+ Readiness. These components are summarised in Table 4 below. As different countries may be at different stages with different components on submitting the document the decisions column can relate to both decisions that will have been taken as well as decisions that will be taken the process for which needs to be laid out in the document.

It is the process by which these decisions are made and their outcomes that are the most vulnerable to corruption during the National REDD+ Strategy development stage.

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[6] This also builds on 2 years of implementation experience in UN-REDD, where priority results were defined by countries, thereby providing information on what countries have self identified as the most urgent elements.

Table 4: Components of the joint FCPF and UN-REDD Programme readiness preparation proposal with associated decision areas

Component and Sub-components	Overview of the key Decision areas needed to complete or to be described[7]
Component 1: Organize and Consult 1a. National Readiness Management Arrangements 1b. Information Sharing and Early Dialogue with Key Stakeholder Groups 1c. Consultation and Participation Process	• Who will be involved in managing the REDD+ process • What will be the roles and responsibilities of various levels of management, and the relative hierarchy between institutions across sectors • What will the mechanisms be to manage disagreement between working group members or across sectors/institutions (e.g., potential use of legislative provisions, ultimate decision making authority, level of transparency etc.). • What consultation processes will occur for the development of the R-PP document and what will occur after, what will they focus on, who will be involved and how will they happen
Component 2: Prepare the REDD-plus Strategy 2a. Assessment of Land Use, Forest Law, Policy and Governance 2b. REDD-plus Strategy Options 2c. REDD-plus Implementation Framework 2d. Social and Environmental Impacts during Readiness Preparation and REDD-plus Implementation	• What are the underlying causes of deforestation and degradation • How successful have previous programmes and activities to address these been • How good is the existing forest governance framework • What are potential strategies for REDD+ • Which forest areas, of what types of forests and of what size are considered for involvement • Who owns the forests – who owns the carbon • Who authorises, manages and monitors activities, transactions, and reductions in emissions – what are their current capacities • How will benefits and costs shared between different actors/stakeholders • How feasible are there strategies • What impacts will they have on different stakeholder groups • What could be the checks and balances to be included in the implementation framework to ensure transparency, accountability and equity • What other institutional and governance reforms might be needed (e.g., anti-corruption laws and measures, national best practices for fiscal transparency, clarifying roles and responsibilities within a decentralized forest management system, role and the capacity of governmental and non-governmental institutions, including the local and traditional institutions etc.)
Component 3: Develop a Reference Level	• What are the historic levels of deforestation and degradation • What 'national circumstances' could affect a reference level in terms of socio and economic development or climatic factors
Component 4: Design a Monitoring System 4a. Emissions and Removals 4b. Multiple Benefits, Other Impacts, and Governance	• Who will be responsible for monitoring activities, emissions reductions, transactions and other impacts • How will monitoring fit with existing monitoring, reporting, and enforcement activities at national level • What mechanisms will exist for independent monitoring and review, involving civil society, indigenous peoples and other forest dwellers as appropriate, and other stakeholders, to enable feedback of findings to improve REDD-plus implementation • What systems/structures will be required for monitoring and review, transparency, accessibility and sharing of data both nationally and internationally
Component 5: Schedule and Budget[8]	• How much funding will be required for each of the components • Where will this funding come from • How will it be allocated to different institutions / groups
Component 6: Design a Program Monitoring and Evaluation Framework	• What indicators will be used to measure progress towards REDD+ readiness • Who will do the monitoring

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[7] In many cases final decisions will not have been achieved and as such the document has to lay out how decisions will be made to achieve the required situation. For instance if a working group is yet to be established the R-PP (FCPF) or NPD (UN-REDD) document will lay out how the process through which, on a critical issue (e.g. carbon rights), it will be established and the issues debated and decided

[8] In reality decisions on funding and how it will be allocated will need to be made under each component and a budget is required under each one. However, component 5 provides a summary of this and thus financial issues are covered here

The Voluntary Carbon Market (VCM)

In the absence of a new international agreement on climate change many individuals and companies are taking action by '**offsetting'** their GHG emissions. This has created what is referred to as the voluntary carbon market – where people voluntarily buy **carbon credits** (credits reflect a verified emission reduction, VER) to offset their own or their company's emissions. For instance when an individual takes a flight they can buy credits from a company to offset the amount of emissions that they are responsible for through taking the flight.

Almost all credits within this market come from emission reduction projects – such as projects to reduce deforestation and degradation. The money paid by the consumer for the credit should (often via a central seller) be used to finance a part of one of these projects.

In 2010 the voluntary carbon market represented less than 0.1% of the share of the global carbon market with the remainder (99.9%) being made up by compliance markets which are driven by regulatory caps – for instance those created by the Kyoto Protocol[9]. Under the compliance market system the only forest-related carbon credits included are those from plantation projects[10].

What the VCM lacks in size, however, it makes up for in flexibility and innovation in the way that projects are financed, monitored, and the methodologies that are used. Within VCM there has been rapid progress in the development of voluntary standards which are intended to verify that emission reductions have occurred and within some standards that positive benefits (co-benefits) have also been produced by the project. The vast majority (over 86%) of reported credits in the VCM are verified to a third-party or internal standard[11]. The innovations that occur within this market on how to achieve, measure, monitor reductions in emissions and develop additional benefits have been bought across into the different compliance markets. The potential for projects to 'test' approaches and methods is the reason that many pilot projects are being developed to test how REDD+ could work.

Figure 4: Passage of credit from 'producer' to 'consumer' within the voluntary market

Project development identifies, designs, implements, and has forest carbon project verified

Verified Emission Reduction Credit

Created
1 Tonne of CO_2 Emissions Avoided

Company
Bank, Investor
Buys Credit

Credit can be bought and retired by person or company wishing to offset their actions / activities

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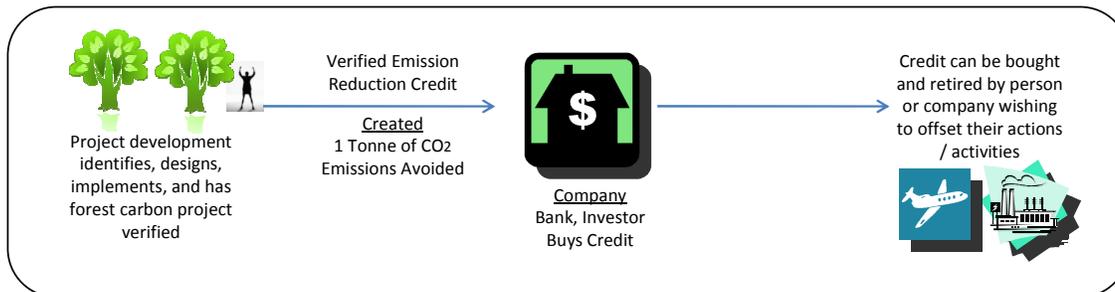
[9] State of the Voluntary Carbon Market 2010 – available at http://www.ecosystemmarketplace.com/pages/dynamic/resources.library.page.php?page_id=7585&section=our_publications&eod=1

[10] The lack of a role for natural forests in the current carbon market was one of the motivations behind developing the REDD mechanism.

Forest Carbon Projects (FCP's)

Within this voluntary market there are three main types of project which are intended to conserve or increase levels of forest carbon.

Afforestation or Reforestation
- Planting trees in degraded forest areas or new areas not formerly forested
- Credits are generated through sequestration during growth of new trees, additional to the baseline credit stock level

Reduced Emissions from Deforestation and Degradation
- Activities are proposed which will reduce the likelihood of deforestation or degradation of existing forest
- Credits are generated through emissions that are now avoided, additional to the baseline which reflects trend in decreasing stock level

Improved Forest Management
- Existing natural forest is put into sustainable and improved management system. Exact activities will depend on objective of individual project
- Credits are generated through combination of factors, depending on the individual project, i.e. increasing growth rate of trees, reducing harvest level, replanting with native species, extending rotation age.

Projects that relate to reduced emissions from deforestation and degradation have been growing in importance and were responsible for 29% of credits sold in the voluntary market in 2010 – when the size of that market is estimated to have at been $424 million. Afforestation or reforestation projects accounted for 6% while improved forest management accounted for 5%[12]. The remaining 60% came from non-forestry sectors.

Within these projects there will almost always be other objectives in addition to these core carbon objectives. These are frequently more closely related to the core mission of the organisation managing the project and often define the fundamental nature of activities undertaken, for instance poverty alleviation and rural development (Developmental NGOs), biodiversity conservation (conservation NGOs) or corporate investments (private firms)[13].

The scale at which Forest Carbon Projects are implemented can vary enormously from small individual landholdings of 100 hectares to large blocks of forest area within a region or province comprising 100,000s hectares (see example in Box 3). To date, all forest carbon projects have been conducted at the sub-national or local level as there are no active national level carbon accounting schemes to oversee a national level project. This, of course, is one of the main objectives of national REDD+ strategies.

What does a forest carbon project look like?

In all projects, the generation of financial return from the project, whether for local resource holders or for private investors or both, will be a key feature. This generation of financial return is needed for long-term viability of the activities and is frequently combined with additional income generating activities which rely on the forest ecosystem for generation (such as sustainable timber harvesting, non-timber forest products) which result in a more resilient and sustainable project structure.[14]

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[12] State of the Voluntary Carbon Market 2010 – available at
http://www.ecosystemmarketplace.com/pages/dynamic/resources.library.page.php?page_id=7585&section=our_publications&eod=1
[13] Olander and Ebeling, (2010)
[14] ibid

Box 3: REDD pilot project in Taita Taveta District, Kenya

Name: The Kasigau Corridor REDD Project, Coastal Province, Taita Taveta District, Kenya.

Objectives: The project area is primarily low density forestland, shrubland and grassland savannah and functions as a critical wildlife corridor between two parks. The land is a private leasehold estate given by the Government of Kenya to Rukinga Ranching Company Ltd., which granted a conservation easement to Wildlife Works Inc. Major project activities in the project area include the protection of the wildlife corridor, wildlife habitat and carbon stocks. Major project activities in the project zone relate to the surrounding communities and include greenhouse-based tree production, agricultural outreach, employment and the construction of schools. The project lifetime and crediting period are 30 years

Project Developer:	Wildlife Works, Inc.
Location:	Taita Taveta District, Kenya
Project type:	Reduced Emissions from Deforestation and forest Degradation [REDD(+)]
Size:	30,168 hectares
Forest/Land cover type:	Sparse trees; grassland; shrubland
Standards:	Climate, Community and Biodiversity (CCB) + Voluntary Carbon Standard (VCS)
Verifier(s):	Scientific Certification Systems (SCS)
Total Reductions:	6,000,000 tons of CO2/yr
Crediting Period:	30 years
Credit Status:	Actively selling
Investors:	Wildlife Works Carbon LLC

Adapted from Forest Carbon Portal

These projects regularly involve alliances between conservation groups, government, local communities and private sector actors. This brings a host of opportunities and also complexities in terms of relationships, responsibilities and transparency. It should be remembered that the limits to "entrusted power" in each alliance entity may conflict with the project alliances. But even where there is no conflict, there may be "personal gains" realised from these project alliances, which establish the "abuse" of the entrusted power the various alliance partners and/or its individual representatives.

How are forest carbon projects currently being developed?

In a similar way to national level REDD+ development the process of forest carbon project development can be split into a number of different steps or phases (Illustrated in figure 5). Table 5 provides an overview of these different phases and decisions / activities that need to be undertaken within each one.

Box 4: Key issues to be addressed within any forest carbon project

Any project will need to address a number of key elements – all of which are also crucial in decisions on what strategies should be adopted to achieve REDD+ at the national scale. These are:

- **Additionality** - the project must be additional to a business-as-usual scenario so the project developer must be able to demonstrate the ability to reduce emissions beyond the levels that would otherwise have occurred.
- **Permanence** - the project must be able to guarantee greenhouse gas mitigation over the stated time period.
- **Leakage** - the project must not transfer emissions to another locality – i.e. people can not stop cutting trees in one location and just start five miles down the road.
- **Double Counting** - no more than one organisation can take credit for the offsets – this is particularly difficult when calculating national changes and project level changes.
- **Accounting** - whether the credits can be sold before they are produced.
- **Co-benefits** - whether the project provides additional benefits – for example job creation, protection of watersheds
- **Safeguards** – the project must address and mitigate direct and indirect negative impacts to communities and ecosystems

Dealing with these issues requires careful thought and actions to address the social, economic and political incentives and structures both within and surrounding a project.

Figure 5: Project Development Processes (simplified generic)

Table 5: Phases of forest carbon project development and associated decisions and actions

Phases	Phase Overview	Decisions / Actions
Project Idea Phase **Output:** Project Idea Note (PIN)	Developing an initial outline of the project, its scope geographically and technically, who will be involved, and how it will be implemented	• **What type of project will it be** • **Where will it be** • **Who will be involved** • **What is the legal situation – who has rights to the land, the carbon** • **Who will be affected** • **How will it be implemented** • **What consultations have / will take place and with whom**
Project Design Phase **Output:** Project Design Document (PDD)	Provide a detailed outline of the project – what activities it will undertake, how it will be managed, what it will achieve (emissions reductions and other benefits), what it will cost.	• **What strategies will be used to protect the forest** • **Who will do what with regard to management and implementation** • **How will GHG benefits be measured and monitored** • **What emissions reductions are likely** • **What social and environmental impacts will occur and to whom** • **What are the upfront costs and what are the expected financial flows over the project** • **How will revenue be used through the project – who will manage it and have access to it** • **What agreements need to be signed** • **What consultations have / will take place and with whom**
Project Validation and Registration	Third party auditor identifies whether the project is viable is likely to achieve objectives.	• **Has the project used the right methodology to calculate potential reductions in emissions and applied it properly** • **Has the project taken the right steps including consultation and adherence to laws** • **Has the project reference emission level been determined correctly**

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Implementation	Complete agreements with involved parties (financiers, communities, NGOs). Begin implementation of project activities, and monitoring.	• **Sign agreements for access to land / benefit sharing / defining roles and responsibilities** • **Implement forest protection activities** • **Patrolling or monitoring, fire prevention, Conservation Incentive Agreements, etc.** • **Design alternative livelihood and community benefit activities** • **Monitor deforestation rates in project site** • **Monitor and mitigate leakage** • **Monitor Social and ecological impacts**
Verification	Third party auditor undertakes periodic verifications throughout implementation.	• **Has the project been implemented according to the project design and methodology** • **Did the project do what it said it would** • **Has monitoring occurred as planned** • **Quantity of real emissions reductions** • **Leakage monitored and/or mitigated** • **What social and environmental impacts (expected or unexpected) have occurred – have the negative ones been mitigated for** • **Have the project benefits been realized**

What standards exist to support the implementation and monitoring of projects?

Forest carbon standards refer to a set of rules and guidelines that a forest carbon sequestration or emission reduction project should comply with to ensure that it is generating real and measurable net carbon gains. The standards governing projects in the voluntary market are most often set up and enforced by recognized professional organisations or through consensus for voluntary adoption.

There are now numerous standards and guidance for forest project development available to project developers and stakeholders. These standards can cover either the way in which emission reductions are measured and monitored, or the way in which the project is developed including what co-benefits it brings, or both. Overall, standards are aimed at providing guidance to developers and piece of mind to buyers that the key challenges of additionality, permanence, leakage, double counting, accounting and co-benefits have been addressed (see Box 5). Table 6 below provides an overview of some of the most common standards.

Table 6: Examples of voluntary forest carbon and socio-environment standards[15]

Standard	Overview
Voluntary Carbon Standards - *these standards certify carbon accounting methods and guarantee that each credit they issue corresponds to an emission reduction of one ton of CO_2e.*	
American Carbon Registry (ACR)	ACR, a private voluntary GHG registry and standard, is an enterprise of Winrock International, USA. It accepts AR, IFM and REDD projects anywhere in the world
CarbonFix Standard (CFS)	CFS is managed by CarbonFix, a non-profit organisation registered under German law. The standard aims to increase the amount of sustainably managed forests and decrease global CO2 levels. It accepts AR projects anywhere in the world and supports projects with demonstrated commitment to socioeconomic responsibility.
Chicago Climate Exchange (CCX)	CCX was a voluntary yet legally binding GHG cap and trade system in the USA that closed down recently. However, the CCX standard for issuing voluntary carbon credits to offset projects continues to operate. AR and SFM projects in the USA and in developing countries are eligible.
Plan Vivo Systems and Standards	The Standard is managed by the Plan Vivo Foundation, a registered Scottish charity. Eligible projects include agroforestry and afforestation, including small-scale timber,

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[15] Adapted from Vanniarachchy and Chokkalingam (2011) Seeking quality standards and credits: What are your choices? – available at http://www.forestcarbonasia.org/fc-updates/standards-verification/

	fruit or fuelwood plantations; restoration and reforestation of degraded or damaged ecosystems; and avoided deforestation. The projects should be in rural areas in developing countries, and on lands where smallholders or communities have ownership, lease or use rights.
Verified Carbon Standard (VCS)	The VCS Program is managed by the VCS Association, an independent, non-profit organization headquartered in Washington, DC. Until February 2011 it was called the Voluntary Carbon Standard. Eligible forestry projects include Afforestation, Reforestation and Revegetation (ARR); Agricultural Land Management (ALM), Improved Forest Management (IFM), Reducing Emissions from Deforestation and Degradation (REDD) and Peatland Rewetting and Conservation (PRC) anywhere in the world.
Voluntary Socio-environmental Standards – *also referred to as "multiple-benefit carbon standards", they include broader environmental and social aspects. At present these standards need to be combined with one of the above systems in order to sell a credit on the voluntary market.*	
Climate, Community, and Biodiversity Standards (CCBS)	CCBS is operated by the Climate, Community, and Biodiversity Alliance (CCBA) of research institutions, corporations and non-governmental organizations (NGOs). CCBS identifies land-based climate change mitigation projects that simultaneously address climate change, support local communities and conserve biodiversity. Projects can occur anywhere in the world. Once a project is designed, third-party evaluators validate the projects against CCBS criteria. To earn CCBA certification, projects must satisfy all fourteen required criteria and earn gold level status by satisfying any of the three optional gold level criteria.
SOCIALCARBON	This standard was developed by the Ecological Institute, a Brazilian non-profit organization. It certifies voluntary emission reduction projects for their social and environmental performance and contribution to sustainable development. Projects can occur anywhere in the world.

Box 5: Forest carbon projects are not always what they seem

Just as happens with all new market opportunities and innovative ideas, there are instances particularly in the beginning, where the new ideas fail drastically in implementation, and can in-turn bring a bad reputation for the concept as a whole.

This is true for forest carbon projects and there have been instances where project developers, due to lack of experience, poor judgement, or motivations of personal gain, attract investors and create projects which do more harm than good. These projects can be divided into two main areas:

- Projects that were purely fraudulent from the start (i.e. there never was a project in practice, only on paper); and

- Projects that do not generate any additionality (i.e. the offset would have occurred anyway) and emissions credits are fraudulently marketed.

The most common manifestation of these fraudulent project development activities is individuals or companies, often created specifically for the purpose of trading forest carbon, pressurise local communities and villagers to sell land or forest rights. The sales are conducted under the pretence of being a "quick win" for the communities, and may come with the promise of a percentage in royalties from future carbon sales. In practice, land rights are often sold by individuals without consulting the communities who live on and manage the land, or fraudulently by individuals who do not actually own the rights in the first place.

The added risk in the case of carbon projects is that they are trading in something that is not visible – the *absence* of an emission. This avoided emission is calculated indirectly, using conversion and default factors and only a small amount of direct field measurements – but even the data collected in the field will go through many modelling and conversion processes, and uncertainty ranges for all of these measurements and calculations are significant, usually above +/- 50% and can go up to +/- 100%. This creates a unique situation where a field visit cannot enable a direct verification of whether the calculation of the tonnes of CO_2 that the project claims to have saved, in the way that an auditor can verify if a hectare of forest has been cut, or a stream has been destroyed.

Table 7: Differentiating forest carbon projects and national REDD+ developments

	Forest Carbon Projects	National REDD+ Strategies
Scale	Projects are implemented at the sub-national or local levels, involving discrete and defined land areas. Current examples of forest carbon projects range from 1,000s ha to 700,000 ha and upwards in size.	Strategies are developed for an entire country, this may include specific strategies for different regions as well as discrete pilot projects designed to test strategies and methodologies (these pilot projects can also be referred to as REDD+ projects and can either form part of the voluntary carbon market or be fully donor funded)
Financing	Start up costs covered through private finance, multilateral, bilateral or NGO funding. Emission reduction credits can later be sold on the voluntary carbon market to provide further finance / profit.	Multilateral and bi-lateral support particularly for national level governance and approaches as well as strategy development. Private or third party finance often sought for pilot projects. There is no market yet for national level emission reductions but there are moves for them to be included within a future agreement and thus a compliance market. Pilot projects included in voluntary market.
Standards	Projects can adhere to a number of voluntary standards such as the Voluntary Carbon Standards	Standards have yet to be finalised but the UN-REDD Programme is developing social and environmental principles, and FCPF are developing safeguards and now include a requirement to abide by World Bank safeguards.

How is forest carbon measured?

The current proposed mechanism for REDD+ and the existing VCM rely on calculations of forest carbon to measure success in reducing emissions. These calculations follow a basic four step process (see Figure 6). Each step however can be highly complex and requires a number of decisions as well as the accumulation of both primary (collected at the time) and secondary data (collected by someone else). Due to this complexity there is considerable potential for inaccuracies to occur as well as for information to be modified to better suit the objectives of the user, something that may be difficult to identify without lengthy analysis. For example, it may be to a project developer's advantage to present inaccurate measurements of reference level emissions in order to overstate the reductions that will be generated by, and therefore the value of, the proposed project.

Full implementation of the process can also be costly and time consuming with project developers and governments having a significant interest in achieving the results as quickly as possible.

Further development of approaches to calculating forest carbon will be a key element of future developments in and mechanism for REDD+ - but will continue to require close oversight if it is to be implemented effectively.

Figure 6: Steps in the calculation of forest carbon

Step 1: Area Defined	Step 2: Methods Selected	Step 3: Data Acquired	Step 4: Forest Carbon Stock Calculated
•An area defined to form the basis of calculations • Variables identified eg, vegetation type, elevation, disturbance	• Methods selected based on the level of accuracy, resources available, and quality of available data. • Multiple methods currently exist – measuring different carbon pools	• Data gathered on what exists within the area at the moment – this will combine: – physical measuring of trees and biomass in the area (**primary data**), – collection of existing information on **historic forest cover** – collection of existing information on **landuse**	• Information used to calculate forest carbon stock, emissions, or emission reductions • Inaccuracies in the different types of data should also be calculated here

A carbon credit or offset credit is often referred to as this is the unit that is traded on a carbon market. With REDD+ development and forest carbon projects, an offset credit is equivalent to an emission reduction of one metric ton of CO_2e achieved through reducing deforestation or forest degradation, calculated as described above. In the context of REDD+ it is yet to be determined if payments will be based on tonnes of CO_2e alone or in combination with other performance criteria.

Linking Forest Carbon Projects and National REDD+ Processes

As described above, the current landscape of national REDD+ developments and forest carbon projects is complex, with a large number of actors and approaches. National REDD+ Action plans are being developed through fund based mechanisms, and within these a number of pilot projects are also being developed many of which will be looking to sell their credits on the voluntary carbon market[16].

At the same time, a considerable number of forest carbon projects are already being designed and implemented at the local level, through a variety of donor and private sector funding mechanisms. These projects may or may not be included as part of national Readiness plans or have full government recognition. Both national REDD+ development and forest carbon projects use calculations of emissions reductions in order to quantify their impact in terms of carbon credits that can then be sold in a market based initiative.

The immediate challenges that arise when there are two levels of application operating concurrently relate to the way in which carbon credits are accounted for – whether this is done at a national level or at local and project level. As described above, calculating carbon credits is complicated, and can be a significant potential source of corruption in REDD+ and forest carbon projects[17]

A future mechanism under the UNFCCC will need to address the different levels and there are currently three possibilities being considered: a national only approach, where a national baseline for carbon credits is established and a national crediting system set up; a sub-national only approach where credit accounting is done at the project level; and a combination of both approaches, which is most similar to what exists already.

A more detailed explanation of the carbon accounting options currently under discussion is found in Annex B1.

Output for Module 2

After working through the information presented in this module and using the appropriate annexes, the following information should be collected by the assessment team:

- **Inventory of current status in national REDD+ development and forest carbon projects at the local level** *(See Annexes A1 and A2)*;

- **Inventory of key actors in these developments** *(See Annexes A1 and A2)*;

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[16] In many locations forest carbon projects are being developed independently of a national process either because a national process does not exist or that linkages are yet to be established / formalised.
[17] Brown, Michael L. (2010). Limiting Corrupt Incentives in a Global REDD Regime. *Ecology Law Quarterly*, 3/8/2010, 237:268

Additional Resources

Background on REDD+

- **Conservation Training – Training Course on REDD+**
  An online course providing considerable information on the background to REDD+
  http://www.conservationtraining.org/

National REDD+ Processes

- **FCPF – The Forest Carbon Partnership Facility**
  Provides a range of resources on REDD+ including guidance on how to become REDD+ Ready within the framework of the FCPF. Also has country 'dashboard' of progress to see where each participating country is in terms of development and implementation.
  http://www.forestcarbonpartnership.org/fcp/

- **UN-REDD**
  Has a wide range of resources on REDD+, a regular newsletter on REDD+ information and 'countries at a glance' page which provides a snapshot on the implementation of National Programme Documents in the 35 partner countries.
  http://www.un-redd.org/

- **REDD Monitor**
  An watch group and advocacy website that provides regularly updated information and articles on REDD developments
  www.redd-monitor.org

- **The REDD Desk**
  A collaborative resource providing access to a wide range of resources on REDD+
  www.theredddesk.org

The Voluntary Carbon Market

- **Ecosystems Market Place**
  A useful website that provides up to the date information on the voluntary carbon market including information related to forest carbon and REDD+
  http://www.ecosystemmarketplace.com/

Forest Carbon Projects and Standards

- **The Forest Carbon Portal**
  Provides useful links to documents and information on developments in Forest Carbon and REDD+
  http://www.forestcarbonportal.com/

Land Tenure

- **Rights and Resources**
  A global coalition of partner organisations supporting forest tenure, policy rights and market reform.
  http://www.rightsandresources.org/

Module 3
Introduction to Corruption Risks in Forest Carbon Projects and National REDD+ Development and Implementation

Module 3. Introduction to Corruption Risks in Forest Carbon Projects and National REDD+ Development and Implementation

Objective of section

- To introduce why efforts to support REDD+ and forest carbon projects may be susceptible to corruption
- To introduce a framework for assessing corruption risk at national and project levels
- To introduce the roles that actors and stakeholder groups may play in an assessment of corruption risk

Output of section

Users should:
- Understand why support to REDD+ may create corruption risks.
- Become familiar with the five 'activity areas' for assessing integrity of forest carbon projects and REDD+ developments

How to Use this Section

The section is primarily designed for self learning but can be adapted with use of referenced materials to provide a basic training session. *It is important that the framework for assessing corruption risk is introduced to other stakeholders during any participatory assessment (see Module 4).*

Introduction

The forestry sector has traditionally faced many corruption challenges. Support for national REDD+ action plans and forest carbon projects is intended to create positive incentives for reductions in deforestation, degradation as well as forest conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. How these incentives interact with the domestic social economic and political context is far from certain. For any REDD+ mechanism to be successful in the future it is important that these initial efforts establish structures and a culture that support transparency, accountability and integrity within the operation of both National approaches to REDD+ and forest carbon projects.

This module provides users with a brief overview of why REDD+ and forest carbon projects can be susceptible to corruption before introducing a framework for assessing corruption risks that will be used in Module 4.

REDD+ and forest carbon projects' and Corruption Risks

Susceptibility to Corruption

Current support to REDD+ can be seen to be very similar to the early stages of any natural resource discovery. There are large influxes of upfront capital related to actors wanting to support the development of infrastructure, increase capacity and generate revenue flow from resource 'harvesting' and management – in the case of REDD+ these occur particularly at the national level with regards to building capacity to measure and monitor forest carbon and subsequent emissions reductions from REDD+ activities – while there are also promises of large future revenue at both national and project levels.

There is often a need to develop new legislation and processes for governing and allocating both the resource and revenue from it – in the case of REDD+ this relates to the potential development of new government bodies at the national level, allocation of potential REDD+ project areas at sub-national levels, allocation of carbon rights, and development of benefit sharing mechanisms. There are significant learning curves to be overcome with regard to knowledge of the resource and its value – this is particularly true in the case of REDD+ at the national level, as the exact mechanisms for designing REDD+ and eventually generating income from emissions on the compliance market is still evolving, with complex methodologies for measurement and monitoring of the resource itself (carbon). Table 8 provides an overview of some key characteristics of REDD+ and forest carbon projects and how these can be seen as potential root causes of corruption.

Table 8: Indicative / Examples of Root Causes of Corruption in REDD+ and forest carbon projects

General Characteristics	Indicative / Examples of Root Causes of Corruption in REDD+ and forest carbon projects
➢ Structures	
Geographical location of resources	➢ **Remoteness of many forest carbon and REDD+ pilot project areas** **Forest resources are often remote in their location. This has a dual impact on their vulnerability to corruption and poor governance. Populations based in (in the case of forests) and around the resources are likely to be geographically, culturally (language, education, understanding of state systems), and politically distant from the decision making processes (often groups based close to remote resources are minority groups within countries and may have little political weight at the national level). Remote locations also make monitoring of resource use difficult to undertake and subsequent oversight of this even more challenging.**
Physical Characteristics	➢ **Forest carbon remains an 'intangible' commodity to be traded** **Although trade in emissions reductions has, in principle, all the characteristics of trade in timber there is one critical difference; there is no tangible asset being transferred. As an illustration, if a buyer were to buy 30 cubic meters of mahogany from a timber company when it arrived they would be able to verify that it was mahogany and in the specified amount. This cannot be done conclusively with emissions reductions without a lot of time, effort and knowledge and might consequently be prohibitively expensive. This is why verifiable adherence to standards is a pivotal issue within forest carbon projects and national REDD+ developments. The robustness of the standards themselves is also essential.**
High Rents	➢ **Large influxes of funding from international development community, frequently coupled with short time frames for delivery of results;** **Large influxes of funding at the outset have created high potential rents from REDD+ particularly at the national level. This influx has created interest across government, private sector and NGOs but may also result in levels of rent seeking as actors try to gain access to funds. These levels of financial input will be dwarfed should REDD+ be included within a compliance market with a sustained carbon price – as such it is important that good systems are developed early.**

Institutions Complex Processes	➤ **Technical complexity of terminology used, forest carbon emissions reductions calculations, monitoring and management;**	

Forest carbon and REDD+ are new concepts with an extensive vocabulary of technical terms as well as a large number of different standards and guidelines that are being updated regularly.

This creates and maintains a situation of information asymmetry between those with REDD+ knowledge (often project developers) and those without (often those responsible for forest management and governance either nationally or locally). These information asymmetries can affect:

- Level of support for REDD+ by politicians – may be inappropriately high due to vested interests
- Allocation of land rights
- Development of national strategies
- Design of methodologies and procedures for national level carbon accounting
- Agreements between project developers and governments and forest communities

International Nature

➤ **Carbon cowboys and International Finance**

REDD+ has the potential to stimulate considerable private capital. Significant numbers of forest carbon projects have already been developed and implemented, in many cases resulting in credits being available for investors in the voluntary market. Without existing domestic legal frameworks and international guidance to govern REDD+ and project development there is the potential for international investment driven by rent seeking behaviour to capitalise on information asymmetries and undertake corrupt practices within countries. For example, private sector investors may try to gain access to community owned forest land by promising rent from forest carbon sales, without community understanding of this revenue system and resulting impact on their use of forest resources.

On the other hand international investment also has the potential to improve domestic standards should firms look to international best practice during project development and work with national partners to overcome information asymmetries.

➤ **Political Process**

Uncertainty

➤ **Uncertainties over future finance and access to markets**

The future of a mechanism for REDD+ is still uncertain as are the technical details on how actions can and should be undertaken. Uncertainty at the international level regarding political will and financing has led many countries to see existing efforts as a one time chance to access funds with little certainty that they will be sustained.

The speed with which the international community want to 'get things moving' is a legitimate concern with regard to the potential impacts of climate change. However this leads to tight time frames that put pressure on actors to design and implement REDD+ activities rapidly. In some cases this can reduce oversight, weaken consultation and engagement processes and limit potential to develop required understanding of appropriate approaches to governance and risk mitigation. Key elements of an integrity system may also be overlooked leaving loop holes that can be exploited in the future. The "need for speed" also gives implementing bodies insufficient time to assess and respond to proposals. This can jeopardise prospects for REDD+ in countries where it is most needed (i.e. Brazil and Indonesia) for climate change mitigation.

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Existing levels of corruption

REDD+ is intended to be a mechanism to conserve and enhance stocks of standing tropical forest. Target countries are often those with large areas of remaining forest, frequently coupled with high pressure on those resources for deforestation and forest degradation. Recent analysis by a number of NGOs however has highlighted that many of these countries are also those facing significant governance challenges including corruption. In Transparency International's 2010 Global Corruption report which focuses on climate change in ten of the most rapidly deforesting countries are assessed against a number of global governance indicators. A summary of these results are shown in Table 9 below they indicate that support for National REDD+ process and forest carbon projects within these location will have to work within and address some significant governance challenges.

Table 9: Summary of Transparency International's 2010 global corruption report.

Country	FAO Global Forest Resource Assessment Annual Change in Forest Cover 2000-2005 (Mha/yr)	TI's Corruption Perception Index (1-10 1= most corrupt)	World Bank Ease of Doing Business 2010 (ranking out of 183 1= easiest)	World Bank Control of Corruption Indicators (-2.5 to 2.5 2.5 = best)
Brazil	-3.1	3.7	129	0.0
Indonesia	-1.87	2.8	122	-0.6
Venezuela	-0.29	1.9	177	-1.1
DRC	-0.32	1.7	182	-1.3
Myanmar	-0.47	1.4	-	-1.7
Nigeria	-0.41	2.5	125	-0.9
Bolivia	-0.27	2.7	161	-0.5
Malaysia	-0.14	4.5	23	0.1
Zambia	-0.45	3.0	90	-0.5
Cambodia	-0.22	2.0	145	-1.1
Ecuador	-0.20	2.2	138	-0.8
Mean		**2.6**	**129**	**-0.8**

Framework for assessing Corruption Risks in National and Project Level REDD+

Any assessment of corruption risks with National REDD+ and forest carbon project development and implementation must look at how the incentives being offered will impact on and interact with the existing social, political and economic context. Assessing this can be a complex process as there are many variables to consider. The manual looks to provide a simplified framework to support this assessment. The framework divides actions that will be undertaken within National REDD+ and forest carbon development and implementation into five different thematic areas of: Policy Legislation and Regulation; Funding and Economic Flows; Application Activities; Performance monitoring and reporting; Enforcement (shown in figure 7 below). This is by necessity a simplification but provides an initial framework to begin the mapping of corruption risks (*Annexes A3 + A4 provide an overview of potential risks*). More information on each of these themes is provided below, with examples of associated activities at both national REDD+ development and forest carbon project level.

Figure 7: A framework for assessing corruption risks in national REDD+ development and forest carbon projects
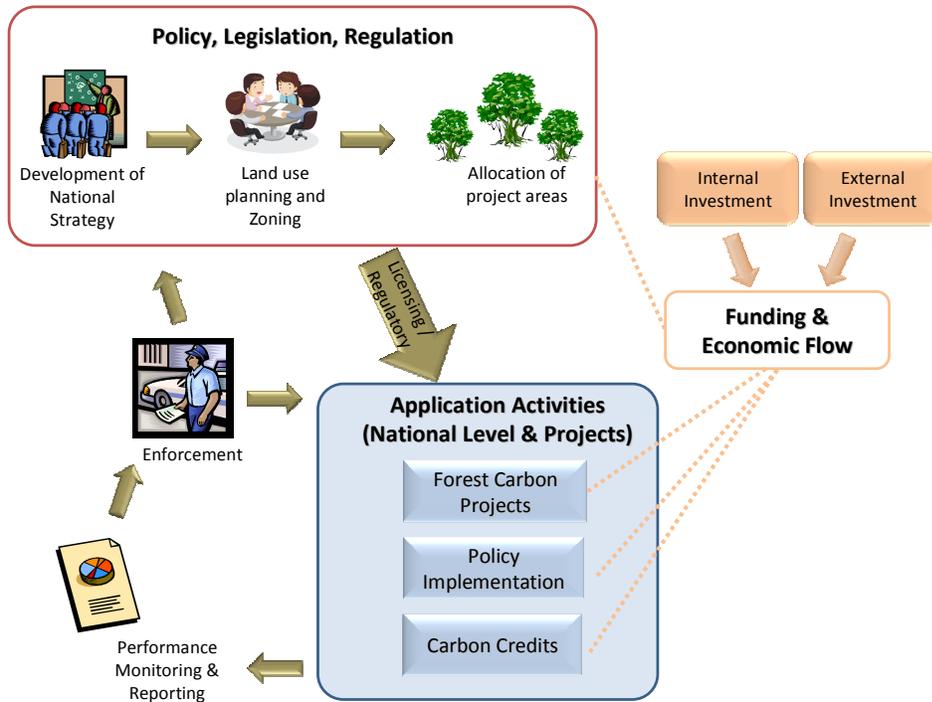
Policy Legislation and Regulation

This refers to the overarching policies that govern how actors within the sector operate. Ideally a system of adaptive management would incorporate feedback from all the other areas to allow assessment of the efficacy of policy and based on that analysis, any necessary reforms. This area is fundamental to national REDD+ development where policy and regulation will be developed and will have a significant impact on forest carbon projects (See Module 2 on relationship between national and project level approaches). New legislation may also be introduced to address carbon trading schemes. *Annex 3 provides examples of potential activity areas and corruption risks within this thematic area* – some of these are summarised in figure 8 below.

Figure 8: Example Activities under Policy and Regulation

Activity areas	Areas of potential corruption risk
Allocation of Carbon Rights	Decisions on who owns the carbon held in forests and who has the right to buy and sell carbon credits
Changes to land tenure	Potential reforms to existing land tenure legislation – this will likely be coupled to decisions on how carbon rights are held
Land-use zoning plans	Developing plans of where actions for REDD+ and forest carbon projects can taken place
Contractual and Legal Obligations	Quality and equity of contracted agreements

Financial and Economic Flows

The economic flows for REDD+ either from donors or the voluntary carbon market are intended to provide positive incentives for reductions in deforestation and forest degradation, as well as forest conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. These funds should to some degree provide compensation to the state or land (carbon) owner for the loss of potential revenue from their trees through conversion or intensive harvesting, should cover the costs of managing and maintaining the standing forest (including the building of capacity to govern and monitor these resources at national and local levels), and should provide further incentives for activities than enhance the environment and are in the public interest.

The revenue chain within forest carbon and REDD+ relates to four main streams; the funding provided upfront for project or strategy development (from donors, NGOs or private actors), the revenue that should occur once proof of performance has been established, the fees and taxes paid on this revenue, and on how funds from all three are utilised to benefit those currently relying on the forests for their livelihoods.

Diversion of these revenues by corrupt actors compromise the objectives of REDD+ and can lead to perverse incentives to continue degrading forests, or result in the exclusion of vulnerable groups from the potential benefits as well as damaging their existing livelihoods. Unregulated and poorly reported revenue flows allow for the laundering of the proceeds of crime (i.e. illegal logging and other associated crimes) which may have a wider effect on the economy and social conditions of a country.

Figure 9: Example activities under economic and financial flows

Activity areas	Areas of potential corruption risk
Use of Donor funds	Donor funds are entering countries to support Readiness activities – there may be a pressure to utilise these rapidly to meet international deadlines
Sale of credits in the voluntary market	Some credits are being sold to the voluntary market from projects – important to monitor how are these credits calculated and by whom, who is selling these and to where, and what happens to the revenue
Benefit sharing within projects	Benefit sharing mechanisms have been developed in a number of projects – how these funds are being utilised and who gains access to them
Due diligence of external investments	Many new firms are entering the market for climate investment, some will be reputable, others potentially corrupt

Application Activities

In developing and implementing both a forest carbon project and a national level strategy, many decisions and activities must be undertaken. These decisions include the setting up of governance systems, the hiring of staff, the implementation of safeguards etc

These issues are particularly relevant in the implementation of safeguards within national REDD+ development processes and in the implementation of voluntary carbon standards within the development of a forest carbon project for the voluntary carbon market.

Safeguards are activities that are designed to mitigate direct and indirect negative impacts to communities and ecosystems that could arise through national REDD+ and project level implementation. They are critical

to ensure that REDD+ initiatives take into consideration values beyond carbon credits alone, such as fair treatment and benefit distribution to impacted communities. One example of a safeguard activity is the application of a prior informed consent (FPIC) process to ensure affected indigenous people give their consent for proposed initiative.

Figure 10: Examples of application activities

Activity areas	Areas of potential corruption risk
Establishment of a regulatory agency	A regulatory agency may be developed to manage and monitor the developments at national and project levels – who is responsible for this and its relationship with the government will be key to the credibility of REDD+ and forest carbon projects
Development of reference emission levels	Reference levels – which may be based not only on tonnes of CO_2 emissions but also forest area, ecosystem values, etc. - need to be developed by project developers and at the national level. This requires transparent measurements and calculations, trusted data sources and means of verification methodology against a standard as there is much room for manipulation at this point.
Implementation of consultation processes	Consultations on both national and project developments should form integral parts of both processes and must include safeguard activities

Performance Monitoring and Reporting

The reporting chain, with transparency as a mechanism of accountability and a fundamental component of good governance, should help ensure the operation of the other four chains. Within both forest carbon projects and REDD+ there will be some reporting on carbon sequestration at the international level as well as (if required) the national level.

Figure 11: Example activities under performance monitoring and reporting

Activity areas	Areas of potential corruption risk
Monitoring of changes in emission levels	Changes in emission levels are the core element of REDD+ and forest carbon projects it is essential that these are effectively monitored and reported on
Monitoring of financial flows	Monitoring and reporting on financial flows will be critical to maintaining an effective and transparent system
Monitoring of adherence to standards	Voluntary standards exist at present with others being debated at international and national levels – monitoring that these standards are adhered to and reporting successes and failures will be critical

Enforcement

This process is fundamental to both good governance and the sound functioning of all the other action areas. Robust enforcement relates not only to forestry or carbon based regulations but also wider labour and environmental regulations. It involves a large number of actors including forestry agencies, zoning boards, the police, customs, finance ministries, government auditors, and the judiciary.

Equitable implementation of the rule of the law is fundamental to the success of each activity. Without it, there would be little incentive for actors to adhere to legislation and to forego corruption. A lack of enforcement means loggers, project developers, and public officials, and donors have little incentive either to invest in proper management of the sector or to participate in it.

Figure 12: Example activities under enforcement

Activity areas	Overview of activity
Prosecution of illegality	Prosecution of illegality is the most fundamental element of enforcement – it can be broken down into more specific areas but will require an effective and appropriately trained police force and judiciary
Removal of award of performance based payments	Standards are issues to provide guarantees of quality – if these are not met certifications, and subsequent performance based payments, must be retracted even if this can be damaging in the short term
Retraction of donor funds	Donors are looking to provide initial incentives to promote action – this will shift increasingly to performance based payments – if these payments continue without evidence or contrary to agreed performance targets they will cease to be effective

Actors and Stakeholders: Who's who in Forest Carbon Projects and REDD+ Development

Who are Actors and Stakeholders?

In order to conduct a risk assessment, it is important to identify who is responsible for the activities that are part of the process being assessed. It is also important to understand the impacts that an activity or decision may have on other individuals or groups, who might therefore have an interest in the outcome of the activity even though they are not directly responsible for its execution. The terms "actor" and "stakeholder" are frequently used, although in many cases they are synonymous.

In general, the term "actor" is used to describe an individual or entity who is directly responsible for the functioning of a system, and the implementation of a practice or activity. The term "stakeholder" is applied to individuals or entities who have some interest in the system or activity, but are not necessarily directly engaged in it. Actors are also stakeholders, but the latter term includes a wider range of parties who might otherwise be left out if attention is focused only on those with direct responsibility in a particular process.

For the purpose of this manual, it is important to note that **in many cases the terms actor and stakeholder are interchangeable**. However there a few key aspects of the risk assessment and action strategy development where the difference is important.

Why identify actors and stakeholders?

In order to capture relevant information regarding the status of a country in terms of REDD+ development and forest carbon project implementation, input needs to be generated from experts and interested parties to understand the "big picture". At this point a fairly broad range of **stakeholders** may be consulted.

The Framework for Conducting a Risk Assessment described in the sections above is a guide for capturing activities that will be assessed. In order to identify these activities where corruption risks may occur, it is essential to consult a focused but still wide range of interested parties who will have the knowledge and experience required to provide valuable input. Likewise, when prioritising corruption risks, it is vital to understand where the activity will have the greatest impact, and on whom. In these stages of the assessment it is important therefore to draw on a group of selected **stakeholders**, and engage them in stakeholder consultations either individually or in groups.

The next and equally important step in an assessment is to identify where the responsibility for that activity lies – who is executing it. In this part of the exercise, the **actors** need to be mapped along with the risks in order to identify where the corruption risk lies and therefore enable an understanding of how and why the risk occurs.

In these aspects the groups of stakeholders and actors may be distinct, and the field of consideration should be expanded to include all relevant parties.

How to identify actors and stakeholders?

As mentioned previously, the forest carbon arena and REDD+ developments are relatively new and complex, bringing new concepts to the discussion and therefore potentially new stakeholders who may not be traditionally associated with forest-related issues.

The starting point for identifying stakeholders to consult in the risk assessment is to look at the findings and outputs under module 2 – understanding what is currently taking place in the assessment country with regards to national REDD+ developments and forest carbon projects. With an understanding of the current landscape, it is then easier to identify the stakeholders and their relative priority in a risk assessment.

Three examples are presented below for illustration.

Example 1:	**Example 2:**	**Example 3:**
Villagers living within forest areas are stakeholders in REDD+ as decisions relating to it may have significant impacts on their lives. If villagers are able to engage in discussions on REDD+ and how it will develop and indeed influence this process – possibly through democratic pressure they are actors. The strength of their influence may however be limited by their number and political connections.	A logging company is a stakeholder in national REDD+ developments as it has financial interests within the forest. It become an actor by formally engaging in REDD+ consultations and providing inputs where they may have significant impacts if they employ a large number of people and contribute significant tax revenues. It may also be able to influence decisions by paying significant bribes to decision makers.	A conservation NGO would be an actor if it supports development of a REDD+ project. It would also be a stakeholder if it had significant interests in being one of the first organisations to develop a project, or to protect a specific species within the forest. This may make the NGO more vulnerable to taking decisions that are in the best interest of these 'stakes' as opposed the project itself and indeed wider carbon emissions.

Further information on stakeholder identification is provided in Annex B2.

Output for Module 3

After working through the information presented in this module and referring to the appropriate annexes, the assessment team should have an understanding of activity areas, actors, and stakeholders that will comprise the risk assessment. This will be built on in Module 4.

Module 4
Practical Handbook: Identifying, Prioritising, Analysing and Addressing Potential Risks in forest carbon projects and REDD+

Module 4: Identifying, Prioritising, Analysing and Addressing Corruption Risks in forest carbon projects and REDD+

Introduction

This module builds on the background information provided in Modules 1-3 and provides users with a five-step approach to identify ways to promote transparency, accountability and integrity in the development and implementation of forest carbon projects and/or national REDD+ processes. This comprehensive assessment process is illustrated below in Figure 13. The link between steps and their outcomes is further illustrated in Figure 14 overleaf.

Figure 13: Assessing Integrity in Forest Carbon Projects and REDD+ Development (Adapted from: The Assessment Cycle, Butterworth 2010)

Figure 14: Example questions to support analysis and causes of corruption

Step 1
Identify Purpose, Scope and Approach

Activities
- o Internal discussion
- o Identification of and consultation with stakeholders

Outputs
- o A map of key actors in forest carbon project /REDD+ development in country
- o A clear outline of the objectives and scope of the assessment
- o A clear outline of potential approaches to the assessment

Step 2
Identify and Prioritise Corruption Risks

Activities
- o Introduce assessment to those who will be involved including internally – provide training and information sharing
- o Engage with other stakeholders through workshops, small group meetings and / or expert groups to identify key corruptions risks and stakeholders' perceptions of their importance

Outputs
- o An initial risk map for users' focus area / areas (forest carbon projects, national REDD+ development and implementation) including an initial ranking and prioritisation of risks.

Step 3
Analysing Root Causes of Priority Corruption Risks

Activities
Looking at risk map(s) developed in Step 2 and priority risks:
- o Identify commonalities between different risks
- o Identify potential causes of corruption behind the priority risks
- o Identify stakeholders that may support / undermine proposed actions to address the corruption risks

Outputs
- o Outline of key potential causes of corruption
- o Indication of common causes between different risks

Step 4
Identifying Instruments to Support Integrity

Activities
Using list of priority risks and key causes:
- o Identify what instruments currently exist to address these risks and new instruments which might be required
- o Identify what can be done to make existing instruments work more

Outputs
- o Outline of existing instruments to support transparency, accountability and integrity and their usefulness
- o Identification of gaps in existing instruments and associated needs

Step 5
Developing a Strategy for Action

Activities
- o Identify key entry points into process which will have maximum impact towards the objectives stated in Step 1
- o Identify actions to be taken by whom and when

Outputs
- o A clear plan of action for your organisation (and others) to support demands for and implementation of instruments that support integrity, transparency and accountability

Step 1 Identify Purpose	Step 2 Identify Risks	Step 3 Analyse Risks	Step 4 Support Integrity	Step 5 Action Strategy

Step 1

Identify the Purpose, Scope and Approach

Activities
- o Internal discussion
- o Initial consultation with stakeholders / key informants

Outputs
- o A map of key actors in forest carbon project /REDD+ development in country
- o A clear outline of the objectives and scope of the assessment
- o A clear outline of potential approaches to the assessment

Questions that will be addressed in this step:
1. Why do you want to do the assessment?
2. Who should be involved in the assessment?
3. What approaches should you use in the assessment?

National approaches to REDD+ and forest carbon projects are issues that have both a broad geographical and technical scope. In order for your assessment to be successful you must have a clear idea of both the purpose and the scope of what you want to assess. This will help to ensure that the outputs developed are relevant to your needs and will achieve maximum impact.

This step will help users to:

- o Think through what it is you want to assess

- o What changes you are hoping to achieve

- o What approaches (method for generating feedback / capturing information / engaging stakeholders) would be most relevant to use for this purpose

This step should be done by you and your team *before* circulating information to others and will help you to think through how and when to engage different actors and stakeholders. It should also be linked closely to the ideas covered in Step 4 as the level of engagement of different actors will form a critical element of your strategy regarding how to use outputs. For instance increasing engagement of government officials will increase their understanding of the issues as well as ownership of the output.

Why do you want to do the assessment?

Clearly identifying why you want to do an assessment is the first and most critical element of any assessment. Think through the answers to some of the questions below within your team.

Intended users

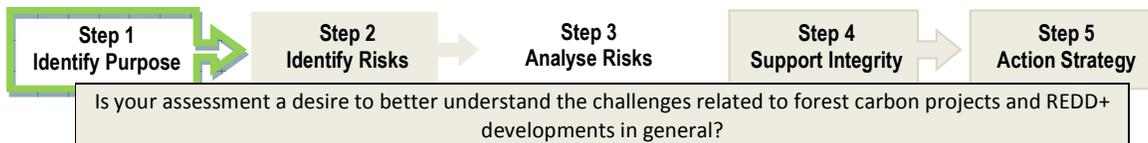| Is the assessment for internal use within your organisation to develop your own strategy for action? |
|---|

OR

Do you hope to bring together a range of actors to increase consensus on what needs to be done on REDD+ and / or forest carbon issues amongst a wider community?

Scope of assessment

Is your assessment being conducted in response to a specific instance or situation at either national or local level which you wish to explore further?

OR

Is your assessment a desire to better understand the challenges related to forest carbon projects and REDD+ developments in general?

Purpose of assessment

Will results of the assessment be used directly to inform and empower other actors to better understand a specific risk and what they can do about it?
OR
Do you anticipate results of an assessment will be circulated for wider publication and advocacy?

Target audiences

Who are the 'target' audiences for the assessment – in undertaking it, in disseminating the results acting on recommendations that come out of it?

By answering these questions you will begin to develop an idea of what type of approach to take to generate the information and understanding required for an assessment. The last question is particularly important as it will affect the way in which you develop the assessment – an assessment for a community looking to sign an agreement with a forest carbon project developer will be different from one developed for senior government officials responsible for National REDD+ strategy development.

> **Outputs**
>
> - A clear set of objectives that all of your team can agree on
> - An initial list of key actors within your focus areas - use Annexes 1 and 2 as appropriate to help identify key actors

Additional Resources

What is happening with regards to REDD+ within your country?

In developing a clear idea of the scope of the assessment it is important to gain a good understanding of what is happening at present 'on the ground' in your country, and who are the key factors involved. This can be done for both national and project level with a number of key information areas highlighted below:

National Level
- o   Has a national REDD+ Readiness process started in your country?
- o   Has your country already entered an agreement with a multilateral or bi-lateral donor to support REDD+ readiness? Is there an agreement which charts what will be done under this agreement?
- o   Who has been engaged in the process so far?

Project Level
- o   What projects exist within the country at the moment?
- o   Where are these projects?
- o   How big are they?
- o   Who is involved in developing these projects?

Annex A1 - Check List for Determining Status of Country regarding REDD+ Readiness Developments, and Key Actors in country, and **Annex A2** - Check List for Determining Status of Forest Carbon Project Developments and Key Actors in country provide an overview of this process and templates for capturing the information.

Answers to these questions can be gained through discussion with other organisations, and government officials as well as from a range of different sources including:
- •   National Forestry/Environment Agency / Ministry web sites or officials
- •   Websites of Additional Resources cited in Module 2

Who should be engaged in the assessment?

In **Module 3** we introduced the roles of actors and stakeholders in a corruption risk assessment. It is worth repeating here a simple clarification of these groups.

In general, the term "actor" is used to describe an individual or entity who is directly responsible for the functioning of a system, and the implementation of a practice or activity. The term "stakeholder" is applied to individuals or entities who have some interest in the system or activity, but are not necessarily directly engaged in it. Actors are also stakeholders, but the latter term includes a wider range of parties who might otherwise be left out if attention is focused only on those with direct responsibility in a particular process.

For the purpose of this manual, it is important to note that **in many cases the terms actor and stakeholder are interchangeable**. The main distinction to be made is when assessing an activity where a risk of corruption occurs - it is important to understand who is responsible for that activity, thereby clearly identifying the actors.

Identify Key Actors and Other Stakeholders

This can be done through a simple brainstorming exercise within your team to identify the key people and organisations you need to consult. It can be good to think of stakeholders by organisational background, geographical area, and thematic issues so as to get a broad spread of representatives for instance:

Organisational Background	Geographical location	Issue / Thematic area
• Government Officials • Donors • NGOs / INGOs • Civil Society • Private Sector • Media • Specific ethnic / social groups • Gender	• International • National • Regional • Local • Specific regions (e.g. areas of high forest cover)	• National REDD+ Developments • Forest Carbon Projects • Finance • Corruption • Agriculture • Forestry • Land

It should be recognised that national REDD+ developments and forest carbon projects will have impacts beyond those who are directly involved in implementing them and the assessment team can learn a lot from other sectors and specialist in other areas such as corruption and finance (***see also Module 3 and Annex B2 for additional information on identifying key actors and stakeholders).***

Facilitation note: Process is Part of the Strategy

Step 5 relates to the development of a strategy to utilise findings of the assessment, however, the development of the strategy really starts here. Deciding who you are targeting to participate in the assessment and how they will be engaged are all part of strategy to increase the impact of the assessment. Engaging key decision makers / actors during the assessment can be one of the most powerful tools to increase understanding of an issue and ownership of the recommendations that emerge.

Prioritise Actors and Stakeholders

At this point it will be important to reflect on the objectives you identified in Question 1 – to fulfil these objectives who should you engage with? It will be important to consider who has access to specialist information / knowledge, whose views will shape decisions, and who do you want to influence with the outputs of the assessment. Bear in mind that their views may be objective, may be influenced by other priorities, and help increase the legitimacy of the findings.

Facilitation note: Engaging with actors and stakeholders

Remember that although actors and stakeholders may be both organisations and individuals, ultimately you must communicate with people. Make sure that you identify the correct individuals within an organisation.

It is important to remember that your map of actors and stakeholders may be a "live" document which you will be adding to and amending throughout the risk assessment if new parties are identified. As the field of climate change and forest carbon initiatives is relatively new, there may be more stakeholders in particular to consider which are not immediately obvious. For example, the forest sector is not the only one where individuals are impacted by REDD+ developments and forest carbon projects, very often the agricultural sector plays a key role.

Output
- An outline of the key actors and stakeholder groups with whom you will engage during the assessment – then next step is to work out how to engage them and what approaches to use

What approaches will you use to generate information needed?

In answering the questions above you will have started to get an idea of the geographical and technical scope of the assessment as well as which stakeholders may be most relevant. These factors will play an important role in defining the types of approach that you might use to generate the information needed for an assessment. Examples of different approaches include:

Expert Analysis	Workshops	Small Scale Meetings	Expert Working Group
• This can be useful to increase the credibility of the assessment or to act as a starting point / resource during the assessment. • For instance a group of experts in the natural resource sector could work with you to develop and initial risk map (Step 2) and outline of instruments existing in the country (Step 4) these could then be used as a resource to prompt discussion in a broader stakeholder workshop which discuss both issues.	• Increasing participation by stakeholders increases awareness and understanding of the issues amongst participants. • It is of course also the most transparent way of conducting the assessment! • Workshops require more time and resources to conduct and will require good management to ensure that opinions of different stakeholders are heard and that discussion can be held. Issues may be contentious, in this way small group meetings may be better to prepare participants for a wider meeting.	• The issues being addressed within the manual can often be seen as contentious and difficult to address. • Small scale meetings with key stakeholder groups can increase their understanding of the issues and allow them to discuss them in an environment in which they feel comfortable – and in which it is easy to facilitate their inputs. • These meetings can then be used to inform expert analysis and / or a broader workshop.	• A number of experts, both national and international, may be willing to engage with the process over a longer period and provide regular inputs as needed. • By bringing together a group including experts in corruption, REDD+, forestry and natural resources there is the potential for more in-depth analysis than through one-off interviews. • They will also be able to provide valuable information that will help with wider consultation and may provide additional credibility to the assessment.

Step 1 Identify Purpose	→	Step 2 Identify Risks	→	Step 3 Analyse Risks		Step 4 Support Integrity	→	Step 5 Action Strategy

It is unlikely that you would use just one type of approach during all five steps but it will be important to think through:

- What approaches might be most relevant for the stakeholders whom you hope will participate?
- What information will they will need to know versus what they already have at hand (see question below)?
- What information you want to gain from them?
- How the approaches you use can most effectively contribute to the impact of the assessment and the achievement of its objective?

Remember: This manual is only intended as a guide to help users develop their own risk assessment or to guide others through it. You will need to develop a plan of how you implement the assessment and how you will adapt the information in this manual to achieve this.

Facilitation Note: All stakeholders may not get along!

Corruption is a difficult issue to talk about with many stakeholders, particularly those who may feel that they are being implicitly accused due to their existing positions of authority. Think through how you are going to engage with different stakeholders and how to discuss issues with them. One of the benefits of forest carbon and REDD+ is that you can emphasis the 'future' element of it in that we are building a new system that will be good rather than looking to find problems in an existing one!

Experience from the field:

Implementation of Forest Sector Corruption Assessments in Papua New Guinea and Malaysia

Experiences
- Stakeholders needed help to understand the objectives of the assessment and their inputs needed to be facilitated either in one to one or group meetings – an independent facilitator can aid large meetings
- Stakeholders needed initial basic training on the key issues (a morning of a workshop or introductory session to an interview)
- Gaining initial input from specialists to identify an example framework that other stakeholders could comment on helped discussion with some groups – particularly with Government
- Teaming up with a well respected Government institution, such as the Ombudsman, or individual, such as a Minister, at an early stage increases levels of participation and the legitimacy of the outputs
- Corruption was a sensitive issue with many stakeholders and it needed to be introduced slowly along with discussion of improvements in forest governance and transparency
- Having a variety of stakeholders in the same meeting, may have limited responses from some groups. Holding a number of small focus group style meetings for specific stakeholders could increase input – potentially with a final validation meeting that includes more people.

What do people know already?

Those stakeholders you have identified to be involved in the assessment may have very different levels of knowledge on corruption, the existing forest and natural resource sector, REDD+ and/or forest carbon.

The first step of engaging these groups is to provide them with support in understanding the background and the context of the assessment you are conducting. Module 1-3 provide information to help users in this process by introducing the concepts of corruption, REDD+, forest carbon and their linkages and providing links to further resources. The earlier questions in this Step will have helped users to get more information on what is happening in their country as well as developing clear objectives for the assessment all of which will need to be communicated to those participating in the assessment.

This process will also help you finalise the approaches that you need to take.

Experience from the field:
Keeping things simple

REDD+ and forest carbon projects are complex issues that include a lot of technical (carbon measurement and trading) as well as governance (who owns what, who manages what) issues, that many people have strong feelings about and that can be confusing to new comers.

As such it will be important to think carefully about the level of detail you introduce on new issues. Many of the corruption risks and tools to support integrity, accountability and transparency are very similar to those already existing within the Natural Resource sector. As such it can be effective to ask stakeholders to think through where existing challenges are and then to relate these back to the focus area.
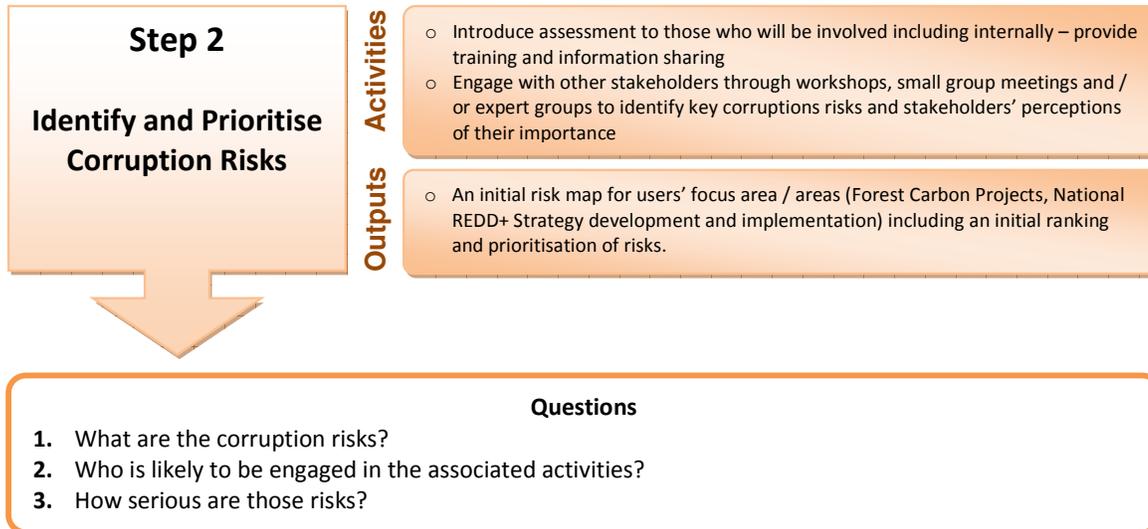
Step 2 **Identify and Prioritise Corruption Risks**	**Activities**	o Introduce assessment to those who will be involved including internally – provide training and information sharing o Engage with other stakeholders through workshops, small group meetings and / or expert groups to identify key corruptions risks and stakeholders' perceptions of their importance
	Outputs	o An initial risk map for users' focus area / areas (Forest Carbon Projects, National REDD+ Strategy development and implementation) including an initial ranking and prioritisation of risks.

Questions

1. What are the corruption risks?
2. Who is likely to be engaged in the associated activities?
3. How serious are those risks?

Having decided why you are doing the assessment, what you are focusing on and what approaches you will use you can start identifying the corruption risks and ranking them to identify priority risks. This can be done through the process of a **Rapid Risk Assessment** – this is the focus of Step 2.

This step will support users in conducting a rapid assessment of what corrupt risks may be, who is involved, and will start a process of ranking these risks to identify priority areas for monitoring and advocacy.

This step will take you through the process of:

o identifying potential and existing risks – using the idea of a 'risk map' divided by thematic areas

o identifying key actors engaged in the activities where risk occurs

o ranking those risks – based on likelihood and impact

A number of guide questions are provided below to help you think through these issues combined with the outputs of Step 1.

What are the activities where corruption might occur?

Once participants are sufficiently aware of the objectives and themes being discussed it is possible to start looking at where risks of corruption may occur within national REDD+ and forest carbon project development and implementation. This manual recommends utilising a basic Risk Map Framework to help the identification process. The framework is intended to help structure both discussions of the corruption risks with different stakeholder groups and the presentation of the risks at the end of the assessment to the intended recipients. *The overall framework is introduced in Module 3* and is based on a division of the processes that surround national REDD+ and forest carbon development and implementation

Policy Legislation and Regulation
• What policies and regulations exist and how are they developed and by whom

Financial and Economic Flows
• Where do financial flows occur and who do they go to
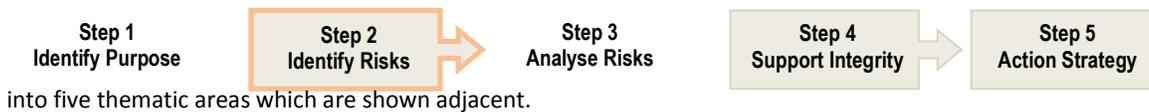
Application Activities
• What activities will be undertaken as part of the national / project process

Performance Monitoring and Reporting
• What is being monitored and how is it being monitored and by whom

Enforcement
• Enforcement of laws and regulations

into five thematic areas which are shown adjacent.

Facilitation Note: Clarifying Activities

National REDD+ development and forest carbon projects are complex issues that most stakeholders will not be familiar with.

Clarifying the types of activities that could be undertaken under each theme and how these are explained will be important to ensure a good discussion. Conducting a mini training in advance of any workshop and ensuring that there is a facilitator with specialist knowledge who can help resolve confusion and disagreement may greatly help you achieve your objectives.

Within each of these thematic areas a number of activities can be identified that will be undertaken during the development and implementation of national REDD+ processes and / or forest carbon projects. Examples of these activities have been discussed in Module 2, but there will be activities specific to each assessment depending on the status of REDD+ development and forest carbon projects in an individual country. Annexes A3 and A4 provide further examples of the types of activities that may form the basis of the corruption risk assessment. This breakdown of activities will then be discussed with stakeholders to generate input regarding the corruption risks associated with each one.

What are the corruption risks?

The purpose of this step is then to identify within these action areas what corruption risks exist or may exist, and the associated corrupt practices (illustrated in Figure 15). Annexes A3 and A4 provide examples of the types of corruption risks that may arise, but again these may be specific to individual country situations. The risks can be captured through stakeholder consultation, workshops and individual interviews, depending on the approach selected in Step 1.

It is also helpful to identify the corrupt practices that are associated with risk – in other words, what is actually taking place that is a corrupt act, such as bribery, fraud or undue influence. Again these actions are identified by stakeholder consultation.

This process is intended to be a rapid risk assessment with key activities and corruption risks being identified. The next question in this step will then who is directly involved in these practices.

Who are the actors directly involved?

Against each of the activities and corruption risks identified above, it is important now to identify the actors involved. In other words, who is responsible for the activity being successfully executed, and therefore may be involved or susceptible to the associated corruption risk and corrupt practices.

Depending on where the corruption risk occurs, actors can be identified at both national and sub-national or local levels. Examples of actors who may be directly involved in the activities under review are provided in Annexes A3 (national REDD+ developments) and A4 (forest carbon projects). For example, these are likely to include national authorities responsible for assigning land use rights, traditional authorities where applicable, private companies, project developers, and local communities. A list of actors and stakeholders specific to each assessment will have been generated in Step 1. This step will now clarify the actors associated with each activity under review.

A snapshot of Annex A3 is provided in Figure 15 below to demonstrate how these steps result in information that can be captured in tabular form. The corruption risks identified here will then be

prioritised and further analysed in Step 3. For the purposes of creating a single table that can capture information through to the analysis stage, the columns do not necessarily follow the process in a linear manner but this should not affect the way it is used. As this is intended to be a guidance tool, users may adapt the table to meet their particular needs.

Figure 15: Corruption Risk Assessment Process

| Activity	Actors Involved		Corruption Risk	Associated Corrupt Practice
	National	Sub-National / Local		
Policy Legislation and Regulation – areas of policy formulation required during the 'readiness' phase				
Allocation of Carbon Rights - Licensing	MoF and/or Min Environment/Other authority; Political elites, international and national logging companies, agribusiness	Project developer, local elite, Indigenous communities, forest dependent communities,	Inequitable allocation of carbon rights to favour political elites. Implementation compromised by regulatory agency activity already present – i.e. forest management, public sector auctions	**Undue Influence or bribery** – to link carbon rights to state-owned land titles or logging concessions excluding customary rights or communities from having control over the carbon and potentially the revenues.

Output
- A basic risk map of what risks may occur in your focus area and which actors are relevant

How serious are those risks?

Once corruption risks have been mapped, it is important to draw on stakeholders to assess the severity of each risk identified.

The severity of any risk can be assessed by analysing the two components of severity – impact and likelihood.

Figure 16: Risk Map
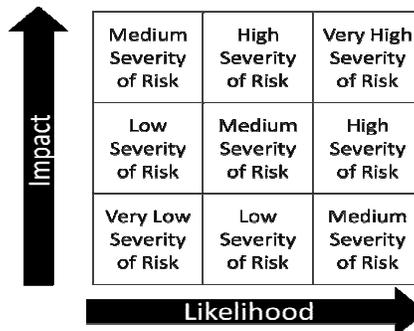
Facilitation Note: Why Prioritise?

As can be seen from Annexes A3 and A4 there are a large number of potential corruption risks that may occur during the development and implementation of forest carbon projects and or national REDD+ development. Prioritising risks at this stage allows you to begin to identify some key risks that need to be addressed and to reduce focus on those that may be less important.

The process of assigning priority to a corruption risk may be a little subjective according to the priorities of the stakeholders providing input. It is therefore essential that the facilitator has access to impartial expert opinion within the pool of stakeholders, and is able to maintain an objective approach. Ideally consensus can be reached as a group during this stage, however, assigning priority is not an exact science.

If you do not have a large number of risks you may want to merge the following parts with Step 3.
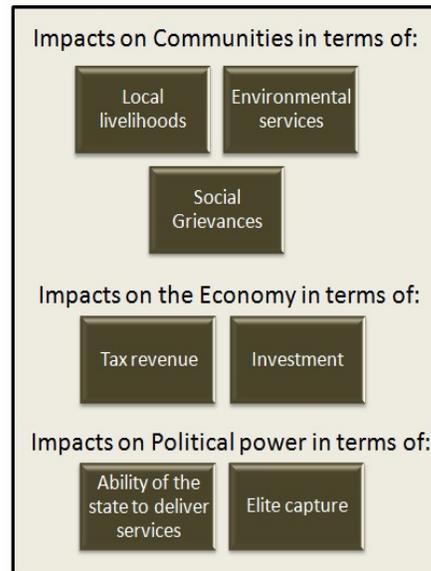
Assessing impact:

Assessing the impact corruption could have is not an easy process[18]. Relatively little objective information exists and where data does exist it can often be heavily influenced by where the impact is taking place and the perspective of those assessing the level of impact (see Box 6).

It is therefore important to recognise that the participants' assessments of impact will be affected by their own personal experiences or organisational bias. Identifying these differences can be an important element of the assessment, providing a learning opportunity for different stakeholders to understand the impacts of corruption on each other.

It is not suggested that you try to cover every different area and perspective on the impacts of corruption (some of which are identified in Box 7) however, it is important that a range of views on impact are considered within the assessment to ensure that rankings are accepted by your target audience as legitimate.

An example of ranking a corruption risk from 1-5 on the basis of its impact is presented in the table below.

Box 6: Examples of different impact areas

Impacts on Communities in terms of:

Local livelihoods

Environmental services

Social Grievances

Impacts on the Economy in terms of:

Tax revenue

Investment

Impacts on Political power in terms of:

Ability of the state to deliver services

Elite capture

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[18] For further information on the types of corruption please see Box 1

| Step 1 Identify Purpose | Step 2 Identify Risks | Step 3 Analyse Risks | Step 4 Support Integrity | Step 5 Action Strategy |

Table 10: Example of impact ranking

RANK	Level Of Impact	Consequence		
		Governance	Human	Financial
1	INSIGNIFICANT/NIL	No impact	None	$0
2	MINOR	No undermined	Few individuals	< $ thousand
3	MODERATE	If stopped, would recover rapidly	Many individuals	$ thousands - millions
4	MAJOR	Even if corrected, would be compromised for some time	Many individuals	$ millions - billions
5	CATASTROPHIC	Irreparably undermined	National	$ billions

Assessing Likelihood
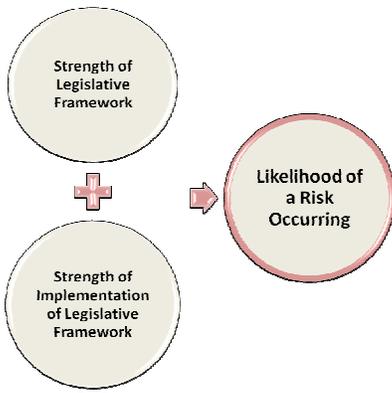
The likelihood of a corrupt practice happening is often a combination of two elements; the strength of the legislative framework and the strength of the implementation of that framework. While other factors may play a part they are often difficult to quantify.

An example of ranking a corruption risk from 1-5 on the basis of its impact is presented in the table below.

The combination of the two elements of assessing severity – impact and likelihood – are then presented in table 11 below. A Risk level is calculated by multiplying the ranking for likelihood by the ranking for impact. The resulting risk figure is an indication if the severity of the risk.

Table 11: Example of likelihood ranking

RANK	OCCURANCE	PROBABILITY	DESCRIPTION
5	ALMOST CERTAIN	1 in 10 chance	LIKELY TO OCCUR
4	LIKELY	1 in 100 chance	WILL PROBABLY OCCUR
3	POSSIBLE	1 in 1000 chance	MAY OCCUR OCCASIONALLY
2	UNLIKELY	1 in 10,000 chance	DO NOT EXPECT TO HAPPEN
1	RARE	1 in 100,000 chance	DO NOT BELIEVE WILL EVER HAPPEN

At this stage of the assessment of both the strength of the framework and its implementation the analysis should still be conducted in a 'rapid way' with stakeholders providing an aggregate score for the two elements to provide an indication of likelihood. A comments box however should be included to provide an indication of why the score was given based on strength of the framework and the strength of implementation – this information will be used more in Step 3.

Table 12: Risk ranking overview

LIKELIHOOD			Insignificant	Minor	Moderate	Major	Catastrophic
	5	Almost Certain	Low	Significant	High	High	High
	4	Likely	Low	Significant	Significant	High	High
	3	Possible	Low	Low	Significant	High	High
	2	Unlikely	Very Low	Low	Significant	Significant	Significant
	1	Rare	Very Low	Very Low	Low	Low	Significant
IMPACT			1	2	3	4	5
RISK			**Impact X Likelihood** **1 - 25**				

Validating the results

Having conducted an initial ranking on the severity of the different risks it can often be good to conduct an initial validation of the results – either at the end of a workshop or through presentation of the results of expert analysis at a wider stakeholder meeting – this can help build consensus on where efforts should be made to address corruption.

> **Output**
> - A basic risk map of what risks may occur in your focus area and which actors are relevant – See Annexes A3 and A4 for examples and proposed template for capturing information

Figure 17: Example of initial rapid corruption risk map with ranking columns (ILLUSTRATIVE only)

Activity	Actors Involved		Corruption Risk	Associated Corrupt Practice	Ranking (1-5)		Risk
	National	Sub-National / Local			Impact	Likelihood	Impact x Likelihood
Policy Legislation and Regulation – areas of policy formulation required during the 'readiness' phase and how they interact with existing policy and regulation							
Design and development of National REDD+ Strategy	Political elites, international and national logging companies, agribusiness (oil palm, sugar cane, jatropha etc), military	Logging and agribusiness companies - local and international, political elite	Design a REDD+ strategy that is preferential to specific actors Can result in identification of strategies favourable to particular interests only. Skewing land use policy	**Undue influence; Bribery:** to officials to ignore information **Bribery or Fraud:** by international consultant to influence REDD+ planning and gain contract	5	3	15

Facilitation Note: Approaches to gaining Data – Perception vs 'Objective' Information

Objective and reliable information on the impact and likelihood of corruption within a sector is difficult to obtain and will be very difficult to quantify for new topics such as National REDD+ developments and forest carbon projects. However some basic information can be gained from looking at information on the existing sector such as statistics on forest sector production levels, tax receipts, revenue flows, and enforcement actions. Equally existing analysis by independent monitors such as NGOs, the World Bank, World Resources Institute, Chatham House, Global Witness, and Transparency International or certification bodies such as Forest Stewardship Council, or Voluntary Carbon Standards can all provide useful resources to help inform analysis / debate.

This information should also be combined with information on stakeholders' perceptions of corruption, and can be used in more detail in Step 3 and 4 to analyse the causes of the corruption risks and to develop a way of communicating the risks to the target audiences.

Experience from the field: Corruption, Integrity and Transparency – Perception or Fact

The very nature of corruption makes it difficult to accurately quantify its occurrence and impacts. Some data sources do exist but they may only assess impact in a certain area on in a certain way – for instance by putting a US$ figure to it.

People will however have their own perceptions of corruption, transparency, accountability and integrity. These perceptions may correlate with existing information or may vary widely depending on specific experiences or areas of interest.

For example if you asked a forest community, a legal logging firm, and the government what the impacts of illegal logging are you would get three very different answers – the community may say it destroys the forests that they use to collect traditional medicines making them more vulnerable to illness, the legal logging firm may say that it makes it impossible for them to make profit as people are undercutting them, and the government may say that it results in a loss of revenue to them making it more difficult for them to provide other services. These are all valid impacts but occur at very different scales and will be seen as with varying degrees of importance.

The perception of the severity of the impact would also vary. For instance if corruption led to the destruction of one small area of forest only in a remote area of the country it may not be seen as a significant issue by government officials or the private sector who would identify it as an isolated incident – for the community that relied on the area for their livelihood however the impact would be very sever!

Gaining different perceptions on the likelihood and impact of corrupt practices can help in a process of dialogue between different actors with different interests and can lead to better policy or enforcement outcomes. Careful management of this interaction, however, is vital to ensure that everyone is able to contribute effectively. It is also essential to gain balanced information before presenting it to other stakeholders – an analysis of the impact of corruption based solely on the villager mentioned above would be useful to highlight issues in their area but would be of little value if it was presented as an analysis of all forest management in the country.

It is therefore important to consider how the ranking is done, by whom it is done and what the purpose of the output is.
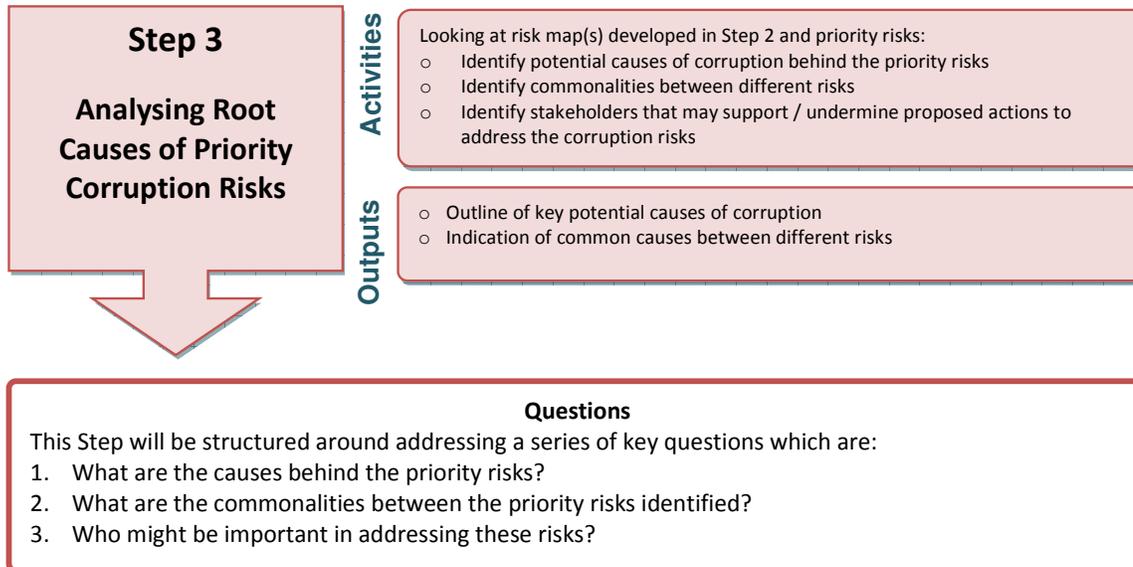
Step 1 Identify Purpose	Step 2 Identify Risks	Step 3 Analyse Risks	Step 4 Support Integrity	Step 5 Action Strategy

Step 3

Analysing Root Causes of Priority Corruption Risks

Activities

Looking at risk map(s) developed in Step 2 and priority risks:
- Identify potential causes of corruption behind the priority risks
- Identify commonalities between different risks
- Identify stakeholders that may support / undermine proposed actions to address the corruption risks

Outputs

- Outline of key potential causes of corruption
- Indication of common causes between different risks

Questions

This Step will be structured around addressing a series of key questions which are:

1. What are the causes behind the priority risks?
2. What are the commonalities between the priority risks identified?
3. Who might be important in addressing these risks?

Having identified priority risks the next step in the assessment is to identify what may be the cause of those risks, in other words why do they occur? Analysis at this stage will be strengthened by discussions with key experts in the natural resources sector, in corruption and in national REDD+ development / forest carbon projects. This information can then be used within facilitated group discussions to gain feedback and to validate outputs. At this stage many elements that are being discussed may be sensitive and therefore difficult to discuss in an open forum, so ways of approaching the analysis must be carefully considered.

What are the root causes behind the priority risks?

The analysis of causes behind the risks can be built onto the assessment of the likelihood of risks introduced in Step 2 above (the assessment can be done at the same time if a limited number of risks have been identified). Analysing root causes facilitates the identification of strategies to address corruption at its base. Root causes of corruption will be country specific and will be based on the interaction between the characteristics of the natural resource itself and the existing political, economic and social context. Root causes of a corruption risk may be quite complex and involve a number of different factors. While personal gain may appear to be the most obvious cause for an individual to engage in a corrupt practice, there will be other external factors which influencing whether or not the corruption can take place. Causes can be broadly divided into:

Motivations (what can be gained) a*nd* **Situational Factors (what allows motivation to be acted on)**

Motivations are by nature subjective and very difficult to change through collective action. Personal and organisational gain, political power and influence are the most immediate motivations likely to be encountered. For each actor that has been identified in the corruption risk assessment, it is worth a rapid "brainstorming" with the stakeholder groups to capture some of the key motivations that might drive each actor to engage in the corrupt practice.

For purposes of this manual, it is most useful to focus on **Situational Factors** which influence whether or not an individual can act on their motives for corruption. As discussed in Module 1, to identify situational factors or nation-specific causes of corruption, it is helpful to look at the underlying context in which

corruption is taking place through analysing **structures, institutions and political processes** that are in place in the country, and particularly in the sectors engaged in REDD+ development and forest carbon projects. An example of how to break down situational factors in order to identify specific causes of corruption is demonstrated below.

STRUCTURES: fundamental factors that shape the situation such as role of the resource in national revenue; access to resource (endowments), etc.

INSTITUTIONS: refer to the formal and informal rules and relationships including cultural norms, governing the behaviour of actors

POLITICAL PROCESSES: relationship between social groups and the state regarding use, production and distribution of resources. They occur within the constraints established by the framework of institutions and structures.

Example questions to help lead a discussion on this are provided in Box 7 below.

Discussions with experts in the field of corruption, REDD+, forest carbon projects, and the natural resources sector will add further depth to the analysis and may broaden understanding of the challenges.

Box 7: Example questions to support analysis of causes of corruption

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Motivation
- Whose interests are served by a corrupt practice continuing / being stopped?
- How powerful is the key actor identified as associated with this risk? Who do they influence?

Situational Factors
Structures
- What is the governance structure impacted by this risk?
- Where is the resource located and how important is it to national / regional economics?
- What effect does regional security have on the stability of the political stability of the country?

Institutions
- What type of state exists – democratic, autocratic?
- What is more important in the running of the state – formal regulations or informal alliances?
- What type of capacity is there / lacking (e.g. technical capacity, operational capacity)?
- Which specific activities are affected by the lack of capacity? (e.g. detection, investigation, enforcement/levying of sanctions)

Political processes
- What are the political barriers to implementation of legislation?
- Where does the power to maintain/stop corruption come from – economic support, political support, social ties?
- What trends can influence this power?
- What other social groups do the ruling elite have to listen to?

Step 1 Identify Purpose	Step 2 Identify Risks	Step 3 Analyse Risks	Step 4 Support Integrity	Step 5 Action Strategy

In order to capture the causes identified in this part of the analysis, it is helpful to use a table format. Annex A7 provides an example template that can be used for both Step 3 and Step 4, and will be referred to again in the following section.

Figure 18: Example of table capturing root causes (ILLUSTRATIVE only)

Priority Corruption Risk	Level at which Risk occurs	Possible Root Cause(s)
Policy Legislation and Regulation		
Design of a REDD+ strategy Strategy designed that is preferential to specific actors with vested interest, skewing land use policy.	National	Highly valuable resource with complex management as it is not physical *(situational)* Institutions / authority for managing REDD+ not clearly defined *(institutional)* Legislation specifically relating to management of forest carbon is not in place *(political)*

> **Output**
> • Priority risks with associated actors are used as the foundation for identifying root causes. This can start to be captured in tabular form.
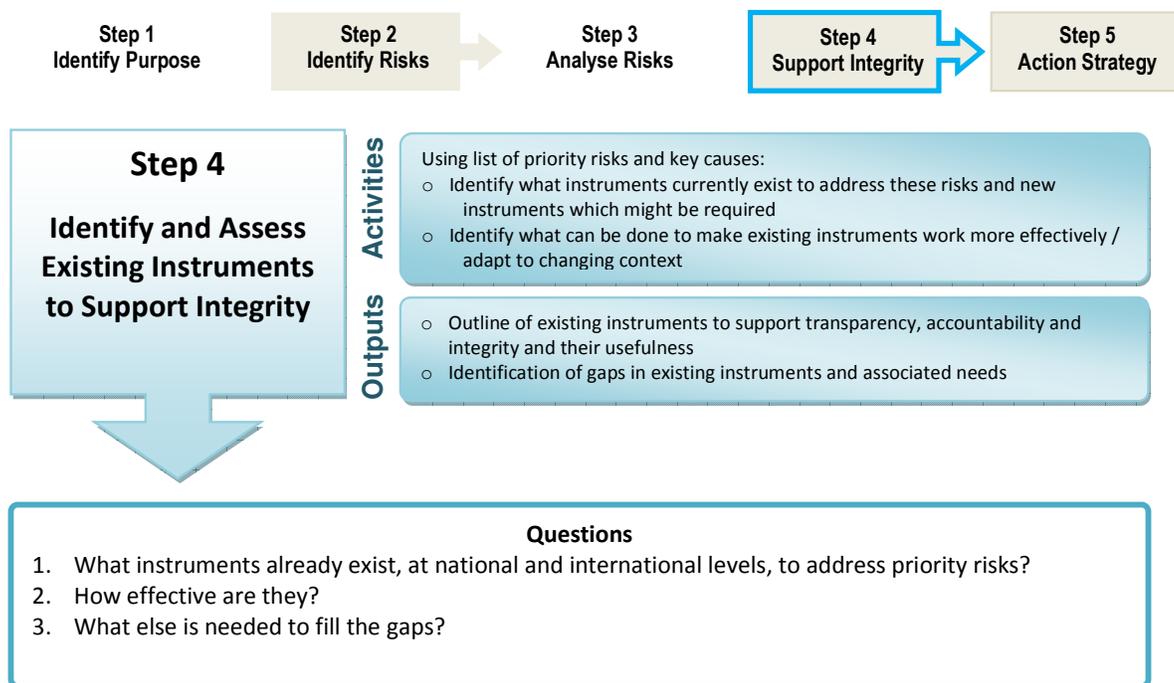
What are the commonalities between the priority risks identified?

In order to identify what strategies should be used to address potential corruption risks and build transparency, accountability and integrity it is helpful to look at what commonalities exists between the different risks with regard to actors, corrupt practices, existing instruments and their implementation.

Investigating these commonalities will allow users to identify key cross cutting issues within the risks that can be addressed in an Action Strategy. This will be further explored in Step 5.

> **Facilitation note:**
>
> It may be possible at this stage to draw out some important cross cutting issues that can be discussed further – risks could then be grouped under these headings to facilitate

Step 4

Identify and Assess Existing Instruments to Support Integrity

Activities

Using list of priority risks and key causes:
- Identify what instruments currently exist to address these risks and new instruments which might be required
- Identify what can be done to make existing instruments work more effectively / adapt to changing context

Outputs

- Outline of existing instruments to support transparency, accountability and integrity and their usefulness
- Identification of gaps in existing instruments and associated needs

Questions

1. What instruments already exist, at national and international levels, to address priority risks?
2. How effective are they?
3. What else is needed to fill the gaps?

Having prioritised the corruption risks and analysed potential root causes behind them, the next step towards building an effective strategy to address and mitigate the risks is to determine what instruments exist to address these risks and how well are these instruments working? Are there gaps in the available "toolkit" to address risks in forest carbon projects and REDD+ and if so, how can these be filled?

As with Steps 1-3, analysis of the instruments to address corruption risks through facilitated discussion with a number of stakeholders or through more detailed analysis by experts will be helpful to gain a wider perspective on existing "toolkits" and identification of needs.

What instruments currently exist to address priority corruption risks?

Module 1 first introduced the concept of instruments to address corruption, and Table 1 cites examples. A legal framework that supports transparency, accountability and integrity is not all that is needed to prevent corruption but it is necessary as a basic instrument to support efforts to prevent corruption. Being aware of the legal situation will be critical in identifying what the next steps are to addressing risk. This framework may also be supported by a number of different non-regulatory instruments. In summary, instruments can be identified as falling into four categories:

- Legal instruments
- Non-Legal International Standards / Initiatives
- Independent Monitoring and Research
- Citizen centred anti-corruption programmes and projects

A full list of the four categories (including legal instruments) is within Annex A5 along with examples.

Identifying which of these instruments are currently in operation in your country will be important in order to identifying whether it is a weakness in the existing framework or the implementation of this that leads to corruption risks. Questions to help guide this analysis include:

- What are the laws / regulations at the moment? – Annex A6 provides an guide to legislative instruments that may be present in the assessed country, and can facilitate this analysis.
- Have they been recently (re)formed?
- How are they available to the public?

Facilitation Note: What is an Instrument?

An instrument is a general term referring to a written guideline, process or contractual obligation that guides the implementation of a practice. Instruments may also be known as "tools" as they guide and direct a practice, and collectively form a "toolkit" for application to a process.

There are a number of different international and national normative instruments and initiatives that can be utilised to support efforts to address corruption and these fall into four categories as described in the text – Legal instruments; Non-legal standards or initiatives; Independent monitoring and research initiatives; and Citizen centred programmes and projects to counter corruption.

Your assessment team may come up with a number of examples of instruments within these categories which we have not captured here.

As noted above, legislative instruments are not the only ones to take into consideration and the exercise above will capture the full range of instruments. At this point it is also helpful to do an in depth review of the existing legal framework, including motivations for failings in implementation of this framework, as illustrated below:

What is the legislative situation?
A legal framework that supports transparency, accountability and integrity is not all that is needed to prevent corruption but it is necessary as a basic instrument to support efforts to prevent corruption. Being aware of the legal situation will be critical in identifying what the next steps are to addressing risk.

- What are the laws / regulations at the moment? – Annex XXX provides an overview of some legislative instruments that can facilitate this analysis these are organised under the headings
- Have they been recently (re)formed?
- How are they available to the public?

Who is involved within each area?
The different motivations, interests and capacities of each actor group are critical in assessing how well laws and regulation are both developed and implemented. Identifying key actors that support as well as present challenges to transparency accountability and integrity is critical to developing strategies to improve them

- Who makes the laws and regulations?
- Who enforces them?
    o Are these the same people who make the laws and regulations?
- How high is their capacity / political will?
    o Where are there significant capacity constraints to implementing the law – is this lack of capacity operational (not enough people, resources) or technical (lack of understanding of legal code)

What has been done so far?

How are the laws / regulations implemented?
How are they enforced?
What role does Civil Society play?

What new instruments may be needed?

Through the above questions you should have begun to identify key areas of weakness in the legislative framework as well as challenges in the incentive structures that exist to the actors responsible for developing and implementing it. National REDD+ development and forest carbon projects are intended to adjust the incentives for actors within the sector and it is therefore important to identify what additional instruments may be relevant to address these weaknesses and incentives. The lists of instruments provided in Annexes A5 and A6 can help to guide this discussion, and it will be greatly assisted by input from stakeholders and experts.

> **Output**
> • An list of potential additional instruments that can be used to address gaps in the existing framework and causes / drivers of corruption

It will be important to assess the causes/drivers identified to look for commonalities between them as this will be important in both identifying other potential instruments (next question) and developing a more comprehensive strategy to address corruption risks (next step).

In order to capture the information on instruments identified in this step of the analysis, it is helpful to use a table format. Annex A7 provides an example template that can be used for both Step 3 and Step 4, and builds on the information gathered in the previous step.

918: Example of table capturing root causes, existing instruments, effectiveness and gaps (ILLUSTRATIVE only)

Priority Corruption Risk	Level at which Risk occurs	Possible Root Cause(s)	Instruments to address cause	Effectiveness of Instrument	Change Required (New Instrument /improved instrument)
Application Activities – to cover all activities likely to be part of implementation of the forest carbon project, including safeguards.					
Development of project baseline reference emission levels: False baseline given to enhance emissions derived from project Provision of false information or monopoly of national or local data	Project level	High potential market value of resource and complex methodology for measuring *(situational)* No qualified national institutions for oversight *(institutional)* No legislation specifically addressing carbon measurement *(political)*	Voluntary standards for forest carbon projects	Methodology still in development Standards are voluntary and methodology complex so difficult to assess.	Independent monitoring to ensure standards are followed Agreement or treaty on methodology for establishing reference levels.

> **Output**
> At the end of this step users should be able to:
> • identify existing instruments that should be used to strengthen integrity, transparency, and accountability
> • assess the effectiveness of these instruments
> • identify gaps in the instruments available which need to be filled

Step 5

Developing a Strategy for Action

Activities

o Identify key entry points into process which will have maximum impact towards the objectives stated in Step 1
o Consider assessing priority again to select those priority risks which have best potential to be addressed by the user s

TI to complete this step

Outputs

Suggested outputs
- o identify key entry points for action in promoting integrity
- o identify key monitoring activities that can be undertaken
- o identify key instruments that should be implemented to improve integrity in current and future forest carbon and / or national REDD+ processes
- o develop clear action and communication plans to implement activities

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Questions

Suggested questions to cover:
1. Are your objectives still the same?
2. How can you best address the gaps in the framework / drivers identified in Step 3?
3. What resources do you have available?
4. How can you effectively communicate your findings and stimulate action?

Experience from the field:
Low hanging fruit or maximum impact?

In identifying what instruments to focus on and an approach to do this – where it is monitoring the implementation of an existing one or supporting calls for a new one, users will have to decide how to use their resources most effectively. Part of this will be to decide whether to adopt an instrument that tackles some of the core issues and whose impact would be large if difficult to achieve, or to go for actions that are easier to achieve but may only make a small difference. This decision will be central to part of your organisational / group strategy and each country will have a specific set of circumstances that help define that decision. However the two may not be mutually exclusive with progress towards small goals often facilitating discussion on and the achievement of larger ones.

Transparency International utilise this approach as an international network engaging with almost any group if they see the opportunity to make small improvements. While some of these may not make a large difference they often do open doors to discuss larger issues and begin a process of cultural change that may be necessary before larger goals can be achieved. As such it is important to see what can be achieved in the short term while not loosing track of your long term goals.

Step 1
Identify Purpose

Step 2
Identify Risks

Step 3
Analyse Risks

Step 4
Support Integrity

Step 5
Action Strategy

SUGGESTIONS FOR STEP 5 (from IDL and reviewers):

5. Consider starting with another round of prioritising risks – using priority risks identified in Step 2 and the associated analysis, this prioritisation will focus on those risks that the users are MOST LIKELY to be able to address in an Action Strategy

6. In the strategy it would be worth going into more detail, or recommending that the users go into detail during their strategy development, of the various different roles that civil society actors can play in different REDD+ and forest carbon activities. Needs to be clear how to relate the results of an assessment directly to evidence based advocacy

7. Incorporate development of new instruments needed (identified in Step 4 to fill gaps) as part of the actions.

8. Treat advocacy for national REDD+ and forest carbon projects separately if possible as strategies for addressing risks will be different.

Annexes

The Annexes are divided into two types for ease of access and application.

The first type (A) comprises the Active Templates which relate directly to guidance in the text in Modules 1-4. These template annexes are intended to be used and modified as required by the users of this manual. These annexes can serve as the foundation of the users' own customised country-specific tools.

The second type (B) is a series of Resource Annexes which are intended to provide additional information to complement the information in the body of the manual.

List of Annexes

Active Template Annexes:

- **Annex A1:** Check List for Determining Status of Country regarding REDD+ Readiness Developments, and Key Actors

- **Annex A2:** Check List for Determining Status of Forest Carbon Project Developments and Key Actors in country.

- **Annex A3:** Generic map of corruption risks in national REDD+ development

- **Annex A4:** Generic map of corruption risks in forest carbon projects

- **Annex A5:** Existing Anti-Corruption Instruments

- **Annex A6:** Checklist for legislation (laws and regulations) related to governance of the forestry sector

- **Annex A7:** Mapping Root Causes of Priority Corruption Risks

Resource Annexes:

- **Annex B1:** Current Discussion on Linking Forest Carbon Projects and National REDD+ Processes (Ref. Module 3).

- **Annex B2:** Stakeholder Mapping (Ref. Module 3)

- **Annex B3:** Useful References / Resources

- **GLOSSARY**

Annex A1: Check List for Determining Status of Country regarding REDD+ Readiness Developments, and Key Actors

Note: *Text in italics presents information that may be gathered and examples of actors who may be involved. These examples are provided for guidance purposes only and need to be replaced with actual information by users.*

Decision Point or Activity	Status	Actor(s)
National Preparation		
Has the country entered into an agreement regarding REDD+ development (i.e. signed a Partnership Agreement with FCPF)?	*Cite name of agreement/entity country is entering into partnership with, and date signed.*	*Ministry responsible for agreeing to REDD+*
Has the country received a grant to develop a National REDD+ plan?	*Look on UNFCCC site* *Other relevant data sources for this?*	*Bi-lateral or Multi-lateral donors* *National body designated responsible for REDD+ developments (see below)*
National Coordination and Management of REDD+		
Has a national body been established to address climate change issues in general?	*Cite relevant information for this i.e.* - *date formed* - *where located in government, who oversees body* - *objectives*	*Name of body and composition* *Structure of governance for this – who reports to who*
Is there a national body or alliance specifically to address forests and climate change?	*Cite relevant information for this i.e.* - *date formed* - *where located in government, who oversees body* - *objectives*	*Name of body and composition* *Structure of governance for this – who reports to who*
Is there a National REDD+ Working Group?	*Usually located within Ministry responsible for forests.*	*Cite composition of WG and governance restructure*
Is there a REDD+ Task Force or similar group?	*A Task Force is often a cross-sector, cross-agency coordinating mechanism for implementation of REDD+ associated actions and information exchange. May be donor driven.*	*Cite composition of WG and governance structure*
Any other national level entity addressing forests and climate change?	*As above – cite details*	*Name of body and composition* *Structure of governance for this – who reports to who*
REDD+ Framework Developments and Policies		
Has a National REDD+ Action Plan been developed (R-PP / NPD or other)? Has it been	*Cite who prepared, date when submitted (if applicable), when approved (if applicable).*	*Body or agency responsible for submitting R-PP*

submitted to the funder? Has it been approved?	*Ref FCPF Website, UN-REDD+ Website, individual donor websites*	
REDD+ Implementation Policies and Related Measures		
Has a grant management facility been developed?	*A facility may be established specifically to manage donor funds for REDD+ implementation purposes.*	*Name of body and composition*
Are other arrangements for forest carbon financing being developed?	*Other financing mechanisms may be in development.*	*Entities involved – likely financial institutions or private sector*
Has the country undergone a review of the forestry sector?	*A REDD+ country may be required by donors to conduct a review of its forest and plantation sectors in terms of relevant policy and practice, including strengths, weaknesses and gaps in their respective operational, institutional, regulatory, and technical resources and capacities.*	*Relevant ministry or agency* *Academic institute*
Have any recent measures been taken regarding forest sector data collection, management, and mapping?	*REDD+ will require high quality data on forest classification, forest coverage and demarcation, land use, disbursement of permits and valid titles.*	*Relevant ministry or agency* *Academic institute*
Has the government developed any policies or regulatory measures specifically related to forest carbon and REDD+ processes?	*New policies will probably need to be developed i.e. identification and distribution of benefits from forest carbon.*	*Relevant ministry(ies) or agency(ies) responsible for forest resources and land use*
Decisions and Activities related to REDD+ Project Implementation		
Are there any new regulations specifically pertaining to forest carbon project and REDD demonstration activities?	*Implementation of REDD+ projects will require regulation regarding, for example, type of activity, location of activity in country, and national carbon accounting mechanism.*	*Relevant ministry(ies) or agency(ies) responsible for forest resources and land use*
Have pilot sites been identified in country?	*The respective authority in a REDD+ country may designate certain regions as sites for pilot projects*	*Respective body implementing REDD at national level*
Are there any projects underway?	*There may be REDD+ demonstration projects and / or independent forest carbon projects aimed at the voluntary market which can serve as pilots for REDD+.*	*Respective body implementing REDD at national level* *Project proponents and/or Project developer* *Supporting NGOs*
Reference Levels, Carbon Accounting and Carbon MRV		
Has the country developed a national reference level?	*The current level of carbon stock held in forest ecosystems must first be established before accounting for a reduction in emissions. It is a technical and complex process to capture data for a reference scenario but is a requirement for REDD+*	*Respective body implementing REDD at national level* *Academic institute*
Is there a mechanism in place	*Once the carbon stock has been quantified,*	*Respective body*

for a National Forest Carbon Accounting System?	emissions levels must be established for the country and forest carbon credits are managed through a comprehensive National Forest Carbon Accounting system. Likewise, this is a requirement for REDD+	implementing REDD at national level Academic institute
Has an agency or organisation been created to manage the Monitoring, Reporting and Verification ("MRV") of forest carbon? Who supervises this body?	Monitoring, reporting and verifying forest carbon credits is a complex technical process which will be new to all REDD+ countries and requires the establishment of an independent MRV body.	Respective body implementing REDD at national level Academic institute

External sources of information to use in addition to internal stakeholder consultation:

__International__
- **FCPF – The Forest Carbon Partnership Facility**
  Provides a range of resources on REDD+ including guidance on how to become REDD+ Ready within the framework of the FCPF. Also has country 'dashboard' of progress to see where your country has got to.
  http://www.forestcarbonpartnership.org/fcp/

- **UN-REDD**
  Has a wide range of resources on REDD+ as well as a regular newsletter on REDD+ information.
  http://www.un-redd.org/

- **REDD Monitor**
  An anti-REDD+ advocacy website that provides regularly updated information and articles
  www.redd-monitor.org

- **The REDD Desk**
  A collaborative resource providing access to a wide range of resources on REDD+
  www.theredddesk.org

__National__
- **Relevant ministry housing REDD+ initiative if applicable, i.e. Ministry of Forestry**
- ***More information on national information sources can be provided by the Country Chapter prior to facilitation of risk assessment.***

Annex A2: Check List for Determining Status of Forest Carbon Project Developments and Key Actors in country.

Note: *Text in italics presents information that may be gathered and examples of actors who may be involved. These examples are provided for guidance purposes only and need to be replaced with actual information by users.*

Decision Point or Activity	Status	Actor(s)
National Coordination and Management of REDD+ and forest carbon projects		
Is there a National REDD+ Working Group?	*Usually located within Ministry responsible for forests. Should have knowledge of sub-national REDD+ associated projects in-country.*	
Is there a REDD+ Task Force or similar group?	*A Task Force is often a cross-sector, cross-agency coordinating mechanism for implementation of REDD+ associated actions and information exchange. May be donor driven. Should have knowledge of sub-national REDD+ associated projects in-country.*	
Project Level		
Are there any new regulations specifically pertaining to forest carbon project and REDD demonstration activities?	*Implementation of formal REDD+ projects, when this stage is achieved, will require regulation regarding, for example, type of activity, location of activity in country, and national carbon accounting mechanism.* *In the meantime however, forest carbon projects for the voluntary market do not require a national level regulation to govern them. It is still relevant to check if this exists in your country or not.*	*Land use ministry where REDD+ initiative is housed (may be Forestry Department or may be separate entity)*
Have pilot sites been identified in country?	*A REDD+ country may designate certain regions as sites for pilot projects.* *Forest carbon project sites may also be selected independently through private arrangements between the landowner/land manager /community and the project developer. Often a third-party project proponent (such as an international NGO) will be involved.* *The forestry commission or other land-based ministry may also be involved.*	*National level body for land use zoning (formal REDD+ pilot site designation)* *Relevant ministry or agency* *Project proponents and/or Project developer* *Supporting international NGO* *National NGOs*
Are any projects planned or being implemented?	*There may be REDD+ demonstration projects and / or independent forest carbon projects*	*Project proponents (International and*

	aimed at the voluntary market which can serve as pilots for REDD+. *Basic information to gather for each:* - *Where is project located? How big an area is included in the project?* - *Who are the affected people/communities?* - *Timeframe of project* - *Type of project – goals and priorities*	*national/local civil society organisations)* *Project developer (often private sector actor)* *Project investor (may be same entity as project developer)*

The following enquiries can be made for a specific project that users want to target, or can be applied to gather detailed information on all projects in the partner country.

Forest Carbon Project Implementation – Governance, Beneficiaries and other parties impacted		
How have the carbon rights been allocated in a specific project?	*What is the land tenure situation in the project area – is it clear or under review?* *This is often closely related to rights described under forestry legislation for forest resources.* *Is there any guiding mechanism for allocation of carbon rights in your country?*	*Landowner, farmer or community* *Other entity granted licence / concession for project*
Who are the intended project beneficiaries?	*Is it clear who will benefit from the forest carbon project activities and in what ways they do so?*	*Landowner, farmer or community* *Other entity granted licence / concession for project* *Project developer*
Does the project design include safeguards to address direct and indirect negative impacts to communities and ecosystems?	*Is it clear what measures are in place to mitigate risks of negative impacts, and how they will be implemented?* *Is it clear whose responsibility it is to ensure these are met?*	*Landowner, farmer or community* *Other entity granted licence / concession for project* *Project developer*
Has the project design been discussed with stakeholders through consultation?	*How well known is the project to people in the area?* *Have there been, or are there planned stakeholder consultations?* *Where applicable, have indigenous people given their consent for proposed activities, i.e. through a free and prior informed consent (FPIC) process?*	*Landowner, farmer or community* *Other entity granted licence / concession for project* *Project developer and/or project proponent*
What are the specific activities	*What will actually be done in the area to*	*Landowner, farmer or*

proposed for the project?	meet the goals of the forest carbon project?	community
		Other entity granted licence / concession for project
		Adjacent land users
How was the project established? Is there a contract for this agreement? Did the government have to give approval?	Who negotiated the conditions of the project? Who signed a contract for approval of project? Was there a consultation process?	Project developer
		Landowner, farmer or community
	What other legal documents have been signed during project development process and by whom?	Other entity granted licence / concession for project
		Relevant ministry or agency
Does the project follow a certain standard for voluntary forest carbon projects (i.e. VCS, CCBA)	Has the project been validated against a particular standard through third-party audit? Is this information made public?	Project developer
		Third party auditor
Forest Carbon Project Financing and Economics		
How is the project financed?	Project may be funded up-front by donors; may rely on investment for future credit sales; or may be based on a combination of these.	Donor body
		International NGO – project proponents
	Have potential buyers been identified for the offsets?	Project investor (may be same as project developer)
How are the funds managed?	Is there a clear mechanism for managing funds?	Project developer
	Where are the funds located?	Landowner, farmer or community
	Are non-financial benefits realised by project beneficiaries during the fund supported stage?	Other entity granted licence / concession for project
How are the financial returns managed?	Is there a clear benefit sharing structure for financial returns generated through the project activities?	Project developer
		Landowner, farmer or community
	Is this information readily available from the project developer and/or project proponents?	Other entity granted licence / concession for project
Project Baseline Levels and Project MRV		
Has an emission reference baseline been developed for the project? Does the baseline only address forest carbon or have other forest values been taken into account?	All forest carbon projects must demonstrate additionality with reference to a baseline. Establishing baseline is a technical and specialised process which is continually improving. There is much discussion around the need to incorporate other forest values in addition to carbon i.e. biodiversity, livelihoods, etc.	Project developer Data management body / academic institute Service provider

Is this data available or is it proprietary?		
Who is monitoring project performance? Is only carbon monitored or other measures of performance i.e. alternative income generation; sustainable management practices?	*All forest carbon projects require regular verification by a 3rd party auditor during establishment and implementation, to confirm that they are meeting emissions reductions targets. The auditor must have a sufficient remit* *Results should be made public.*	*Project developer* *Service provider / auditor*

External sources of information to use in addition to internal stakeholder consultation:

International
- http://www.forestcarbonpartnership.org/ - Forest Carbon Partnership Facility (FCPF) website is a valuable resource to check the status of your country with regards to national REDD+ development status under the UNFCCC guidelines.

- http://www.forestcarbonportal.com/projects - - Forest Carbon Portal managed by Ecosystem Marketplace. (Look up forest carbon projects that are in implementation or planning phase worldwide plus other forest carbon market reference information)

- International NGO websites and project pages

- Voluntary standards websites

  - CCBA: http://www.climate-standards.org/index.html
  - VCS: http://www.v-c-s.org/
  - Plan Vivo: http://www.planvivo.org/
  - CarbonFix: http://www.carbonfix.info/

National
- Relevant ministry housing REDD+ initiative if applicable, i.e. Ministry of Forestry
- *More information on national information sources can be provided by the Country Chapter prior to facilitation of risk assessment.*

Annex A3: Generic map of corruption risks in national REDD+ development

See below a sample Corruption Risk Map for National REDD+ Development. For further information on the thematic areas covered please see Module 3. The Map is also introduced in Module 4 Step 2.

Thematic areas covered are:
- Policy Legislation and Regulation
- Financial and economic Flows
- Application Activities
- Performance Monitoring and Reporting
- Enforcement

NOTE: *This table is provided as a framework to guide the process of identifying corruption risks. The specific Activities, Actors, Corruption Risks and associated Corrupt Practices cited in the table below are intended as EXAMPLES ONLY. The table can be used as a discussion point for gathering ACTUAL information specific to your situation.*

| Activity | Actors Involved | | Corruption Risk | Associated Corrupt Practice | Ranking (1-5) | | Risk |
	National	Sub-National / Local			*Impact*	*Likelihood*	*Impact x Likelihood*
Policy Legislation and Regulation – areas of policy formulation required during the 'readiness' phase and how they interact with existing policy and regulation							
Design and development of National REDD+ Strategy	Political elites, international and national logging companies, agribusiness (oil palm, sugar cane, jatropha etc), military	Logging and agribusiness companies - local and international, political elite	Design a REDD+ strategy that is preferential to specific actors. Can result in identification of strategies favourable to particular interests only. Skewing land use policy	**Undue influence; Bribery:** to officials to ignore information **Bribery or Fraud:** by international consultant to influence REDD+ planning and gain contract			
Policy Review and development	Political elites, international and national logging companies, agribusiness (oil palm, sugar cane, jatropha etc), military		REDD+ strategy design to favour one sector over another i.e. agriculture policy capture OR to favour logging under SFM approach	**Bribery, Undue influence** – to support specific policies			
Allocation of	Political elites,	Indigenous	Inequitable allocation of carbon	**Undue Influence or**			

Carbon Rights	international and national logging companies, agribusiness (oil palm, sugar cane, jatropha etc), military	communities, forest dependent communities,	rights to favour political elites. Implementation compromised by regulatory agency activity already present – i.e. forest management, public sector auctions	**bribery –** to link carbon rights to state-owned land titles or logging concessions excluding customary rights or communities from having control over the carbon and potentially the revenues.			
Clarification or reform of Land Tenure	Political elites, international and national logging companies, agribusiness (oil palm, sugar cane, jatropha etc), military	Indigenous communities, forest dependent communities,	Delays in land tenure reform or reform that benefits specific social or interest group	**Undue Influence or bribery –** to allocate land in a beneficial way to one group **Cronyism/Favouritism / Abuse of discretion** to allocate resources to a preferred group.			
Design of Benefit Sharing Mechanism	Ministry of Forestry, Finance, Political Elites, NGOs	Local elites, NGOs local governance structures, Indigenous communities	Intentionally weak design of financial management system to obscure fund movement.	**Undue influence –** influencing who receives benefits and revenues from the REDD+ or forest carbon			
Design and implementation of Safeguards	Ministry of Forestry, Finance, Political Elites, NGOs	Political Elites, NGOs local governance structures, Indigenous communities	Safeguards and standards developed to favour particular parties over others within the national context	**Bribery, Undue influence, collusion complicity:** to develop standards that benefit specific groups			
Identification of who is eligible to conduct REDD+ activities	REDD+ governing / regulatory body, agribusiness, logging companies, NGOs, Indigenous peoples organisations, representatives of forest communities		Developing regulations that only allow specific actors to develop and run REDD+ activities and benefit from them	**Undue influence, Bribery**			
Allocation of concessions for	REDD+ governing / regulatory body,		Preferential award of concessions relating to patronage resulting in	**Collusion** – in leaking bidding information, or			

REDD+	agribusiness, logging companies, NGOs, Indigenous peoples organisations, representatives of forest communities		restricted access to concessions and non-efficient allocation of them Preferential access to information on bidding process	providing weak bids **Extortion – 'grease'** payments **Bribery –** to refrain from competitive bidding or award to company that is not the 'best' **Abuse of discretion / Cronyism:** allocation of concession based on personal associations or patronage networks			
Preparation of initial land-use plans	Ministry / departments / agencies for planning and forestry	Governors and provincial level land planners	Developing REDD+ land use plans which fail to respect the rights of indigenous peoples and other forest dependent communities	**Undue influence** and **bribes,** to exclude high value timber concessions from REDD+ while pressing for other areas which have already been degraded to be included in REDD+ land use plans			
Financial and Economic Flows – to cover financial and economic flows associated with National REDD+ developments							
Coordination and Approval of donor funding	Ministries, donors, NGOs		Inaccurate information provided to support applications, or political pressure provided to support process	**Fraud –** misrepresentation of country progress to gain access to funds			
Allocation of funds to Ministries and agencies	Ministries, agencies responsible for funds, REDD+ Governing / management bodies	Regional or local agencies	Diversion of funds at various levels for personal or sectoral/professional gain	**Fraud** **Embezzlement**			
Redistribution of REDD+ Revenue	Ministries, agencies responsible for funds, REDD+ Governing / management bodies, NGOs	NGOs, local, regional governance structures	Allocation of funds to favoured parties	**Fraud, Embezzlement:** of funds allocated for redistribution **Extortion:** extraction of payments to receive access to non-financial benefits			
Application Activities – activities that will be undertaken as part of REDD+ implementation							

Procurement of goods and services	Ministries, agencies responsible for funds, REDD+ Governing / management bodies, INGOs, NGOs	Agencies responsible for funds, REDD+ Governing / management bodies, INGOs, NGOs	Providing access to bidding information, for preferential treatment of bids Distorting processes and obscuring transactions relating to large bidding procedures	**Collusion** – in leaking bidding information, or providing weak bids **Extortion** – 'grease' payments **Bribery** – to refrain from competitive bidding or award to company that is not the 'best' **Abuse of discretion / Cronyism:** selection of bidder based on personal associations or patronage networks			
Implementation of consultation process	Ministries, agencies responsible for REDD+, REDD+ Governing / management bodies	NGOs, local elites communities,	Consultation process takes place in location that is not relevant or appropriate or excludes specific groups Favoured parties gain access to information	**Bribery, favouritism, collusion, fraud**			
Appointment of new staff	Relevant government, non-governmental and private sector bodies		Allocation of jobs to those not best qualified, or to ask for payments to gain access to information that should be publically available on the job	**Bribery, Fraud, favouritism, nepotism, cronyism** to gain access to jobs **Extortion:** to ask others to provide money to gain access to information / documents on jobs			
Establishment of new governance structures / agencies (including regulatory agency)	Ministries, agencies responsible for REDD+, REDD+ Governing / management bodies		Setting up of agency in location that is not 'best' or offers benefits to a specific group / agency	**Bribery, fraud, cronyism** **Extortion** - to request funds for agencies to be set up in the 'best' locations (administratively			
Registration of projects	National regulatory agency		Falsified allocation of registration documents	**Bribery** – to gain registration document **Extortion** – to provide registration documents			
Development of national reference	Ministries of forestry/ Environment, land		Influence on consultants to establish false carbon levels for	**Bribery and Collusion:** at national level to establish			

emission levels and national carbon stock maps	owners, logging companies, technical support companies / consultancies		baseline to misrepresent and overstate emission reductions from REDD+ activities Data gathering at local and aggregation at national level may be falsified or misrepresented. Focus on parameters (or measures thereof) which are largely irrelevant. Attributing changes outside the country to changes inside Falsification or corruption of data on carbon emissions when data is not electronic with central control	misleading or false carbon emission reference level for personal gain **Fraud** – through provision of inaccurate information			
Performance Monitoring and Reporting – monitoring and reporting on performance in emission reductions, financial management, and social and environmental standards							
Monitoring Carbon Revenue or Donor Funds – new mechanisms needed	Government agencies, political elites, private sector		Influence over design of financial MRV mechanisms to favour elite interests	**Bribery and Collusion:**			
Reporting performance	Government agencies, political elites, private sector, INGOs, NGOs,	NGOs, communities, Indigenous peoples groups	Falsification of results to trigger next REDD+ payment Hindering and inhibiting release of information	**Bribery and Collusion:** at national level to establish misleading or false reporting on carbon emissions reductions and other performance actions for personal gain			
Verification	Verifications organisations, NGOs Government agencies		Auditing parameters deliberately unclear or confusing for observers	**Fraud:** deliberate misrepresentation of results or falsifying findings **Bribery:** to fake compliance data			
Due diligence activities	Verifications organisations, NGOs Government agencies		Undue influence or pressure on financial institutions to overlook due diligence in REDD+ implementation	**Bribery:** of financial institutions			

Carbon sales	Ministry of Finance, relevant ministries/ agencies	Project developers, NGOs, communities, indigenous groups	Failure to accurately report revenues	**Embezzlement:** of carbon revenues buy seller / middle man			
Enforcement – Relates to the implementation of legislative and voluntary processes that enforce both laws and standards							
Enforcement of donor agreement	Government officials, NGOs, donors, representatives of forest dependent communities and indigenous peoples		Failure to provide donors with adequate / accurate information to enforce agreement leading to funds continuing without performance Failure to repay donors if targets are not met	**Fraud, collusions / complicity** – to ensure that inaccurate information is provided on progress			
Enforcement of national legislation	Responsible Government agencies, NGOs, logging companies, agribusiness		Influencing processes through patronage networks and smaller direct influence: **-** Failure to punish operators that violate legislation (through fines, removal of licences), - Interpretation of laws to favour specific operators, - Failure to enforce specific internal sanctions against official or agencies - Failure to properly investigate allegations - Reduction in charges	**Bribery, cronyism, abuse of discretion Collusion / complicity Extortion** – to provide basic enforcement services			
Prosecution / issuing of indictments	Attorney General's office	Prosecutors office	Influencing processes through patronage networks and smaller direct influence: - Failure to issue indictments - Issuing of lenient indictments - Manipulation of prosecution process to become invalid	**Bribery, cronyism, abuse of discretion Collusion / complicity Extortion** – to provide basic enforcement services			
Trial	Supreme court, federal court	Criminal Court judge, appellate court judge	Influencing processes through patronage networks and smaller direct influence: - Dismissal of cases - Judgements in favour of accused -Reduced sentencing	**Bribery, cronyism, abuse of discretion Collusion / complicity Extortion** – to provide basic enforcement services			

Annex A4: Generic map of corruption risks in forest carbon projects

See below a sample Corruption Risk Map for forest carbon projects implemented at local level. For further information on the thematic areas covered please see Module 3. The Map is also introduced in Module 4 Step 2.

Thematic areas covered are:
- Policy Legislation and Regulation
- Financial and economic Flows
- Application Activities
- Performance Monitoring and Reporting
- Enforcement

NOTE: *This table is provided as a framework to guide the process of identifying corruption risks. The specific Activities, Actors, Corruption Risks and associated Corrupt Practices cited in the table below are intended as EXAMPLES ONLY. The table can be used as a discussion point for gathering ACTUAL information specific to your situation.*

| Activity | Actors Involved | | Corruption Risk | Associated Corrupt Practice | Ranking (1-5) | | Risk |
	National	Sub-National / Local			*Impact*	*Likelihood*	*Impact x Likelihood*
Policy Legislation and Regulation – including areas of new policy development to address forest carbon issues, i.e. carbon rights, carbon financing, etc.							
Allocating forest resource management rights; Forest Zoning	MoF; Land Commissioner; or corresponding agency.	Forestry agency; District Commissioner; Villages and communities.	Manipulation or intentional misinterpretation of forest laws and regulations. Intentional lack of transparency for community to understand rights over forest resources. Establishing project area without knowledge or consent of local communities Land title falsified or kept unclear to enable false claims	**State capture:** failure to recognise customary land tenure **Extortion:** payments to issue legal permits			

			to carbon payments				
Allocation of Carbon Rights - Licensing	MoF and/or Min Environment/Other: where climate change initiatives are housed within government	Forestry agency; Project developer (could be private enterprise); Communities.

Local elite | Similar to allocation of forest harvesting concessions – preferential award of licenses through patronage; Misrepresentation of project developer capacity to implement project

Purchase of carbon rights based on outside knowledge of project development opportunities, information not available to national or local actors | **Bribery:** to award carbon rights to land owner or private entity

Nepotism/Patronage: by forest carbon governing body (if applicable) in awarding project contract | | | |
| Creation of carbon trade laws to guide national trading on the voluntary market | MoF and land management ministries | Forestry agency; Local representation of other ministries; Communities/ farmers/ landowners | Centralising carbon rights with new legislation; undermining forest resource and/or land tenure rights | **Undue influence**

Bribery: to officials to develop legislation favourable to particular interest groups | | | |
| **Financial and Economic Flows** – economic component added to include the potential to cover benefits that are not direct financial transfers | | | | | | | |
| Utilisation of donor and investor funds | o MOF
o
o Ministries, agencies responsible for funds, REDD+ Governing / management bodies, NGOs | Project developer

Project proponent | Mis-management by project developer and/or project proponent (NGOs)

Over spending of funds and project development pushed too fast to make project developer and/or promoter look more successful, gain image | **Embezzlement** of funds

Bribery to misdirect funds | | | |
| Carbon Revenue | MoF | Project developer | Capture of funds by private | **Bribery** – by elite | | | |

management		Local forestry agency	investor Non-payment of full benefits to forest landowner / community / farmers agreed to in the project development agreement	members of community to capture revenue for personal gain and not distribute among all forest users with rights to resource **Coercion** by forest authority on project developer to channel revenues through them and not back to community			
Tax evasion	MoF Government auditing bodies	Project developer Project proponent	Non-payment of associated taxes to government	**Bribery** to evade taxes and avoid penalties			
Application Activities – to cover all activities likely to be part of implementation of the forest carbon project, including safeguards.							
Development of project baseline reference emission levels	National REDD+ body Ministry within which climate change and/or REDD+ initiative is housed Institute or body responsible for national carbon accounting system (if applicable)	Project developer Communities/farmer/landowner Other beneficiaries	False baseline given to enhance emissions derived from project Provision of false information or monopoly of national or local data	**Fraud**			
Registration of project	Ministry within which climate change and/or REDD+ initiative is housed Project developer	Project developer	False registration of companies to hide ownership	**Fraud**			

Design of Benefit Sharing Mechanism	MoF (if national accounting system exists)	Project developer Project investors Communities/farmer/landowner Other beneficiaries Local elite	Exclusion of vulnerable parties from agreements. Deliberate lack of transparency in mechanism	**Undue influence** by elite to develop mechanism favourable to them			
Planning and implementing activities comprising project	Respective ministry or government agency in sector	Project developer Project investor Beneficiaries Local officials	Inflate emission reduction impact of proposed activities	**Bribery**: to overestimate returns from project			
Design and implementation of Safeguards	Ministry of Forestry, Finance, Political Elites, NGOs	Project developer Political Elites, NGOs local governance structures	Excessive influence of particular interests resulting in safeguards and standards that favour particular parties over others	**Bribery, Undue influence, collusion complicity:** to develop safeguards that benefit specific groups			
Performance Monitoring and Reporting - to correspond with existing language within the UNFCCC negotiations while expanding beyond carbon MRV to cover overall performance, information provision and verification or oversight.							
Verification of emissions reductions	Third-party entity National REDD+ body (if national system exists)	Third-party entity Communities/farmer/landowner	Selection of auditors to favour project developers – misrepresentation of data Project developer fakes project for enhancement Falsification or corruption of data on carbon emissions when data is not electronic with central control Fraudulent reporting to trigger next investment or payment Coercion by third-party	**Bribery**: of auditor or scientific agency to fake compliance data or to enable project to continue **Fraud:** deliberate misrepresentation of data **Bribery**: by auditing service provider to gain contract			

			auditor to gain contract				
Reconciliation of emissions reductions (if applicable)	National REDD+ body Ministry within which climate change and/or REDD+ initiative is housed Institute or body responsible for national carbon accounting system (if applicable)	Third-party verifier Project developer Communities/farmers/landowner Other beneficiaries	Double counting credit and fraudulent revenue generation				
Carbon revenue	Ministry of Finance (if national accounting system exists)	Project developer Project investors Beneficiaries	Failure to fully and accurately report revenues	**Embezzlement**: of carbon revenue **Bribery**: to fail to accurately record fees paid			
Enforcement – Includes all sanctions and punishments applicable to all activities above through corresponding legislation							
Enforcement of donor agreement	Government officials, NGOs, donors, representatives of forest dependent communities and indigenous peoples		Failure to provide donors with adequate / accurate information to enforce agreement leading to funds continuing without performance Failure to repay donors if targets are not met	**Fraud, collusions / complicity** – to ensure that inaccurate information is provided on progress			
Enforcement of international standards	International /national verifiers, NGOs,		Corruption based on both the failure of a verifier to detect lack of compliance to standards and also active corruption by the verifier to extract funds from the	**Fraud, collusions / complicity** – to ensure that inaccurate information is provided on progress **Extortion** – to provide standard certification			
Failure to comply with applicable legislation	MoF Law Enforcement agencies	Forestry agencies Local law enforcement	Failure to punish project developers and associated actors who violate regulations, (i.e. failure to	**Extortion:** of law enforcement to crack down on competitors			

			withdraw licence or project approval) Interpretation of laws/regulation in favour of particular project actor (i.e. in absence of laws governing forest carbon, misinterpretation of existing laws may be relatively easy)	**Bribery**: to avoid reporting non-compliance or levying sanctions **Extortion**: payments for field officers to conduct "monitoring"			
Prosecutions	Attorney General	Prosecutors office	Failure to issue indictments Lack or failure of indictments, too lenient	**Bribery**: to manipulate indictments and avoid prosecution			
Possible creation of new body to address carbon credit enforcement – accounting and leakage	Law Enforcement agency	Local law enforcement	Influencing appointment of head of new institution or body Influence on decision making by politicians and private actors.	**Bribery**: to influence decision makers **Favouritism**: in appointing head or other positions in new agency			

Annex A5: Existing Anti-Corruption Instruments

The below information provides an overview of existing instruments to address corruption within National REDD+ Readiness and Forest Carbon Projects. Instruments are divided into four main categories with subcomponents:

1. Legal Instruments
   a. International Conventions
   b. Regional Conventions
   c. National Legislation and Regulations
2. Non-Legal International Standards / Initiatives
3. Independent Monitoring and Research
4. Citizen Centered Anti-corruption programmes and projects

This can be used with relation to Module 4 Steps 3 and 4 to help identify what instruments currently exist within your country to address these areas.

Instrument Category	Sub-category	Examples of Instrument	Effectiveness of Instrument (Comments)
Legal Instruments	International Conventions	• United Nations Convention Against Corruption • United Nations Convention against Organised Crime	• •
	Regional Conventions	• OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions • The Council of Europe Criminal Law Convention on Corruption • The African Union Convention on Preventing and Combating Corruption	• • •
	National Legislation and Regulations	• Freedom of Information legislation • Whistle blower legislation • Public procurement and concession regulations that require competitive bidding • Political campaign finance laws restricting undue influence • Anti-corruption legislation • Laws regarding requirements for public consultation including Free prior informed consent	• • • • • •
Non-legal International Standards / Initiatives	International Initiatives	• The Extractive Industries Transparency Initiative • The Forest Law Enforcement and Governance Initiative *(bi-lateral initiative of the EU)* • The Kimberly Process	• • •
	Third Party Standards	• Forest Stewardship Council • PEFC • The Verified Carbon Standards • CCBA • Plan Vivo Forest Carbon Standards	• •

		• Climate Community and Biodiversity Alliance Standards • SOCIALCARBON • Fair Trade Round T able on Sustainable Palm Oil (RSPO)	•
Independent Monitoring and Research	International Third Party Monitoring	• The Global Integrity Report • Transparency International • National Integrity System Assessments • Global Corruption Barometer • Freedom House • Freedom in the World Report • WRI – •	• • •

	National third part monitoring	• Domestic NGO actions e.g.:
		   o IMAZON – forest cover monitoring (Brazil)
		   o Independent Forest Monitor
			•

Citizen-centered Anti-corruption programmes and projects	Nationally specific actions	• Citizen report cards • Legal Advice Centres • Whistleblower hotlines • Training Workshops	•

Annex A6: Checklist for legislation (laws and regulations) related to governance of the forestry sector

The below table provides an list of potential instruments related to the Governance of the natural resources sector divided into the areas of Transparency, Accountability, Rule of Law, Participation, and International Best practice.

Many of these legislative instruments are NOT specific to REDD+ development and forest carbon projects but impact activities that will also be part of these processes. This table is for illustrative purposes to guide a review of legislation in each individual country, it is NOT intended to be a definitive checklist and can be adapted as needed.

This can be used with relation to Module 4 Steps 3 and 4 to help identify what instruments currently exist within your country to address these areas.

Element	✓/✗	Indicators	Comments
Transparency		• Freedom of Information legislation	
		• Comprehensive legal framework for forest and natural resource sector, available to the public	
		• Regulations ensuring public access to forestry data, forestry, mining agriculture and REDD+ concession and revenue information	
		• Whistleblower protection legislation	
		• Constitutional protections for freedom of expression	
		• Freedom of the press: laws protecting journalists and regulatory boards from interference	
		• Chain of custody timber-tracking system to verify legal origin and payment of taxes/fees	
		• Information published on agreements signed relating to REDD+ Readiness and the Forest Carbon Projects	
		• Publication of all revenue from carbon sales, readiness activities and how this has been redistributed (revenue-tracking – registry)	
		• Participation of different actors in and publication of reports from Donor review missions as well as standards monitoring missions	
		• Regulations requiring the regular publication by the police and the judiciary of enforcement activities (i.e. rates of detection, arrests, charges, seizures, convictions, sentencing, penalties)	
Integrity/ Accountability		• Public procurement and concession regulations that require competitive bidding (e.g. pre-qualification, due diligence review of the companies making bids, debarment lists, etc.)	
		• Regulations governing import of forest products (specific to importing country). i.e. Lacey Act (USA); EU Timber Regulation EUTR (EU countries – in effect 2013)	
		• Annual audits (to international standards) throughout REDD+ related ministries	
		• General Accounting Office with subpoena authority	
		• Merit-based hiring and firing policies in REDD+ -related ministries	
		• Laws prohibiting conflict of interest (e.g. beneficial ownership of forestry companies, project developers, agribusiness)	

Element	✓/✗	Indicators	Comments
		• Parliamentary oversight mechanism and ethics review board	
		• Annual concession performance review by relevant Ministry, made publicly available	
		• Political campaign finance laws restricting undue influence from industry or individuals	
		• Regulations restricting undue influence of lobbyists on government activities and decisions	
		• Civilian oversight of police force (and military, if relevant)	
		• Complaint mechanism/ombudsman, public right to bring legal suit against government for failure to apply laws/regulations	
Rule of Law		• Anti-corruption legislation consistent with UNCAC	
		• Independent anti-corruption commission/court	
		• Ministry-sanctioned independent forest / REDD+ monitoring	
		• Oversight and auditing of REDD+ Governing and management body	
		• Independent judiciary, including laws governing: ○ Conflicts of interest, acceptance of gifts, asset reporting by judges and prosecutors ○ Transparent process for selecting and confirming national-level judges ○ Judges must give a legal explanation for their decisions ○ Legal explanations required when investigations halted and/or charges dropped ○ Independent disciplinary bodies for judiciary	
		• Law enforcement (MoF/police/military): as above, and free from political interference	
		• Anti-money laundering, with strict penalties; corruption and illegal logging as predicate crimes	
		• For financial institutions: *Know Your Customer* regulations, including enhanced due diligence requirements for Politically Exposed Persons (as required by UNCAC – see Appendix 4.1)	
		• Required reporting of Suspicious Transactions (as required by UNCAC)	
Participation/Equity		• Free prior informed consent for REDD+ decisions that affect local communities	
		• Social agreements and revenue sharing with communities required as a condition of operation	
		• REDD+ Working Groups and Steering committees that involve relevant civil society actors	
	☐	• Laws requiring public consultation for drafting legislation and resource management decisions	
	☐	• Indigenous and communal tenure legally recognised and indicated on publicly available maps	
	☐	• Forestry authorities have clear jurisdictions over management responsibilities	
International best practi	☐	• International Standards required for development of Forest Carbon Projects	
	☐	• Adherence to FCPF and UN-REDD	

Element	✓/✗	Indicators	Comments
	⬚	• Adherence to UNFCCC safeguards	
	⬚	• Signed a Voluntary Partnership Agreement (VPA) with the European Union	
	⬚	• Complies with the Extractive Industries Transparency Initiative (EITI), with terms covering forestry / REDD+	
	⬚	• Signed UN Convention against Corruption, Transnational Organised Crime (Appendix 4.2)	
	⬚	• Signed OECD Convention on Combating Bribery (Appendix 4.3)	
	⬚	• Signed International Labour Conventions	

Annex A7: Mapping Root Causes of Priority Corruption Risks

The table below provides a template of how to capture information generated during Step 3 and Step 4. This template is intended to:

- Present priority corruption risks resulting from Step 2
- Capture possible root causes for each risk, i.e. why the risk exists
- Identify instruments which are intended to address the root causes
- Discuss effectiveness of instruments and identify gaps

The output from these steps will provide the foundation for Step 5 – Developing a Strategy for Action.

NOTE: *This table is provided as a framework to guide the process of identifying root causes and instruments. The specific Priority Corruption Risks, Root Causes, Instruments and discussion points cited in the table below are intended as EXAMPLES ONLY. The table can be used as a starting point for capturing ACTUAL information specific to each assessment, which may be only at national or project level, or may combine both.*

Priority Corruption Risk	Level at which Risk Occurs and Key Actors	Possible Root Cause(s)	Instruments to address cause	Effectiveness of Instrument (Y/N)	Change Required (New Instrument /improved instrument)
Policy Legislation and Regulation					
Financial and Economic Flows					
Application Activities					

Performance Monitoring and Reporting					
Enforcement					

Annex B1: Current Discussion on Linking Forest Carbon Projects and National REDD+ Processes (Ref. Module 3).

The current landscape of National REDD+ Developments and Forest Carbon Projects is complex, with a large number of actors and approaches. National REDD+ Action plans and strategies are being developed through fund based mechanisms. Within these a number of pilot projects are being developed many of which will be looking to sell their credits on the Voluntary carbon market[19]. There also exist a considerable number of privately funded forest carbon projects which are may not be included as part of national Readiness plans or indeed have full Government recognition. A future mechanism under the UNFCCC will need to address these different levels with three possibilities being considered, a national only approach, a sub-national only approach (not likely to be accepted by Governments) and a nested approach (most similar to what exists already).

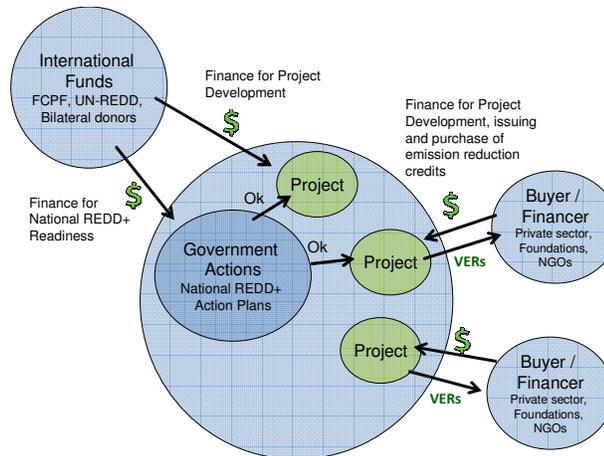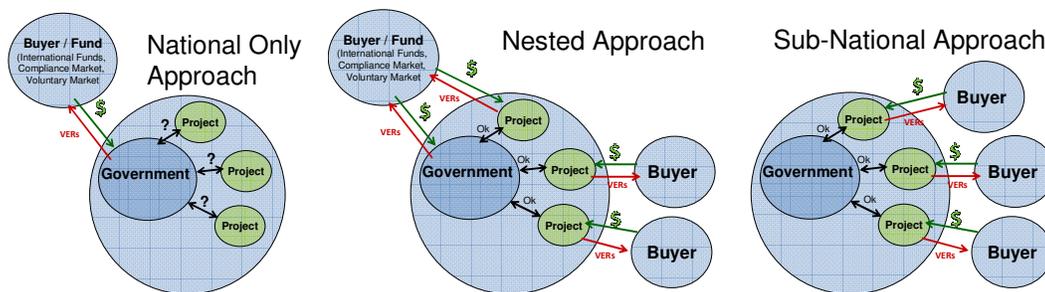**Figure 1: Current national REDD+ development and forest carbon project landscape**

Figure 2: Possible REDD+ architecture

Whichever approach is chosen there is an immediate need for countries to start standardising approaches to project approval, registration, verification and the issuing of carbon emission credits combined with a need to monitor record and cross check this information. This can be done through the establishment of a regulatory body to deal with forest carbon and REDD+ projects and initiatives whose powers could include:

- Establishing procedures for approval of sub-national and project activities;
- Registering and listing REDD+ project activities;
- Overseeing the operation and functioning of a registry for activities and reference levels;
- Establishing procedures for monitoring of activities, including requirements for dealing with leakage, permanence, and double-counting;
- Issuing credits or defining allocation of credits or other incentives;
- Following obligations regarding consultation of/information dissemination to stakeholders;

[19] In many locations forest carbon projects are being developed independently of a national process either because a national process does not exist or that linkages are yet to be established / formalised.

- Hearing cases and resolving disputes that may arise as a result of REDD+ implementation and/or decisions of the national regulatory body; and
- Formulating provisions related to grandfathering of activities implemented before the establishment of the domestic system.

A regulatory body of this nature will have a significant impact on the formation of National REDD+ process and the more transparent and autonomous the body is the less vulnerable it will be to political interference and corruption. Two key functions within the above list will be the establishment of a Project Approval process and a project registry – key functions and design options for these are covered in Figures 3 and 4 below.

Figure 3: Design Options for Approval Processes

Which entity could carry out key functions?	What functions could a national regulatory entity exercise?	What type of project approval and registration procedures?

• Build on/strengthen current DNA infra-structure;
• An existing public (forestry) agency;
• A new inter-ministerial commission;
• Other institutions that may be needed:
  • scientific committee;
  • stakeholder committee;
  • an independent body to hear disputes and solve conflict.
	• Approve reference-levels and project-specific baselines;
	• Develop reference levels;
	• Approve project activities;
	• Oversee the operation of a registry and authorize the recording of information, transfer and issuance of units;
	• Oversee the implementation of social and environmental safeguards;
	• Endorse benefit-sharing arrangements.
		• Create an official country protocol/standard for verification of projects; or adopt an existing protocol, such as the VCS;
		• Make use of independent auditors to verify projects; or use governmental agencies to verify and certify projects;
		• Create a registry to be managed by the national regulatory entity; or outsource registry functions to a third party.

Figure 4: Potential Functions and Design Options for a REDD+ Registry

Registry Phase 1 Functions	Registry Phase 2 Functions	Registry Phase 3 Functions
• Record information on discrete projects; • Store electronically geographic data for REDD+ projects; • Display basic technical, environmental and social attributes of projects; • Track performance of projects.	• Ensure that relevant standards and protocols are met; • Issue units or receive and record units isssued at the international level; • Store electronically information on national and regional reference levels .	• Develop links with other registries at the national or international level; • Track units issued or received; • Allow for a full set of registry operations (transfer, cancellation, retirement, etc.)

Registry Options for Governments

- Decide which functions the REDD+ registry should have in the different REDD+ phases;
- Decide what type of information to record in a REDD+ registry;
- Decide on the need for subnational registries in addition to a central registry;
- Decide on the institutional arrangements for the operation of a registry (e.g., public or outsourced to private entities)

Measuring and monitoring carbon credits, and reconciling national and project level carbon accounting, is complex and open to corruption risk for a variety of reasons. The main corruption risks include:
- Risk of over-counting credits and over-promising reductions – false market claims
- Risk of leakage, loss of forest carbon in areas not included in the project or national calculation
- A national regulatory body needs to be totally transparent and honest or will introduce a new level of corruption in the accounting process
- Risk of planning to move towards a national accounting system eventually but having no national level registry in the near future, leaving a vacuum where credits can be miscalculated or go "missing"

In practice, countries implementing national REDD+ processes and forest carbon projects need to consider alternatives (i.e. de-centralised options) in the immediate term, as time frame for national system may be too long and in the meantime may introduce more opportunities for corruption at all levels.

Useful Resources:

Bracer, Carina and Robert O'Sullivan (2010), Climate Focus. A Summary of Issues for Consolidating National REDD+ Accounting and Sub national Activities.

Chagas, Thiago, Charlotte Streck, Robert O'Sullivan, Jacob Olander, Joerg Seifert-Granzin (2011). Nested Approaches to REDD+, An Overview of Issues and Options. *Briefing Document.* Forest Trends and Climate Focus.

Estrada, Manuel (2011). Standards and methods available for estimating project-level REDD+ carbon benefits – Reference guide for project developers. CIFOR, Working Paper 52.

Olander, Jacob, and Johannes Ebeling (2010). Building Forest Carbon Projects: A Step-by-Step Guide. Forest Trends / The Katoomba Group.

The Nature Conservancy – TNC. (2010). A Nested Approach to REDD+

Watson, Charlene (2009). Forest Carbon Accounting: Overview and Principles. London School of Economics for UNDP.

Annex B2: Stakeholder Mapping (Ref. Module 3)

The final section of Module 3 introduced the roles of Actor and Stakeholder in a risk assessment, and the key points where these distinctions are particularly relevant when assessing risk in national REDD+ developments and forest carbon projects.

This Annex is intended to build on that section by providing more guidance on mapping stakeholders, in order to reach out to a wider group of interested parties beyond those immediately engaged in the process under assessment.

Who are Actors and Stakeholders?

In order to conduct a risk assessment, it is important to identify who is responsible for the activities that are part of the process being assessed. It is also important to understand the impacts that an activity or decision may have on other individuals or groups, who might therefore have an interest in the outcome of the activity even though they are not directly responsible for its execution. The terms "actor" and "stakeholder" are frequently used, although in many cases they are synonymous.

In general, the term "actor" is used to describe an individual or entity who is directly responsible for the functioning of a system, and the implementation of a practice or activity. The term "stakeholder" is applied to individuals or entities who have some interest in the system or activity, but are not necessarily directly engaged in it. Actors are also stakeholders, but the latter term includes a wider range of parties who might otherwise be left out if attention is focused only on those with direct responsibility in a particular process.

For the purpose of this manual, it is important to note that **in many cases the terms actor and stakeholder are interchangeable**. However there a few key aspects of the risk assessment and action strategy development where the difference is important.

Why identify actors and stakeholders?

In order to capture relevant information regarding the status of a country in terms of REDD+ development and forest carbon project implementation, input needs to be generated from experts and interested parties to understand the "big picture". At this point a fairly broad range of **stakeholders** may be consulted.

The Framework for Conducting a Risk Assessment described in the sections above is a guide for capturing activities that will be assessed. In order to identify these activities where corruption risks may occur, it is essential to consult a focused but still wide range of interested parties who will have the knowledge and experience required to provide valuable input. Likewise, when prioritising corruption risks, it is vital to understand where the activity will have the greatest impact, and on whom. In these stages of the assessment it is important therefore to draw on a group of selected **stakeholders**, and engage them in stakeholder consultations either individually or in groups.

The next and equally important step in an assessment is to identify where the responsibility for that activity lies – who is executing it. In this part of the exercise, the **actors** need to be mapped along with the risks in order to identify where the corruption risk lies and therefore enable an understanding of how and why the risk occurs.

> **Comment:** Check this fits with the "flow" chart in Module 4….

In these aspects the groups of stakeholders and actors may be distinct, and the field of consideration should be expanded to include all relevant parties.

How to identify stakeholders?

As mentioned previously, the forest carbon arena and REDD+ developments are relatively new and complex, bringing new concepts to the discussion and therefore potentially new stakeholders who may not be traditionally associated with forest-related issues.

The starting point for identifying stakeholders to consult in the risk assessment is to look at the findings under the first part of Question 2 – understanding what is currently taking place in your country re: REDD+ and forest carbon projects. With an understanding of the current landscape, it is then easier to identify the stakeholders and their relative priority in a risk assessment.

SECTION HEADING

The following process may be followed, led by the facilitator and partner country team:

A. Identify your stakeholders.

The first step in stakeholder mapping is to conduct a brainstorming session among the partner country team and associates to rapidly identify who the stakeholders are. In this session, think of all the people, organisations and agencies that will be affected by forest carbon initiatives including projects and REDD+; those who have influence or power over the processes; or have an interest in its success or failure.

As forest carbon project activities and REDD processes will have impacts at different levels, you will need to consider stakeholders at each level as well. Stakeholders should be identified at the following levels:

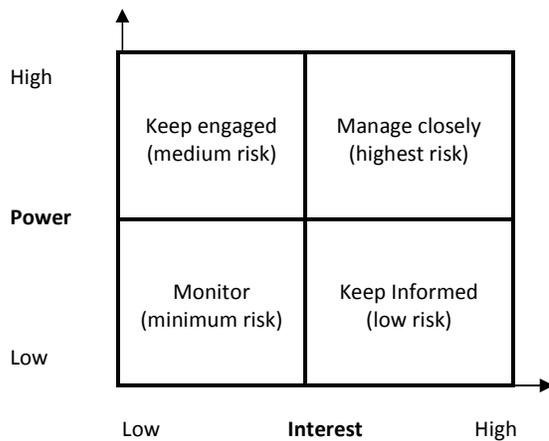- ➢ Local
- ➢ National
- ➢ Regional
- ➢ International

This exercise will result in a list of the key stakeholders and will identify areas where you need to do additional research to complete the map. Prioritizing which level to focus the stakeholder mapping may be influenced by the objectives of the risk assessment, as identified in the step above.

After the brainstorming, the resulting list and map should validated by the key stakeholders to fill in any gaps as soon as possible, ideally through a workshop or meeting. It is important to consider your stakeholder map as a "live" document which you may be adding to or amending throughout the risk assessment as new information is received. This is particularly true given the fact that REDD+ and forest carbon projects are relatively new initiatives and their impacts are not yet fully appreciated.

B. Characterize your stakeholders

You may now have a long list of people and organizations that are affected by REDD+ and associated projects. Some of these may have the power either to block or advance your risk assessment; and their degree of interest as a stakeholder will influence the quality of information you are able to capture and the thoroughness of your findings. Some may be interested in what you are doing, others may not care.

Map out your stakeholders on a Power/Interest Grid on our shown in figure x below, and classify them by their power over REDD+ national developments or forest carbon projects, and by their interest in these initiatives.

```
High

        ┌─────────────┬─────────────┐
        │ Keep engaged│ Manage      │
        │ (medium     │ closely     │
        │ risk)       │ (highest    │
        │             │ risk)       │
Power   ├─────────────┼─────────────┤
        │ Monitor     │ Keep        │
        │ (minimum    │ Informed    │
        │ risk)       │ (low risk)  │
        │             │             │
Low     └─────────────┴─────────────┘

        Low      Interest      High
```

The position where a stakeholder falls on the grid can help to guide the actions to take when addressing them:

- **High power, interested parties**: these are the individuals and groups that must fully engaged in any actions to address the risks identified as they will be the most influential in the success of any action strategy to address corruption.
- **High power, less interested parties**: this group must be consulted and engaged in decisions. Their support is important but they are less likely to be influential in the outcomes than the previous group.
- **Low power, interested parties**: these parties should be consulted and kept informed in main discussion points, to ensure that no major issues are arising. This group can often be very helpful regarding details around the core issues.
- **Low power, less interested parties**: this group are likely to be the least engaged and least impacted by the processes under review. They should be kept informed and directed towards relevant resources, but not overwhelmed with excessive communication regarding the immediate assessment needs.

C. Understand your stakeholders

You now need to know more about your key stakeholders. You need to know how they are likely to respond to forest carbon initiatives and national REDD+ developments. You also need to know how best to engage them in the corruption risk assessment and how best to communicate with them during the process to generate the best input.

Key questions that can help you understand your stakeholders are:

- What financial or emotional interest do they have in the outcome of forest carbon projects and REDD developments? Is it positive or negative?
- What motivates them most of all?
- What information are they likely to be able to give you?
- What is the best way of communicating your message to them?
- What access to information do they already have?
- Can you identify who influences their opinions generally? Do some of these influencers therefore become important stakeholders in their own right?
- Who else might be influenced by their opinions? Do these people become stakeholders in their own right?

A good way of answering these questions is to talk to your stakeholders directly – people are often quite open about their views, and asking people's opinions is often the first step in building a successful relationship with them.

Facilitation Note: *Remember that although stakeholders may be both organizations and people, ultimately you must communicate with people. Make sure that you identify the correct individual stakeholders within a stakeholder organization.*

It is important to remember that your map of stakeholders may be a "live" document which you will be adding to and amending throughout the risk assessment if new parties are identified. As the field of climate change and forest carbon initiatives is relatively new, there may be more stakeholders to consider which are not immediately obvious.

Annex B3: USEFUL REFERENCES / RESOURCES

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GLOSSARY

This is a preliminary glossary of terms that have been used within this manual. For more complete listing of REDD+ associated terminology this may be a helpful reference: **http://www.pactworld.org/cs/redd_glossary**

Abuse of discretion	When officials utilise their authority to give undue preferential treatment to any group or individuals, or discriminate against any group or individuals for personal gain.
Active (supply) corruption	When related to a transactional form of corruption such as bribery, active corruption refers to the actor that funds a corrupt practice i.e. the bribe is offered / paid (the supply side).
Accountability	Defined as the concept that individuals, agencies and organisations (public, private and civil society) are held responsible for executing their powers properly
Additionality	A project demonstrates 'additionality' when it is additional to a business-as-usual scenario – i.e. a project developer must be able to demonstrate the ability to reduce emissions beyond the levels that would otherwise have occurred.
Afforestation *(also Reforestation)*	Establishment of new forest on an area previously not forested
American Carbon Registry (ACR)	ACR, a private voluntary GHG registry and standard, is an enterprise of Winrock International, USA. It accepts AR, IFM and REDD projects anywhere in the world
Bali Action Plan	A document that laid out work to be undertaken under the UNFCCC between 2007 and 2009, and agreed at the 13th COP (COP13) in 2007
Beneficial owner	The individual(s) who enjoy the 'benefits' of ownership of a property, company or security, regardless of whether their name is on the title.
Bureaucratic corruption	Concerns relatively small-scale petty corruption where the implementation of policies at the point of citizen access is altered by non-elected officials. Examples of this include the paying of bribes to avoid taxes or to gain permits
Bribery	Refers to the act of offering and giving someone a benefit (money, services or other inducements) to persuade them to do something in return. Bribes can also be referred to as kickbacks, hush money, or protection money
CarbonFix Standard (CFS)	CFS is managed by CarbonFix, a non-profit organisation registered under German law. The standard aims to increase the amount of sustainably managed forests and decrease global CO2 levels. It accepts Afforestation/Reforestation project anywhere in the world and supports projects with demonstrated commitment to socioeconomic responsibility
Carbon Offset	Credits issued in return for a reduction of atmospheric carbon emissions or avoiding emissions such as REDD+. By paying for such emission reducing activities, individuals and organizations can use the resulting credits to offset their own emissions, either voluntarily or under the rules of an emissions trading scheme. One offset credit is equivalent to an emission reduction of one metric ton of CO2.
Chain of custody (CoC)	A system for tracking individual logs from their stump to the point of sale/export to ensure that illegal logs do not enter the legal supply chain and that all taxes and

fees are paid.

Chicago Climate Exchange (CCX)	CCX was a voluntary yet legally binding GHG cap and trade system in the USA that closed down recently. However, the CCX standard for issuing voluntary carbon credits to offset projects continues to operate. AR and SFM projects in the USA and in developing countries are eligible.
Civil society	The arena, outside of the family, state and market, where people associate to advance a common set of interests. Voluntary and community groups, non-governmental organisations (NGOs), trade unions and faith-based organisations are commonly included in this sphere, making the term broader than an NGO.
Climate, Community, and Biodiversity Standards (CCBS)	CCBS is operated by the Climate, Community, and Biodiversity Alliance (CCBA) of research institutions, corporations and non-governmental organizations (NGOs). CCBS identifies land-based climate change mitigation projects that simultaneously address climate change, support local communities and conserve biodiversity. Projects can occur anywhere in the world. Once a project is designed, third-party evaluators validate the projects against CCBS criteria. To earn CCBA certification, projects must satisfy all fourteen required criteria and earn gold level status by satisfying any of the three optional gold level criteria.
Collusion (also Complicity)	Refers to an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party. The most common form of collusion is when bidders agree among themselves on prices and "who should win." This may or may not involve paying bribes to government officials so that they may "turn a blind eye" to the practice.
Conference of the Parties (COP)	Meeting of all parties of the United Nations Framework Convention on Climate Change
Corruption	The abuse of entrusted power for private gain.
Corruption Chain	Chain in which components interact to result in a range of negative impacts. In reality this chain is highly complex with different elements combining and reinforcing each other to cause corruption.
Corrupt Practice	Refers to the physical corrupt practice or action which takes place – for instance the giving of a bribe
Corruption threat	Refers to the threat of corruption that may take place. It can usually be identified by the actors involved, the scale of corruption and its outcomes
Cronyism	The favourable treatment of associates (cronyism) in the distribution of resources and positions, regardless of their objective qualification.
Deforestation	Significant changes in forest cover resulting in the area no longer being classified as forested
Demand-side corruption	The solicitation or acceptance by a foreign public official or an official of a public international organisation, directly or indirectly, of an undue advantage, for the official him- or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties[20].
Double counting	No more than one organisation can take credit for the offsets – this is particularly

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[20] Definition from UNCaC Art.

difficult when calculating national changes and project level changes

Drivers of Corruption	Refers to the driving forces behind corruption – for example if resource rents provide a high proportion of government income there is a large incentive to undertake corruption to both maintain political position and increase personal wealth
Due diligence	The investigation and verification of material facts of operations and management by the investor. Also refers to the investigation and verification of the identity of Beneficial Owners of accounts (see Know Your Customer), and the monitoring and reporting of Suspicious Transactions to ensure that financial institutions are not trafficking in illicit funds.
Embezzlement	The taking or conversion of money, property or valuable items by an individual who is not entitled to them but by virtue of his or her position or employment has access to them
Extortion	The process of coercion where a person or institution forces another party to pay money or other valuable in exchange for acting or failing to act.
Favouritism	The favourable treatment of friends, in the distribution of resources and positions, regardless of their objective qualification.
Financial institutions	Companies (e.g. banks, investment companies and alternative remittance organisations) that act as a channel between savers and borrowers of money.
Forest Carbon Partnership Facility (FCPF)	Facility established to provide financial and technical support to countries looking to engage in a future mechanism on REDD+
Forest concession	A lease or contract for the extraction and use of forest resources within a specified time period for a given area of forest.
Forestry sector	The actors and processes involved in the chain from logging through processing and ultimately to the sale/export of wood-based products (from logs to paper).
Fraud	Refers to any behaviour designed to trick or fool another person or entity for one's own or a third party's benefit.
Freedom of Information Act (FOIA)	A law that allows individuals and organisations to compel the government to release copies of documents it might not otherwise choose to disclose.
Free, prior and informed consent (FPIC)	To ensure concerned stakeholders, such as indigenous communities, have knowledge of the impact of an action at an early stage, so they can exercise control to the greatest extent possible over their own economic, social and cultural development, including having full pertinent information prior to decision-making. This is most relevant to the protection of indigenous populations from unwelcome incursion and investment in their resources.
Good governance	A concept that goes beyond the traditional notion of government to focus on the relationships between leaders, public institutions and citizens, including the process by which they make and implement decisions. The term can also be applied to companies and NGOs. 'Good' governance is characterised as being participatory, accountable, transparent, efficient, responsive and inclusive,

respecting the rule of law and minimising opportunities for corruption.

Grand corruption	Pervades the highest levels of government and distorts its central functions. It is typically infrequent but involves large sums of money being paid as kickbacks, e.g. during the procurement process for large-scale infrastructure projects and purchasing of equipment and materials, or a process of political deal making where the resulting situation will either directly favour the decision maker or will favour groups that support the decision maker.
Illegal logging	Forestry practices that violate domestic laws and regulations, such as logging without, or in excess of, permit and/or avoiding taxes and fees.
Improved Forest Management (IFM)	Existing natural forest or plantation is put into sustainable and improved management system. Exact activities will depend on objective of individual project; Credits are generated through combination of factors, depending on individual project, i.e. increasing growth rate of trees, reducing harvest level, replanting with native species, extending rotation age.
Information Asymmetry	A situation in which one party has significantly more information about an issue, or product than another. This is particularly relevant when a transaction is occurring regarding the product or issue between the two parties.
Institutions	Refers to the formal and informal rules and relationships including cultural norms, governing the behaviour of actors. The nature of the state and the extent to which it works according to formal rules and / or whether more personalised and informal arrangements are more important. Institutions are susceptible to change over the medium term
Instrument	An instrument to address corruption includes international and national legislation and regulations, voluntary initiatives, standards and monitoring activities
Integrity	defined as behaviours and actions consistent with a set of moral or ethical principles and standards, embraced by individuals as well as institutions, which create a barrier to corruption[21]
Know Your Customer	The responsibility of financial institutions to verify the identity of individuals conducting transactions. For anti-money laundering/counter-terrorism financing (e.g. the US Patriot Act), suspicious transactions are subject to greater due diligence and, where appropriate, reported to law enforcement agencies for investigation.
Kyoto Protocol	The Kyoto Protocol is an international agreement linked to the United Nations Framework Convention on Climate Change. The major feature of the Kyoto Protocol is that it sets binding targets for 37 industrialized countries and the European community for reducing greenhouse gas (GHG) emissions .These amount to an average of five per cent against 1990 levels over the five-year period 2008-2012.
	The major distinction between the Protocol and the Convention is that while the Convention encouraged industrialised countries to stabilize GHG emissions, the Protocol commits them to do so.

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[21] World Bank (2006) Strengthening Forest Law enforcement and Governance: Addressing a Systemic constraint to Sustainable development (Washington DC)

Leakage	The transfer emissions to another locality – i.e. Deforestation and or degradation being displaced from one location to another (people can not stop cutting trees in one location and just start five miles down the road)
Legalised corruption	Occurs when those with entrusted power create a legal system that either supports or makes it difficult to observe corruption – this may also be considered to have occurred when the legal system makes it impossible for certain groups to access rents or other forms of economic or social benefit
Nepotism	Form of favouritism based on acquaintances and familiar relationships whereby someone in an official position exploits his or her power and authority to provide a job favour to a family member or friend, even though he or she may not be qualified or deserving.
Offsetting	A process by which groups compensate for their emissions by supporting equivocal emission reductions elsewhere
Passive (demand) corruption	When related to a transactional form of corruption such as bribery, passive corruption refers to the receipt of proceeds from the act i.e. accepting the proceeds from the bribe (the demand side)
Permanence	A quality that must be demonstrated – a project must be able to guarantee greenhouse gas mitigation over the stated time period
Petty corruption	Involves the exchange of small amounts of money, the granting of minor favours or the employment of friends and relatives in lower positions. By contrast, it is more frequent and involves lesser sums of money or favours. Common examples include cutting red tape in for example the transportation of timber, or the felling of trees outside agreed concessions.
Plan Vivo Systems and Standards	The Standard is managed by the Plan Vivo Foundation, a registered Scottish charity. Eligible projects include agroforestry and afforestation, including small-scale timber, fruit or fuel wood plantations; restoration and reforestation of degraded or damaged ecosystems; and avoided deforestation. The projects should be in rural areas in developing countries, and on lands where smallholders or communities have ownership, lease or use rights.
Politically Exposed Persons	Individuals (often limited to senior officials) who hold (or recently held) positions in the political arena and are therefore subject to greater due diligence by financial institutions. The most useful legal definition includes officials' immediate family members, business associates and related corporate entities.
Political corruption (also *State Capture*)	Occurs when officials and other groups are able to influence / exploit the rules and regulations set by the state in ways that allow them to extract undue influence. This is particularly relevant within the natural resource sector where the opportunity for high rents resulting from specific decisions, such as allocation of logging concessions or decisions to undertake oil extraction.
Political processes	Concerned with the contestation between social groups and between social groups and the state over the use production and distribution of resources. They occur within the constraints established by the framework of institutions and structures.
Rent	An excess earning above normal profits. Rents within natural resources are common as the price of the resource may not directly reflect the cost of extraction

particularly if extraction is easy in that location

Rent-seeking

The use of influence to obtain direct or indirect involvement in commercial operations, e.g. officials abuse their entrusted power to obtain logging concessions for themselves, their family or their associates.

Rent-seizing

Public officials use their position to control the distribution of rents (taxes, fees, contracts), e.g. writing regulations that favour their own or associates» companies.

Risk assessment

Methodology used to assign a level of impact associated with an event and the corresponding likelihood of exposure to the event (i.e. risk = impact x likelihood).

Risk management

The coordinated application of resources to minimise, monitor and control the impact and the likelihood of exposure to unfortunate events.

Social agreement

Negotiated (prior to logging and under FPIC) between a logging company and affected communities, a social agreement articulates the rights (including access) and the responsibilities of both the communities and the company and its employees, and details the benefits the communities will receive in exchange for allowing logging.

SOCIALCARBON

This standard was developed by the Ecological Institute, a Brazilian non-profit organization. It certifies voluntary emission reduction projects for their social and environmental performance and contribution to sustainable development. Projects can occur anywhere in the world.

Social licence to operate

Stakeholder acceptance of the legitimacy of a company's business so that normal operations are not disrupted.

State capture

A situation where powerful individuals, institutions, companies or groups within or outside a country use corruption to shape a nation's policies, legal environment and economy to benefit their own private interests.

Structures

Refers to the fundamental factors that shape the situation. They tend to change only slowly and cannot be readily influenced in the short to medium term. Examples will include natural resource endowments and the extent to which income from these provides revenue for the government relative to other sectors of the economy.

Supply-side corruption

The promise, offering or giving to a foreign public official or an official of a public international organisation, directly or indirectly, of an undue advantage, for the official him- or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties, in order to obtain or retain business or other undue advantage in relation to the conduct of international business[22].

Transparency

Defined as a characteristic of governments, companies, organisations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions

Verified Carbon Standard (VCS)

The VCS Program is managed by the VCS Association, an independent, non-profit organization headquartered in Washington, DC. It was called the Voluntary Carbon

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[22] Definition from UNCaC Art

Standard till February 2011. Eligible forestry projects include Afforestation, Reforestation and Re-vegetation (ARR); Agricultural Land Management (ALM), Improved Forest Management (IFM), Reducing Emissions from Deforestation and Degradation (REDD) and Peatland Rewetting and Conservation (PRC) anywhere in the world.