



United Nations Development Programme



STAYING ON TRACK: TACKLING CORRUPTION RISKS IN CLIMATE CHANGE

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

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

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

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

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

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

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



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

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

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

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