

CLIMATE GOVERNANCE

ENSURING CLIMATE MONEY GETS TO WHERE IT'S NEEDED

AUTUMN UPDATES

Dear TI Supporter,

Transparency International is working to ensure that climate money gets to where it's needed. By promoting transparent and accountable decision-making and spending we hope to prevent corruption, which could undermine climate action. We are assessing risks and finding solutions.

In this, the first of a series of updates from our multi-country climate team, we present our new step-by-step guide to preventing corruption in REDD+, which is already being used in Indonesia, Papua New Guinea and Vietnam. We also offer a snapshot of our efforts to strengthen climate governance in Bangladesh, the Dominican Republic, Kenya, Maldives, Mexico and Peru. Supported by guest commentaries from CDM Watch, Global Witness and the Overseas Development Institute, we share our experiences advocating for anti-corruption safeguards on the international stage.

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As cars, planes and coal plants continue to belt out carbon dioxide, forest carbon projects like REDD+ are an important acknowledgement of the fact that trees are worth far more standing than they are cut down. By investing in forest conservation, REDD+ aims to avert trillions of dollars in climate damage each year. Yet it is bringing new money into a sector that is already rife with corruption. Our new step-by-step guide, *Keeping REDD+ clean*, is aimed at guarding REDD+ against corruption, before it sets in.

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Urgency and precaution are not easily reconcilable. The Green Climate Fund – which recently met for the second time – will have to negotiate that balance. As climate negotiations chug along laboriously, this global fund will ensure that much-needed investment is not stalled as a result. But not before it is decided how the fund will operate. Events in the lead-up to the second board meeting in Songdo, South Korea signal an inauspicious start to that process.

MONITORING CLIMATE MONEY: TOP-DOWN MEETS BOTTOM-UP PAGE 8

Developed countries have two months to deliver on outstanding fast-track climate finance commitments, meaning that billions of dollars-worth could soon enter circulation. Presently it is often unclear where climate finance is coming from, who's managing it and how it's spent. Our staff in six countries are shining a light on financial flows and chains of accountability, to check for waste and corrupt abuse. Our colleagues in Peru and our partners at the Overseas Development Institute describe the challenges they have faced tracking climate finance at country and global levels.



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The information age, the digital revolution, information society. These are the times we are living in – an era supposedly characterised by instant access to information. Right to information legislation in over 90 countries means that, in theory, billions of people can get their hands on government data. Yet in many countries the right to know is a practical impossibility. On the occasion of the tenth International Right to Know Day, we asked our chapters working on climate issues in Indonesia and the Maldives how access to information affects them.

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As our natural habitats are transformed, safe, useful land is decreasing in size and increasing in value. This is putting added strain on people's ability to ensure access to lands that they live and work on. We are seeing worrying signs that corruption is making the right to land more precarious still. Be it bribe-paying to appropriate land, or a nepotistic approach to resettlement projects, corruption in land management must be tackled. Our national chapters in the Dominican Republic and Kenya tell us why.

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The Clean Development Mechanism has come under fire for failing to ensure that companies vying for a project consult with affected communities first, with claims that consultations are inadequate or even forged. Yet these claims were often based on assumptions or a limited number of cases. Our Mexican chapter has analysed all the design documents for CDM projects in Mexico, to try to get a sense of how involved communities had been in their development. Their findings indicate that rules on consultation are in urgent need of reform.

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Rio+20 was this year's once-in-a-decade conference aimed at securing sustainable development – economic growth, poverty alleviation and environmental protection. Climate finance could set us on a good course to achieving all three, but not unless we first invest in systems to ensure that money is spent honestly and effectively. Our Rio+20 panel discussion posed the questions: what safeguards are needed to protect climate finance against waste and corrupt abuse, and how well do they work in practice?

UPROOTING CORRUPTION, NOT TREES

A judge in Peru's northern Maynas province last month issued a warrant for the arrest of an Australian property developer. Locals interviewed for an Australian documentary claimed that the developer had been striking deals with illiterate indigenous tribes in the Amazon. Tapping figures into his calculator, the developer allegedly told landowners – who preside over hundreds of thousands of hectares – that they could earn billions of dollars from carbon credits. The developer's contracts reportedly give him control of the rainforest for 200 years, and half of all profits.

As this case demonstrates, forest economies are changing. We are beginning to realise that trees are worth far more standing than they are cut down. As cars, planes and coal plants continue to belt out heat-trapping gases, forests defuse their damage by absorbing carbon dioxide. Forest carbon projects like REDD+ are an important acknowledgement of this.

By investing in forest conservation they aim to avert trillions of dollars in climate damage each year. Yet these schemes are bringing new money into a sector that is already rife with corruption, so risk abounds.

Our new step-by-step guide, *Keeping REDD+ clean*, is aimed at guarding REDD+ against corruption, before it sets in.

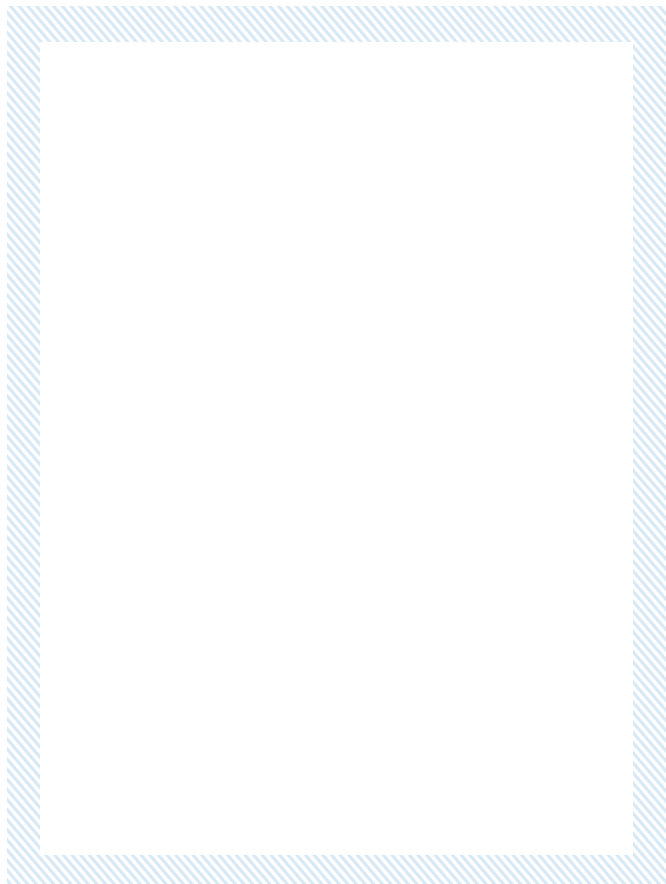
Many of the world's most densely forested countries have a poor track record for corruption. Politicians have been known to accept bribes – sometimes huge – to grant companies access to forest zones that should be protected. Meanwhile, some local communities have been forcefully removed from their homes in order to clear the way for forest exploitation. REDD+ will inherit many of the corruption risks that have long beset the forestry sector, but it also brings with it new ones. Carbon is intangible, and so difficult to quantify. This opens the door to mistakes or manipulation – both of data and of people. Given the remoteness of REDD+ sites there may be no easy way of knowing whether a project is authentic or bogus. And forest communities may be marginalised from decision-making and profits.

Forest carbon projects are very new and policy is still taking shape. At this critical stage, *Keeping REDD+ clean* shows the reader how to identify risks in REDD+ countries and find solutions. The book is already being used by our national chapters in Indonesia, Papua New Guinea and Vietnam – all home to vast swathes of tropical forest.

UNDERSTANDING REDD+

[VIEW OUR SLIDESHOW HERE](#)

Why are we concerned about corruption in REDD+, the global agreement to keep forests standing? Because there won't be a second chance to get this right. It's critical that we keep corruption from undermining REDD+ as the money starts to flow.



[CLICK THE IMAGE TO VIEW THE MANUAL](#)

CAO HAI THANH
Project Coordinator at
Towards Transparency,
our chapter in Vietnam.



ANTICIPATING CORRUPTION RISKS NOW: A VIEW FROM VIETNAM

Transparency International's new manual walks users through how corruption can take root at all stages, from policy-making in Hanoi to projects deep within the forest. As we began investigating REDD+ in Vietnam we realised that, unless changes are made soon, corruption could occur in a number of areas.

Vietnam's National REDD+ Strategy, for example, sets out regulations that allow only certain groups – in many cases political and business elites – to profit from REDD+ activities. This limits the rights of indigenous peoples and other forest-dependent communities who, according to the international principles of REDD+, should be key beneficiaries.

Opacity can also be a big problem in Vietnam. Based on our past experience working on forestry issues, we are concerned that once REDD+ is implemented there will be no public record of how much REDD+ money is allocated to government ministries, agencies and provinces. This means that it will be very hard for people outside government to track the money and ensure that it is not diverted elsewhere or embezzled. Guarding these funds against corruption will require far more stringent, transparent and verifiable financial management.

To take action against corruption risks in REDD+ we have organised a number of training workshops for government officers at district and provincial levels. We also hope to launch a programme that will train people in monitoring REDD+ on the ground and encourage them to become forest whistleblowers. The more informed people are about corruption risks, the more likely it is that we can keep these threats in check.

DEDI HARYADI
Forestry Team Leader at
Transparency International Indonesia.



PLAYING POLITICS WITH THE FOREST: A PERSPECTIVE FROM INDONESIA

Indonesia's forests are often used to consolidate political power. In the mid-1990s the Ministry of Forestry reportedly took US\$600 million from the country's Reforestation Fund and invested it in projects that were more politically favourable. Satellite images of forest cover changes in Indonesia also show that deforestation tends to increase ahead of regional and local elections. Forest land and proceeds are an important source of party political financing, and can be used to buy votes and secure support.

Policy capture – when decision-makers shape policies to suit their own interests above those of society – happens when citizens are unable to critique or contribute to policy. We believe that this manual will help turn the tide on this at a critical time in the development of REDD+.

Beyond raising awareness about what REDD+ is, the manual gives people a checklist of questions to ask as well as people and processes to monitor to ensure that REDD+ decision-making stays clean. People need to know that they have an important watchdog role to play, and what to watch out for.

Our staff in Aceh, Riau and Papua have been using the manual to identify and address corruption risks in their provinces. It has also been enthusiastically received by concerned citizens, NGOs, journalists, activists and academics. We hope that the manual will help galvanise an informed and active society that monitors money flows and holds leaders to account.

RICK JACOBSEN
of our partner organisation
Global Witness discusses the
promise of REDD+, and the perils
that corruption poses for forests
and local communities.



REDD+ CORRUPTION RISKS ARE REAL, BUT SO ARE THE SOLUTIONS

Back in 2009, when REDD+ was in its early days and talk of billion dollar markets for forest carbon was common, we began to hear disturbing reports emerging from Papua New Guinea. The government's newly established Office of Climate Change had sold a huge number of REDD+ credits, apparently without legal mandate and before a framework for implementing REDD+ had even been established in the country. Other reports came of rogue businessmen manipulating local villagers into handing over the rights to the carbon in their forests. The term "carbon cowboy" quickly became a part of the REDD+ lexicon.

It is often said that REDD+ could be a real opportunity to protect forests and address poverty in forested areas. The concept has gained traction around the world and has generated unprecedented levels of interest in and funding for forest protection. But, as the situation in Papua New Guinea makes very clear, REDD+ faces some major challenges in overcoming corruption and illegality.

The forest sector is particularly vulnerable to corruption. Global Witness and its Liberian partners recently documented how in Liberia 40 per cent of the country's forests were quietly handed out as private logging permits in just two years. Evidence of forgery, violations of legal statutes and neglect of due process abounds. Similarly in Democratic Republic of Congo, permits meant for small-scale local logging have been given away to international logging companies eager to bypass more strenuous regulation under other types of licenses and a moratorium on new industrial logging concessions. These developments in Liberia and DRC, both members of major multi-lateral REDD+ programmes, illustrate the risks posed by weak governance.

REDD+ could also create additional opportunities for corruption: new streams of money, an increase in the economic value of forests and land, the complexity of dealing with carbon rights, payments and measurements. Transparency International's new guide to preventing corruption in REDD+ can help governments, the private sector and NGOs to address old and new risks at the national level. Talking about corruption in many of the countries participating in REDD+ isn't easy; often it's the large and menacing elephant in the room. But the best way to begin addressing these risks is to shed light on them, as Transparency International's guide ably does.

GREEN CLIMATE FUND: WITH SO MUCH AT STAKE WE CAN'T AFFORD FOUL PLAY

Urgency and precaution are not easily reconcilable. The Green Climate Fund – which met for the second time in October – will have to negotiate that balance. As climate negotiations chug along laboriously, this global fund will ensure that much-needed investment is not stalled as a result. By 2020 it could be holding the purse strings for up to US\$100 billion in climate money every year.

But not before it is decided how the fund will operate. Events in the lead-up to its recent meeting in Songdo, South Korea signaled an inauspicious start to that process.

Currently the green fund consists solely of its executive board, inaugurated last month. An illustrious group of Finance Ministers, Environment Ministers, diplomats and bankers, board members have been tasked with crafting their fund from scratch – people, policies and systems to allocate and monitor spending. Until the fund becomes operational in 2014, board members will be quite literally writing their own rules.

It is hard to overstate the responsibility entailed. We are entrusting this global fund with spending scarce public resources as efficiently as they can, and leveraging the private capital required to meet the task of climate action. Ultimately these decisions will impact the success of efforts to reduce carbon emissions, raise us above ground level, shield us from storms and tidal surges, and channel water through drought.

Decisions made now – in these earliest phases of the fund's existence – may seem procedural by comparison, but they will lend shape to the dynamics of decision-making for years to come.

This began with the vote on where the fund will sit – an appealing prospect for any country, as alongside prestige it will attract hearty investment. In the running were Germany, Mexico, Namibia, Poland, Switzerland and South Korea, with the latter the winner by consensus.

At Transparency International we have been watching this carefully. Corruption scandals in Olympic and FIFA host country bidding processes have shown how bribery can buy votes when billions of dollars are at stake. Signed Fair Play commitments, it is hoped, will ensure that each country enters the contest on equal footing.

No such public commitments exist for the green fund. Board members are not subject to codes of conduct or conflict of interest policies either, because they haven't yet written them. While the fund's rulebook is blank, it follows that its members might exercise a degree of discretion in their *modus operandi*.

It seems they already are. Transparency International received a report alleging that one of the bid countries was offering honorariums of US\$2000 to board members to take part in a conference. Paying panellists' expenses is not uncommon, but with such high figures involved, our informant saw this as an attempt at swaying opinion in that candidate's favour.

“ When we inquired, the country representatives assured us that they did not consider this sum of money excessive... ”



When we inquired, the country representatives assured us that they did not consider this sum of money excessive, “considering the participants’ expertise, reputation, time and contribution.” Some board members, they added, had declined the honorarium entirely. Their letter concluded that, “we will take your concerns into account and will adjust the amount.”

As for another authority on the matter, the United Nations – the fund’s interim secretariat – told us that they cannot intervene in events external to official meetings. This raises some salient questions about the accountability – present and future – of the fund. The board is required to report to the UN at the upcoming climate conference in November. Until then, who is responsible for following up on this claim, or others to come? The 195 member states?

We trust that the fund’s board are people of competence and integrity. But trust needs reassurances. We are asking that these people set the bar high when it comes to ethical, anti-corruption standards – that transparency trumps privacy and that clear chains of accountability mean that people are directly answerable to their actions.

A chief element of any anti-corruption strategy is independent oversight. Board members will be deciding what information they should and shouldn’t disclose to the public, appointing auditors, designing monitoring frameworks and instituting a body to investigate them in cases of suspected corruption and fraud. It is crucial that oversight staff are truly independent, not compromised by whoever writes their paycheck. Citizens should also be allowed to have a say in decisions that affect them, and report wrongdoing without fear of retribution.

Getting this right now will boost the fund’s credibility and set the tone for the very many people who handle climate money further down the line – government ministries, development agencies, banks, companies and NGOs. Climate finance is ultimately about human survival. It is urgently needed, but we first need to take the time to build the checks and balances that will protect it against loss, waste and abuse.



MONITORING CLIMATE MONEY: TOP-DOWN MEETS BOTTOM-UP

The coming months will be critical for setting the anti-corruption agenda for climate investment. By the end of 2012, developed countries have to deliver on outstanding fast-track climate finance commitments, meaning that billions of US dollars could exit developed country bank accounts, bound for climate projects in developing countries.

Effectively guarding that money against waste and abuse will require a rethink of the status quo. Amid a global matrix of funds, governments, companies and NGOs, it is often unclear where climate finance is coming from, who's managing it, how it's spent and who decides what projects get support. When large amounts of money enter situations of complexity, opacity and urgency, the risk of corruption is high.

At Transparency International we are addressing these risks in nine countries by trying to gain clarity over where climate money is being spent and who is accountable for it. This work complements that of our partners at the Overseas Development Institute and the Heinrich Böll Foundation, who are tracking climate finance at the international level.

WHAT IS CLIMATE FINANCE?

Climate finance was born of the 'polluter pays principle' – the idea that industrialised countries have contributed the most to global warming and should therefore compensate developing nations for the costs they face as a result of climate change. In 2009, leaders of developed countries pledged US\$30 billion in fast-start finance to help developing countries build resilience to the effects of climate change and cut back on their own carbon emissions. That funding, it is hoped, will be scaled up to US\$100 billion per year by 2020.

SMITA NAKHOODA and ALICE CARAVANI from the Overseas Development Institute comment on the platform that they have helped develop to track climate finance upstream, starting with the donors.



INCREASING THE VISIBILITY OF DONOR SPENDING

Climate Funds Update is a joint project by the Overseas Development Institute and the Heinrich Böll Foundation North America, aimed at monitoring which countries and institutions are providing climate finance. The website presents information that helps the international community understand emerging trends in how and where climate finance is spent, and to enable civil society to hold governments and fund managers accountable for its use. Climate Funds Update tracks 23 dedicated public climate finance initiatives, including multilateral climate funds, bilateral climate finance initiatives, and national trust funds that developing country governments have established to receive finance.

MORE ACCESSIBLE AND INTUITIVE DATA

Since its beginnings in 2009, Climate Funds Update data is now easier to download and interrogate. Through map-based visualisation tools users can see where funds are sourced and spent. Users can also compare the volume of finance that countries receive with their income levels, or see what kinds of financial instruments (such as grants or loans) are offered by different funds.

IMPROVING THE QUALITY OF DATA

Verification of the data is voluntary for fund administrators, but most appreciate its value in increasing accountability and deepening public understanding and awareness. Climate Funds Update now updates its data every two months and specifies when it was last confirmed, highlighting those funds which have not been responsive to requests for new information. Over time, the number of funds that respond to requests, and the amount of information publicly available, has increased.

TRACKING COMMITMENTS

Distinguishing the status of finance delivery is crucial for transparency as it provides information on whether pledges are being met, and whether finance is reaching recipients. Climate Funds Update adopts a common framework for reporting the status of finance from different funds. It distinguishes between what countries pledge and what they actually deposit to these funds. It also distinguishes between the approval of a project and actual disbursement of finance to allow its execution and realisation. There can often be long lags between the two stages.

SAMUEL ROTTA CASTILLA and MAGALY AVILA
from Transparency International's Peruvian
chapter Proética discuss the problems
they are facing monitoring climate
finance in-country.



PROBLEMS FACED IN PERU

One of the things that has most struck us since we began tracking climate finance in Peru – a country whose huge biodiversity is at grave threat because of climate change – is the fact that no single high ranking public official in the sector has dared attach a number to the amount of climate money that is being spent in the country.

Why? Our research suggests that this is largely due to a lack of order in the management of information on climate projects. There are many institutions operating in the field of climate change but there are very few, if any, specialised public officials charged with collecting, systematising and keeping up-to-date information for accountability purposes, both internally and to the public. There are also a diverse number of funding systems involved, with money coming from credit operations, donations and the public treasury among others – all of which are managed under very different accountability schemes. Information on funds and projects therefore exists, but it is very difficult to locate and monitor.

In the mid-term, a feasible solution to this would be the creation of a public platform with clear, comparable and comprehensive technical and financial information on all climate projects. This should bring together and standardise information from sub-national governments, private companies and NGOs that are involved in projects aimed at tackling climate change in Peru.

In the short-term, communities and civil society organisations whose cities or neighbourhoods are home to projects of this kind should be able to play a role in overseeing them. Proética is committed to providing clear information and training to members of the public so that they can understand and use appropriate transparency and anti-corruption tools.

WHAT ARE CLIMATE FUNDS?

On its way from donor to recipient countries, climate finance can take one of a number of journeys. The bulk of it is channelled through multilateral financial institutions – development banks and UN agencies – or bilateral ones like Germany's International Climate Initiative or Australia's International Forest Carbon Initiative. Donor governments can also deposit climate money into dedicated international and national climate funds. There are a whole host of these, including the Climate Investment Funds, the Adaptation Fund, Brazil's Amazon Fund and the Bangladesh Climate Change Resilience Fund. Alternatively international climate finance can pass directly from government to government, via market mechanisms such as the Clean Development Mechanism or carbon trading.



EXERCISING YOUR RIGHT TO KNOW

The information age, the digital revolution, information society. These are the times we are living in – an era supposedly characterised by instant access to information. Right to information legislation in over 90 countries means that, in theory, billions of people can get their hands on government data. Yet in many countries the right to know is a practical impossibility.

On the occasion of the tenth International Right to Know Day, we asked our chapters working on climate issues how access to information affects them. In Bangladesh, the Dominican Republic, Indonesia, Kenya, Maldives, Mexico, Papua New Guinea, Peru and Vietnam, our climate team have been trying to establish how climate money – money which is ultimately about human survival – is spent domestically and who is accountable for it. This is proving a complex task.

REQUESTING INFORMATION IN THE MALDIVES

Azim Zahir from Transparency Maldives details his experiences struggling against a culture of extreme limits on access to information.

The Ministry of Finance and Treasury is the main climate finance coordination agency in the Maldives. We first wrote to them on 29 December 2011 to obtain a budget breakdown for climate projects planned in 2011. The letter was followed by several reminders via telephone, to no avail. The team again wrote on 8 March 2012, this time asking for budget breakdowns from 2011 and 2012. Ideally such information should be readily available and proactively disclosed.

The ministry responded after nearly three weeks of telephone and email reminders as well as contact with senior staff. Even then it only sent budget breakdowns for 2012 projects. To date, we have not received project figures for 2011.

It should be noted that the Ministry of Finance and Treasury is known for delays in providing information, or plain denial of it. In 2010 a political party took the ministry to court and won the case after the ministry denied access to information on an agreement it had entered into with another party. Unfortunately, not much seems to have improved since then.

FORESTS, MULTIPLE MAPS AND LOGGING LICENSES IN INDONESIA

Government information is in custody of the state, but it is owned by the people. By voting and by paying taxes we entrust our governments to make informed decisions. We deserve to know what those decisions are and why they are made, and to play an active role in ensuring that they are the right ones.

Our climate team in Indonesia have been calling on their government to improve citizens' ability not only to access information but to ensure its accuracy by checking and contributing to it. They recently celebrated a small victory in Tripa, on the island of Sumatra.

Dedi Haryadi from Transparency International Indonesia and Alice Harrison from our international secretariat discuss a recent court case that highlights the wider issue of public access to information and its impact on Indonesia's forests.

In a recent court ruling the Governor of Aceh was ordered to revoke a license allowing woodland to be cleared for palm oil production in the densely forested peat swamp of Tripa, in Aceh. Cutting these trees releases large volumes of carbon dioxide into the atmosphere – a serious matter in a country that is one of the world's highest greenhouse gas emitters. [Editor's note, 9 Oct 2012: In late September, the current governor complied with the ruling and officially revoked the permit from the company in question, PT Kallista Alam.]

Aceh's former governor had reportedly ignored calls from the public, including TI Indonesia, to cancel the permit. This sparked international outcry because the concession – which applied to 1,600 hectares of land – included areas that should be protected by a conservation moratorium, and are home to the world's densest population of orangutans.

The story sheds light on two prominent corruption risks in Indonesia. The first is the granting of forestry permits. These are worth a great deal of money, but public information on the licensing process is either missing, incomplete or conflicting. Protected by opacity, governors, mayors or ministers might accept bribes from companies seeking access to forests. This can result in policy capture, where policy-makers are swayed by investor rather than public interests.

The mapping of moratorium areas in Indonesian forests is also vulnerable to corrupt abuse. Until now there have been many different versions of this map. The National Agency for Land Administration had its own, as did the Ministry of Agriculture. The Ministry of Forestry had three or four different versions. With multiple maps to choose from, officials could dodge responsibility for protected zones. This made it very difficult to know whether licenses had been granted legally or through back-door dealing.

The government now claims to have one map, and has said that it welcomes help from members of the public in improving and verifying it. If sincere, this offer could have exciting consequences. Members of the public could act as watchdogs on the ground, ensuring that protected land stays protected and locks carbon in as it should, reducing emissions. Government information would be more legitimate and more accessible, and citizens could play an active role in stamping out the corruption that has plagued the country's forests.

[CLICK IMAGE TO PLAY:](#)
BRIBES, BUSINESS AND FORESTS IN INDONESIA

Transparency International Indonesia's animated video reveals the darker side of the country's forestry sector. It shows a businessman bribing a bureaucrat to obtain a commercial license for what should be protected woodland. As a result communities who lived on that land are violently removed and their habitat is destroyed. Corruption is shown to trump human rights, environmental protection and climate action.

WHAT CLIMATE CHANGE AND CORRUPTION MEAN FOR LAND SECURITY

Ground that was once fertile is now desert. Seawater is swallowing small island states. Lakes and rivers are encroaching on nearby communities. The effects of climate change are complex and can seem contradictory. What is clear, however, is that as our natural habitats are transformed, safe, useful land is decreasing in size and increasing in value. This is putting added strain on people's ability to ensure access to lands that they live and work on.

At Transparency International we are seeing worrying signs that corruption is making the right to land more precarious still. Be it bribe-paying to appropriate land, or a nepotistic approach to resettlement projects, corruption in land management must be tackled. Staff working on climate issues at two of our national chapters tell us why.

JACOB OTACHI and FRANCIS KAIRU
from Transparency International Kenya
discuss their chapter's work on land issues.



LAND RIGHTS, BUILDING PERMITS AND FOREST PRESERVATION IN KENYA

Transparency International Kenya has three Advocacy and Legal Advice Centres, which give free and confidential legal counsel to victims or witnesses of corruption. Around a quarter of the cases received at our centre in Mombasa relate to land, totalling 58 since September 2011.

Most of these reports relate to corrupt officials who accept bribes to authorise building permits. Many people also claim to have been illegally evicted – often violently – from their land, sometimes due to a court order given by a corrupt judge. Forestland is a particular concern. We receive many complaints that woodland is illegally cleared to make way for construction or agriculture, which is driving people from their homes and exacerbating deforestation.

A case reported in July of this year concerned a forested area along Kenya's southern coastline. People with ties to local decision-makers have been registering this land as their own and evicting indigenous communities who have lived there for generations but cannot legally enforce their rights. Our client claimed that a crematorium was to be built on a parcel of this land, which should by law be protected. We received reports that the new landowners had acquired an environmental impact assessment – a prerequisite for a building permit – by bribing a local official 1 million Kenyan shillings (almost US\$12,000).

We contacted Kenya's Ethics and Anti-corruption Commission. Following a discussion with the regional head of the environmental authority, the licence was revoked. On a positive note, this case shows that justice can be won when people start asking questions. Unfortunately, in this instance we were too late to save the huge tract of woodland that had already been cleared.

Climate change is causing widespread drought in Kenya, and many people have been forced to leave their homes in search of fertile land. Unless land governance is made more visible and more accountable, new land will go to wealthy bribe-payers rather than deserving owners.

DELEDA SAMBOYS

from Participación Ciudadana, our chapter in the Dominican Republic, talks about worrying signs of corruption as her country adapts to the effects of climate change.



THE ENRIQUILLO LAKE: SWELLING WATERS AND PRESSURE ON LAND

Enriquillo Lake is the Dominican Republic's largest natural water reserve. In a curious development the lake is rapidly expanding – it is now twice the size it was in 2004. Scientists say that this is a result of global warming, which shifts patterns in evaporation and precipitation. Similar swelling has been observed in lakes as close as in neighbouring Haiti and as far as China's Nam Co Lake.

As Enriquillo continues to swell, nearby communities, farmers and producers are being forced to leave. In 2009, then-President Leonel Fernandez visited the area and promised over 500 families new homes.

At Participación Ciudadana we received information that friends and family of government members were being relocated while families whose situation was far worse were not. This begs many questions about the role that nepotism and cronyism might play in Dominican politics. With partner organisations such as the National Youth Action Network we have been investigating these claims. We have written to the Ministry of Agriculture, requesting information on who has been given money, housing and land, and why. We are still waiting for a reply.

As the Dominican Republic continues to cede space to sea level rise brought by climate change, pressures on land will only increase. We will be working to ensure that citizen rights are upheld, especially in these uncertain times.

CONNECTING CLIMATE CHANGE AND ANTI-CORRUPTION WORK

The Dominican Republic and Kenya are on the frontiers of climate change. Both countries also have a poor track record for corruption, scoring 2.6 and 2.2 out of 10 in our 2011 Corruption Perceptions Index. Land is situated at the intersection of these two phenomena. The more scarce it becomes as a result of global warming, the more likely it is that corruption will cloud its management.

At Transparency International we are shining a light on climate change policy-making and financing. We want to ensure that money spent on adaptation isn't lost to corruption – that flood defences are tall enough, that buildings are strong enough, and that irrigation systems work. We also want decision-making to be fair, and not swayed by greased palms or brown envelopes.

What happens to communities when the storms, droughts and floods hit? Where do they go and who decides? Keeping climate governance clean will mean asking some uncomfortable questions about what's in store for those of us whose right to land is on shaky ground.



JUST TICKING A BOX? CLEAN DEVELOPMENT CONSULTATIONS IN MEXICO

If a company wanted to build a wind park in your neighbourhood, you would hope that they would consult you first. You might know better than them what benefits that wind park could bring to your community and how best to ensure them. This is meant to happen with the Clean Development Mechanism (CDM, see box below). Companies vying for a project are obliged to meet with affected communities during a project's design phase to have a conversation about its possible impacts.

The CDM has come under fire for allegedly failing to do this properly, with claims that consultation processes are inadequate or even forged. Yet in many cases, these claims were based on assumptions or the experience of a limited number of cases.

Our Mexican chapter, Transparencia Mexicana, has sought to plug that information gap through extensive research. They analysed all the design documents for CDM projects in Mexico, to try to get a sense of how involved communities had been in their development.

The chapter found that a lack of clear rules or guidelines affects the quality of consultation processes, the reporting of results and the possibilities for citizens to intervene in the approval of CDM projects in Mexico. Their research also indicates that it is essential to ask who participates in these consultations – that is, what type of people are being listened to.

CARBON OFFSETTING AND THE CLEAN DEVELOPMENT MECHANISM

Carbon offsetting sounds great in theory. Instead of reducing their emissions at home, developed countries can invest in projects that contribute to emissions reductions in the developing world, like renewable energy or reforestation. Under the UN's Clean Development Mechanism (CDM) – the world's largest offsetting scheme – these projects are also supposed to benefit host countries' development, by creating jobs and providing an alternative to dirty energy and environmental degradation.

But the mechanism's twin objectives are both problematic. By definition, reduced emissions do not exist, so measuring them is no easy task. This makes the system vulnerable to mistakes and manipulation. Likewise, sustainable development is a slippery definition. Projects like hydropower dams or biomass plants can bring a lot of money to a country, but for whom? In many cases it is hard to see how the CDM has benefitted local communities. In some it has reportedly even caused harm through forced displacement, land degradation or pollution. Keen to attract investment, countries can and do sign off on CDM projects without the due diligence or monitoring required to ensure that it will result in sustainable development gains.

Transparencia Mexicana Executive
Director EDUARDO BOHORQUEZ
and BRUNO BRANDÃO, Programme
Coordinator of the Climate
Governance Integrity Programme in
the country, present the research



DO CITIZENS HAVE THEIR SAY IN MEXICO?

After a decade of work in the field of corruption, we understand that risks to integrity arise not only from the quality of institutions but from the quality of the interactions and relationships that these institutions foster. This prompted us to launch a research programme into the various encounters between actors engaged with and affected by CDM projects.

As a first step we analysed all of the project design documents ever produced for CDM projects in Mexico. At the time of research, in June 2012, there were 150 such documents, for projects that had been either registered, rejected, withdrawn or placed under review.

The initial results reveal that a lack of proper regulations and guidelines affects the quality of the consultation processes, the reporting of results and the possibilities for stakeholders to intervene in the approval and accreditation of CDM projects in Mexico. Our study thus supports with empirical data the commonly made critiques of CDM consultation processes.

But the research does more than that. It also provides guidance as to what sorts of interactions these processes can generate. It is worth mentioning, for example, that mitigation measures – proactive measures aimed at avoiding or decreasing negative effects of the project – tend to be requested in cases where specialised authorities are involved in the consultation process and interact with members of local communities. In contrast to compensation requests, where communities ask for money or services to compensate them for potential impacts to their lives, we believe that requests for mitigation measures usually reflect broader knowledge and understanding by the public of the projects' real impacts.

Effective consultation processes depend on the engagement of distinct sections of the public. Consultations should enable and promote interaction among local affected communities, academics, media, public authorities (particularly specialised agencies), project developers and consultants. This promotes the exchange of information in multiple directions. Local communities can of course learn from the so-called experts, but it is also often the case that academics, the media and public authorities come out of their encounter with local communities with a more refined understanding.

The equality gap should also be addressed. Bringing a variety of stakeholders together creates alliances between more influential people and those who are often marginalised from the debate. This doesn't mean that consultation processes should ignore the specific needs of distinct groups or the limitations of certain actors for adequate participation, however. Rather they should address and try to counter imbalances in knowledge and ability. Very often these inequalities result in manipulation and exploitation. Robust and truly multi-stakeholder consultations can help avoid this by shining a light on such attempts within an institutionalised space of participation.

WHAT WE ASKED ABOUT CDM PROJECTS IN MEXICO

There were three main questions that Transparencia Mexicana asked in relation to CDM projects in the country:

- How is the consultation process conducted?
- How are the results of the consultation process presented in the project design documents?
- How does the consultation process influence the approval and accreditation of the projects?

INITIAL KEY FINDINGS

PROJECT DEVELOPERS AND CONSULTANTS HAVE FULL DISCRETION OVER THE DESIGN AND UNDERTAKING OF CONSULTATION WITH STAKEHOLDERS:

The most popular type of consultation is through public assembly (31 per cent), but there were also cases of projects conducting direct interviews (3 per cent), surveys (2 per cent) and calls for comments (3 per cent). The majority of the cases, however, opted for a combination of these methods (61 per cent).

REPORTING OF THE RESULTS AND CHARACTERISTICS OF THE CONSULTATION IS GENERALLY VERY POOR:

Only 64 per cent of the projects state that an attendee list (or participants list in the case of calls for comments) has been produced. From this total only 45 per cent actually attach or reproduce the list in the project design document. Moreover, only 27 per cent register the existence of meeting minutes, only one case confirms the existence of signed minutes, and none actually attach or reproduce the minutes. Finally, only 50 per cent of the documents have a record of the questions and answers voiced during the hearings. Without transparent record keeping, consultations can be tarnished by accusations of exclusion, secrecy or selective memory.

VERY FEW DOCUMENTS ACTUALLY RECORD REQUESTS FROM THE PUBLIC:

Our findings indicate that only 10 per cent of compensation requests and 7.3 per cent of mitigation requests are formally noted. This may result from insufficient and/or inadequate channels to convey comments; a lack of clarity for the public that their participation comprises more than questioning and commenting and that they can present demands; or that stakeholders do not have sufficient information about the project to be aware of their potential consequences at that time.

RECOMMENDATIONS

The CDM's consultation process is essential for its legitimacy. Our findings demonstrate that rules and guidance for this process need urgent reform. When designing these standards it will be important to take into consideration the various types of projects and the challenges and costs involved. In order to fulfill its purpose, the mechanism's consultation process must become a space where various voices can convey their views, confident in the knowledge they will not only be heard, but also seriously considered.

CDM Watch Network Coordinator
ANTONIA VORNER Comments on
Transparencia Mexicana's findings.



THOROUGH REFORM OF STAKEHOLDER CONSULTATION RULES LONG OVERDUE

Our partner CDM Watch is an independent watchdog to the CDM. Its international network connects NGOs and academics globally to share information and concerns about CDM projects and policies, and strengthen the voice of civil society in the CDM and broader carbon market developments.

The CDM provides no guidance on how stakeholder consultation should be carried out, nor how they should be audited. This means that CDM project developers have been able to carry out superficial and insufficient local stakeholder consultations. Projects often get registered despite the fact that people directly affected have not even been informed, which has resulted in considerable negative impacts on local populations. In the case of the Sasan coal power project in India in 2010, villagers were only informed about the project when they were told to move out of their homes.

There is broad consensus that a reform of stakeholder consultation in the CDM is long overdue. As a result of continued efforts by CDM Watch and our partners to address identified shortcomings in public participation requirements and practices, a concept note for improved local and global stakeholder consultation processes was presented at the last CDM Executive Board meeting in September 2012.

The options on the table include many of the recommendations put forward by the CDM Watch Network but it has not yet been decided what will actually be included in the draft guidelines to be developed. This conversation will continue at the CDM's next board meeting, set to take place at this year's UN climate conference in Doha. It will be vital for civil society to keep advocating for stronger rights for those people whose lives are directly affected by the CDM.

VIDEOS FROM RIO+20

CLICK IMAGE TO PLAY:

RIO+20: MAKING CLIMATE MONEY WORK FOR PEOPLE AND THE PLANET

Sustainable development has three basic tenets: economic growth, poverty alleviation and environmental protection. It's about ensuring that we all have enough food and jobs, and that our health and prosperity doesn't come at the expense of our environment. Climate finance could set us on a good course to achieving these goals. But not unless we first invest in systems to ensure that money is spent honestly and effectively.

This is the message that we took to Rio+20, otherwise known as the United Nations Conference on Sustainable Development. Our panel discussion, 'Ensuring that climate finance is an effective driver of sustainable development' posed the questions: what safeguards are needed to protect climate finance against waste and corrupt abuse, and how well do they work in practice?

Lisa Elges, head of climate governance at Transparency International, spoke of what we call the accountability deficit in climate finance.

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“ There's a lot of complexity and a lot of unclarity about who is responsible for taking decisions, who is going to be held accountable for decisions on how money should be spent and how can that oversight be monitored and measured over a longer period of time. Transparency and accountability is key to making sure that climate finance works.”

When people in charge of money are allowed to hide behind anonymity we run the risk that that money might end up in the wrong place. Shining a light on budgets and decision-making is a first step to combatting corruption. A second step is to involve members of the public in watching over these processes to check that they're sound. At Transparency International we're working in nine countries to ensure that this happens. As Lisa Elges put it,

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“ We are trying to build capacity in civil society so that people can start having a conversation about what climate governance is about and that will then empower them to start monitoring climate finance in their countries.”

So what do the funders think? The Global Environment Facility is an independent financial institution that provides grants to developing countries for environmental projects. It is a major conduit of climate finance. Team Leader for External Affairs, William Ehlers, talked about the anti-corruption standards that the facility requires of itself and the agencies that carry out its projects on the ground. These include core principles of independence, transparency, monitoring and response, all of which are applied to climate finance transactions.



“In order to ensure, or to try to ensure anyway, that it is used properly, without waste, without corruption and that it achieves its objectives and that if there are problems along the way that it can identify and address them and if somebody is not acting correctly that there are avenues for people to come forward and show it up so it can be addressed.”

One of the challenges that countries receiving climate finance face, however, is that funders all set their own conditions on spending. Ehlers hoped that the Rio+20 conference would advance discussions over how best to coordinate funding streams and requirements. Says Ehlers,



“Each one of them have their own mechanisms, their own processes and the countries which are supposed to be the beneficiaries, in general, developing countries find it increasingly difficult to access those funds in a coherent way because they have to live up to different conditions for each one so very soon they’ll need national experts who know what the funds are and how to put them together and that really is very inefficient. Of course, no one institution can do absolutely everything, but at least we should have some sort of coordination among those funds so that each one knows exactly how its role matches with the roles of the others. And none of that is happening, so one good outcome could be that a process is put in place to actually find how to coordinate all these fund., That, I think, would be one good contribution to the system.”

Brazil, which hosted Rio+20, has spent over US\$240 million dollars in climate finance. To ensure that climate money is put to good use, Rafael Lopes Torres, Secretary of the Brazilian Court of Audit (Tribunal de Contas da União), stressed the importance of strong and systematic performance audits on transfers from the federal government to states, municipalities and companies.



“It’s very common here in Brazil that the federal government transfers the money and they forget what has been done. And years after they are going to try to see what the result of the project is and so in many cases if there are problems with the execution, if you follow up during the execution there are more chances to reverse any problems that happen. But if you just transfer the money and see at the end what has been done the chances of failure is much bigger.”

Increased transparency, clear and enforced chains of accountability, and independent oversight – these are some of the positive steps that can be taken to address corruption risks in climate finance proactively. Climate finance spending is set to vastly increase in the coming years. So luckily we are still ahead of the game.