CLIMATE FINANCE INTEGRITY TALKS
WARSAW

The Berlin Climate Finance Integrity Talks were designed to stimulate public and policy discussions on the risks that fraud and corruption pose to the effective and efficient use of climate funds. The discussion series cut across sectors and disciplines, providing a non-politicised forum for climate policy-makers and practitioners to jointly craft solutions to the key governance challenges that could prevent climate funds from achieving the transformational reforms our planet needs.

This session was held on the side-lines of the Conference of Parties to the UN Framework Convention on Climate Change, hosted in Warsaw in November 2013. TI brought three recommendations to COP19, each one of which was debated by a panel of climate and anti-corruption experts and practitioners who were brought together to draw out the challenges, opportunities and best practices for implementing these recommendations in practice. This session of the Climate Finance Integrity Talks included participation from the UN-REDD Programme Secretariat, ARTICLE 19, the University of Cape Town, the Heinrich Böll Foundation, the World Resources Institute, Germanwatch, the Overseas Development Institute, the Gold Standard Foundation, the Inter-American Development Bank, Transparency International Kenya, the Adaptation Fund Board Secretariat, the European Investment Bank and Publish What You Fund. A summary of the day's debates is included below, and a video with extracts from the discussions can be accessed online here.

"Making sure governments put more money for climate change on the table means making sure climate money doesn't disappear under the table. We need zero tolerance of corruption policies under climate funds to ensure that anti-corruption is guaranteed, from the ground level to the board room. We need independent oversight of executive bodies to guarantee the credibility and legitimacy of these funds and to ensure real buy-in from developing countries. Much of the information that civil society needs in order to hold these organisations to account is not currently disclosed, so we need much better access to information. There is also a worrying tendency of the funds to delegate or outsource accountability to other actors, so we need greater clarity on relationships of accountability, as well as better monitoring and evaluation of the measures that are in place - so far none of the funds have monitored how well they are doing in terms of providing whistle-blower protection, complaints mechanisms, investigations, sanctions or rules – they are not monitoring the effectiveness of their accountability systems. We need greater coherence and consistency between actors operating on the ground. And finally, we need a strong call for greater accountability, responsibility and the recognition of a more substantive role for civil society in the operations of these funds, both globally and at the national level."

Lisa Elges, Climate Finance Integrity Programme Leader, Transparency International

Panel discussion 1: Openness in anti-corruption safeguards: How to ensure that anti-corruption is at the cornerstone of climate finance policy

TI's recommendation: Greater transparency is needed for multilateral climate funds to demonstrate the existence and effectiveness of accountability mechanisms. Relevant and appropriate information should be made publicly available regarding funds' internal anti-corruption policies, as well as the fiduciary and accountability requirements of its implementing entities and any other downstream actors.

Key Points from the discussions

Access to Information

Confidentiality is too often a default; climate funds' policies should be based on Article 10 of the Rio Declaration, which enshrined access to information on the environment as a fundamental right. Policies on transparency and access to information are reliant upon the standards of the implementing agencies. The applicable policies are not always clear and comprehensive and may fall short of Article 10. Capacity constraints within the funds are also a cause – it is costly to establish comprehensive systems that can guarantee the highest possible standards of access to information and accountability, resources are scarce and there is a justified drive to spend as much climate finance as possible at the country level. International institutions and funds fall into a very unclear part of international law, which can further complicate accessing information.

"Transparency makes things possible. Why is transparency of climate finance important? Because you can't measure the effectiveness of climate finance if you don't have transparency about it. You can't have clarity about whether there is a distinction between a promise and actual disbursement without transparency. You can't track double counting and triple counting and quadruple counting without transparency. And most important of all, if you don't have clarity about exactly where the money is being spent, and on what, then you can't have coordination and it isn't possible to empower recipient countries and citizens to plan around incoming flows, to reduce transaction costs and to hold people to account."
David Hall-Matthews, Director of Publish What You Fund

Available standards

Different standards exist from other sectors that should be explored for climate finance. For example the Construction Sector Transparency Initiative (CoST) establishes multi-stakeholder groups in country that decide what is required rather than imposing standards from above, and the International Aid Transparency Initiative (IATI) has shown great progress in opening up the aid sector, with some climate funds already starting to report along the IATI standard.

Engaging civil society

The vital role that civil society can play in monitoring climate finance flows and projects, as well as in supporting community participation, should be recognised and encouraged at all levels. Civil society's capacity to engage meaningfully in climate finance monitoring and decision making processes should be enhanced to ensure that CSOs from the global to the local level are able to take full advantage of the information that is available and the spaces that are opened up for their participation.

Understandability

Beyond access to information, understandability of information is key. For information to be meaningful to stakeholders in climate projects, it needs to be country owned, and must be made available at different levels in different formats, to reach as wide an audience as possible.

Progress made

Although there is still some way to go, it is important to recognize that significant steps forward have been made to increase transparency and access to information in climate finance delivery. For example; The IATI standard has been adopted by the Adaptation Fund and the Climate Investment Funds, the Climate Investment Funds have evolved more comprehensive disclosure policies and have largely eliminated executive sessions so observers can now witness most discussions, and coordination between the UN-REDD Programme and the Forest Carbon Partnership Facility have improved on joint up reporting that allows for more comprehensive and coherent access to information on REDD+

"I was part of a team of researchers trying to track the flows of international and national climate finance in Mexico, along with colleagues in Kenya, Bangladesh, the Maldives, Peru and the Dominican Republic. We had to become archaeologists of information in the national budgets. In all countries, national budget classification systems were inadequate - there were no labels for climate, adaptation or mitigation, and financial information supplied by global and national sources or between national and sub-national levels was often contradictory. So in practice this basic information on how much money is flowing and to who was very hard to access, even in countries where access to information laws are in place, like Mexico. We sent 29 information requests and received adequate and comprehensive replies from only about 50% of government agencies. We also found real weaknesses in the consultation processes that were supposed to take place with the communities affected by climate projects, and when we demanded this from the government we were often told that there weren't sufficient resources to conduct consultations. But once we got access to the donor contracts, we found budget lines for these consultations to take place, so they should have been done but weren't. So the lack of information resulted that people on the ground don't know they have a right to be consulted about the projects that affect them."

Bruno Brandao, Transparency International

Panel discussion 2: Openness in decision-making and monitoring processes: How to ensure meaningful transparency for and engagement with citizens at all stages of the project cycle

TI's recommendation: Increased, proactive engagement of citizens and civil society is required in national and global decision-making processes. This includes but is not limited to more access to climate fund executive meetings at global and national levels, proactive disclosure of information related to project approval/rejection, established forums and mechanisms for public monitoring – from policy formulation, to project design and throughout project implementation, monitoring and evaluation.

Key Points from the discussions

Civil society observership
So far as possible climate fund board meetings should be open to civil society observership and participation. Closed shop meetings of fund decision making bodies should be restricted to bare essential. The Green Climate Fund should commit to the highest standards that have been set in this regard.

Global vs. Local
The push for greater civil society participation is too often focused on global level engagement, when there are significant gaps at the national and even more at the local level. Funding decisions are made at the global level, and too often the local perspective is missing in these funds.

Ongoing engagement
An over-arching challenge in ensuring effective engagement of communities in climate finance delivery is balancing up the urgency of implementation with the time that is required to have meaningful and effective participation of local stakeholders. Meaningful engagement of stakeholders is a process that requires significant investment and can be a slow process but it ultimately worth it to de-risk projects down the road. This process needs to go beyond consultations at the beginning and the end of projects – effective engagement is continuous engagement with communities throughout the life-cycle of a project.

Including the marginalized
Real effort needs to be made to ensure the inclusion and engagement of marginalized communities, and to take gender considerations into account. Marginalized communities do not have political clout so their needs will not be met if project implementers only meet with province governors, mayors of a community or village elders. Women's views may not be incorporated if the consultations are not tailored to ensure their active participation.

Project selection
There needs to be greater transparency over project approval processes, to allow stakeholders to evaluate the responsiveness of project planners to consultations. For this greater transparency is required on how the feedback is integrated (in revised proposals for instance).

Flexibility
Achieving ownership and responsiveness requires the flexibility to react, which is challenging especially with large pre-designed programmes. A key challenge is ensuring flexibility whilst maintaining rigid accountability structures.

Panel discussion 3: Strengthening accountability: Enforcing zero tolerance for corruption policies at all levels of fund activities and throughout project cycles

TI's recommendation: Climate funds need to demonstrate zero tolerance for corruption and fraud, through both preventative and remedial measures. Clear and comprehensive integrity policies should be in place at all levels of fund activity, backed up by robust enforcement mechanisms. This means well-monitored codes of conduct and conflict of interest policies, compliance and investigatory functions, and systems for issuing and enforcing penalties or sanctions. This also means ensuring that accountability mechanisms are coordinated across projects and programmes to prevent disparate practices and to reduce "implementing entity shopping" or leakage tendencies.

Key Points from the discussions

Accountability down the chain

In the complex architecture of climate financing, accountability is very often devolved from the fund level to contracted and subcontracted actors operating in the field. The imposition of fiduciary standards on these actors is a key means through which fund authorities can help to prevent corruption occurring further down the chain. In order to ensure the accountability of implementing actors, anti-corruption requirements should be built into accreditation and contracting processes and the appraisal of those requirements should be both thorough and transparent.

Effective channels for complaints

The climate funds should do more to strengthen complaints handling procedures and clarify how citizens can use them. Complaints mechanisms are vitally important to ensuring meaningful accountability to stakeholders on the ground, and outreach and awareness-raising is key to ensure they fulfil this function.

Civil society monitoring

Independent civil society support can enhance the accountability of complaints mechanisms and coordination between bodies. For example TI Kenya acts as an independent watchdog for the national Integrated Public Complaints Mechanism, a platform that aims to ensure follow up on complaints levied against government agencies by linking them together and providing referral and tracking of cases.

Whistleblower protection

Whistleblower protection is a vital issue that needs to be addressed for victims and witnesses of corruption to feel safe to come forward. Climate Fund's policies tend not to guarantee protection beyond accredited bodies, so sub-contracted entities are often not covered. In many climate finance recipient country contexts, national whistleblower policies are weak or nonexistent, greatly reducing the chances that individuals will take it upon themselves to report corruption.

Sanctions for corruption

The funds have limited powers to investigate and sanction corruption, and usually would have to request that national authorities take responsibility to process cases of corruption. Under the Adaptation Fund for example, the Secretariat has no investigatory function, and their power to impose sanctions is limited to cancelling projects and cancelling or suspending accreditation. Cross-debarment is not a possibility under the European Investment Bank, where corruption cases are dealt with on an individual basis and the emphasis is not on remedial action against companies. Greater clarity is required on what investigatory and sanction options are in place, and how international systems link up with national prosecution systems, so that gaps can be adequately addressed.

NEXT STEPS

TI will promote the outcomes of this workshop by advocating for the policy changes required at global and national levels by climate financing and recipient institutions that will facilitate enhanced transparency, oversight and accountability for stakeholders on the ground.

For more information on the Climate Finance Integrity Talks series and upcoming events, visit us online: http://www.transparency.org/programmes/detail/cgip

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