The Berlin Climate Finance Integrity Talks were designed to push public and policy discussions on the risks that fraud and corruption pose to the effective and efficient use of climate funds. The discussion series cuts across sectors and disciplines, providing a non-politicised forum for climate policymakers 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 focused on identifying ways to enable greater public engagement and monitoring of climate finance projects at the national level in order to enhance the transparency and accountability of climate investment. This outcome document provides a summary of the session’s discussions and points to avenues for further action, while highlighting some examples of where project monitoring systems are working successfully.

Transparency International (TI) hosted this event, with participation from local TI chapters (from Cameroon, Kenya, the Maldives and Mexico) civil society organisations including WWF Germany and the Gold Standard Foundation, research institutes including adelphi and the Frankfurt School of Finance and Management, embassies of climate finance recipient and donor countries, the German Federal Ministry for Economic Cooperation and Development (BMZ), the German Ministry of Environment (BMU), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the World Bank, and multi-lateral climate funds including the Adaptation Fund and the Climate Investment Funds. Chatham House rules were invoked, so attributions regarding individuals’ statements will not be made except where specific consent has been granted to do so.

BACKGROUND ON THE ISSUE

Why is it important?

Independent monitoring is a valuable yet largely untapped means of mitigating risks of corruption and fraud. Be it community groups testifying whether or not projects achieve their stated aims, or technical experts overseeing public procurement bids, Transparency International’s (TI) experience in monitoring climate finance projects has shown that citizens flag risks or abuse early on, supporting the overall quality of outputs. In the Dominican Republic, TI’s chapter brought attention to a case where conflicts of interest unfairly influenced the allocation of funds during a rehousing project for citizens made homeless by the rising water levels of one of the country’s largest lakes. As occurred in a construction case uncovered by TI Bangladesh, money can be siphoned off and embezzled once project implementation is underway. In the final stages of a project, corrupt officials might make false claims in the evaluation process to claim results that have not been achieved, as occurred recently in Peru, when project evaluation reports were falsified.
These revelations may not have come to light had civil society not been watching, yet TI’s research into climate finance arrangements at both international and national levels demonstrates occurring. When – if at all – local civil society is consulted about a planned project this tends to be at the time developers are seeking its approval, and is often more of a procedural exercise in box ticking than a meaningful discussion about how that project might be made most effective. Once the project is underway, when the risks of corruption are highest, civil society monitoring plays a limited, or in most cases, no formal role.

Institutions that implement climate finance projects tend to have to demonstrate that they uphold various anti-corruption standards – from conflict of interest policies, to financial management systems, to third-party auditing. It is often unclear, however, how effectively these policies play out on the ground. Civil society can help close this gap by assuming a more institutionalised oversight role throughout project cycles. Increasing the space accorded for civilian input from a relationship of one-off consultation to one of continued oversight will lend far greater assurances that climate finance is being spent with the required degrees of transparency and accountability.

SUMMARY OF THE DISCUSSIONS

A summary of the key issues raised and points of agreement amongst the participants on the way forward to increase civil society engagement at the national level

1) Civil society engagement that occurs now is often inadequate in practice

The quality and validity of the stakeholder consultations that are required by funds’ fiduciary standards is questionable. Cases of non-compliance were noted, where stakeholder consultations have not actually occurred in practice even when money is made available in specific budget lines of project contracts because of a lack of scrutiny. A study conducted by Transparencia Mexicana (TI’s chapter in Mexico) of the project design documents of registered Clean Development Mechanism projects in the country revealed limited reporting of consultation processes and little evidence that stakeholders’ views were taken on board. The lack of formal guidelines for how stakeholder consultations should be carried out, and how they are monitored, can allow for a situation where project developers carry out superficial and insufficient consultations, and are not held to account.

- A more systematic approach to ensure the consistency and quality of stakeholder consultations across projects and funding instruments should be developed.
- Where funding is available for stakeholder engagements, project implementers should ensure that consultations are sufficiently well advertised and well explained for there to be general awareness and meaningful input.
- Concrete guidelines and protocols for stakeholder consultations should be developed by funds and project implementers. These guidelines should be harmonised in order to prevent fragmentation in this area and reach a common approach towards civil society involvement. On this basis, mechanisms to ensure these guidelines are followed in practice should be developed and implemented.
- More consideration is required in order to define: What are the minimum standards for stakeholder consultations? How should consultations be monitored?

CASE STUDY: The AF NGO Network

The Adaptation Fund NGO Network, established in partnership with Germanwatch, is a network of NGOs working in developing countries to monitor and contribute to the successful implementation of projects funded by the Adaptation Fund (AF). The network partners perform an oversight role for AF projects through all stages of a project cycle, from submission of a project proposal right throughout implementation and during the final project evaluation. The network’s partners play a vital role in supporting the engagement of vulnerable communities and advocating for their needs. The network seeks to play a constructively critical role to contribute to the successful implementation of AF projects, as well as to advocate for improved policies and practice from the local to the global level. The network has no formal arrangement with the fund; however it does monitor and seek to influence policy developments by feeding up findings from its local partners’ monitoring activities to the Adaptation Fund Board.
2) Limited scope of provisions for citizen participation and project monitoring under multilateral funds

There was broad consensus that citizen involvement could help optimise climate spending, via monitoring arrangements throughout the contracting process and the various stages of implementation. Establishing permanent spaces and mechanisms for civil society monitoring and input at the national level would provide greater consistency and more fruitful feedback to climate financiers and governments in order to improve project effectiveness, to guard against corruption and fraud and to enhance mutual accountability between the different actors involved. Mandating civil society a formal monitoring role was seen to be challenging, however, as such policies may be regarded as donor-driven and contravening principles of national sovereignty. Where formal structures are not possible, informal arrangements can be very effective. The Adaptation Fund NGO Network, for example, does not have a formalised role in the Adaptation Fund’s governance structure, but rather plays an informal and welcomed role in monitoring project delivery on the ground and providing consistent constructive feedback to the Adaptation Fund Board.

- Multilateral funds and climate finance recipient countries should recognise and support the important role of civil society and citizen participation in monitoring climate finance projects throughout project cycles.

- Governments and fund providers should further explore possible arrangements that allow for more formalised and systematic participation of civil society in monitoring at the national level. The move toward a general policy on integrating citizen monitoring in climate finance projects, in particular those having higher corruption risks would reinforce overall effectiveness of climate finance integrity and compliance to anti-corruption safeguards. Where formal arrangements are not possible, informal options can and should also be pursued on a project by project or programme basis.

- A cache of good practice examples, including concrete steps for implementation, should be developed for governments and implementers, showing the pay-offs of CSO involvement to improving project effectiveness, enhancing country ownership and protecting against corruption.

CASE STUDY: Civil society monitors in Bangladesh

Transparency International Bangladesh is working together with the Climate Finance Governance Network Bangladesh (CFGN-B) of national and local CSOs to monitor the implementation of climate finance projects in mostly coastal regions of the country. For each project monitored, a review of the project selection process is first undertaken which assesses the transparency, integrity and accountability in decision-making and funding prioritisation. Project proposals are then requested by applying the Right to Information Act, which allows the monitors to identify all project implementation related stakeholders and ascertain the intended outputs of the project. Data is collected from the field to support the evaluation of the project in terms of transparency, accountability, integrity, independence, capacity, quality of works and effectiveness of monitoring and evaluation. This process involves interviews with key informants including officials and project technicians and surveys and focussed group discussions with local communities and stakeholders.

This method has been piloted with ten projects funded by the Bangladesh Climate Change Trust Fund (BCCTF) and Bangladesh Climate Change Resilience Fund (BCCRF). The monitoring exercise has revealed various irregularities, for example, absence of participation of local affected communities in consultation processes, political consideration in beneficiary selection, and the misappropriation of money and materials for a cyclone resistant housing reconstruction project by contracted companies. TI-Bangladesh has used these findings to advocate with project implementers, relevant government bodies and donors for improved policies, processes and practices to ensure good governance at the national and local level.

3) Cost of monitoring

The costs of introducing project monitoring mechanisms by independent third-party civil society organisations was raised as a potential barrier to implementation, especially given the remoteness and access challenges of many climate finance projects. Furthermore, independence of the third-party monitor is vital for monitoring to be effective, so this must be taken into account when deciding on funding arrangements to support civil society involvement.

- Questions need to be resolved as to how the cost of project monitoring should be covered without the
independence of the monitor being compromised.

- Civil society organisations engaged in project monitoring activities should make an accurate assessment of the costs associated with providing oversight throughout a project cycle, and seek ways to encourage decision makers in climate finance institutions to take these costs into account. These costs can be included in a project budget line to provide appropriate resources for civil society groups to monitor projects. This would however require that the independence of those organisations as monitors be observed and protected. Transparency and accountability regarding any funding allocations should likewise be respected.

4) No one size fits all

There was general agreement that there is no single perfect model for project monitoring at the national level. Projects and programmes that fall under the umbrella of climate finance are vastly varied in their scale, funding sources, activities and outputs. Some projects may harbour greater corruption risks than others depending on the scope, sector, actors involved and the local social, political and economic context. The possibilities for civil society engagement also need to be taken into account, for example the legal framework in place and the information policy of a government can play a decisive role in promoting participation. Different structures can work best in different scenarios, and as such a flexible menu of mechanisms is required to allow tailoring to different projects, funds and national contexts.

Civil society actors already engaged in project monitoring on the ground should ensure that their activities include measures to tackle corruption risks, for example:

- Corruption risk assessments can be implemented before a project begins in order to identify particular risks and needs;
- “Fraud audits” can be conducted throughout project implementation to pick up red flags by tracing suspicious payments, providing objective price comparisons, and inspecting a project’s progress and deliverables for irregularities;
- Open procurement methods can prevent corruption and fraud from hampering procurement processes;
- Social audits and public hearings can enhance the accountability of projects.

Further consideration and implementation of different initiatives is required to better understand which mechanisms are best suited and most effective in different contexts.

CASE STUDY: Transparencia Mexicana’s Social Witness procurement monitoring tool

Transparency International’s Integrity Pact is a civil society tool for preventing corruption in public procurement. They are essentially an agreement between the government agency offering a contract and the companies bidding for it that they will abstain from bribery, collusion and other corrupt practices for the extent of the contract. To ensure accountability, Integrity Pacts also include a monitoring system typically led by civil society groups (often our chapters).

TI’s Chapter in Mexico, Transparencia Mexicana (TM), developed the “Testigo Social” (Social Witness) model, which has been implemented in hundreds of public contracts in Mexico, including in the climate sector. TM is currently monitoring a Mexico Ministry of Social Development project that allocates 10 thousand Mexican pesos to families who lost their homes in the recent Hurricane Manuel, so that the local community have confidence that the resources allocated to this objective reach families most in need. TM also oversaw all public contracting for the COP16, hosted by the Mexican Government in 2010 in Cancun, helping to make it the most cost-effective Conference of Parties in history. In a recent case, the Social Witness model was employed during the procurement process for a restoration project to restore parts of the Mexican coastline destroyed by Hurricane Wilma. Through the monitoring of the contracting process, the inadequacy of the project’s scope became apparent, and TM made a set of recommendations urging a more comprehensive long-term restoration programme. Unfortunately, in this case the recommendations were not taken up, and the sands eroded again after a $US 15 million investment. The Social Witness model shows just how valuable third party oversight can be when civil society’s inputs and recommendations are effectively taken on board.
5) Limited civil society space and/or capacity in some recipient countries

There can be government hostility to civil society monitoring and critical engagement in climate finance at the local and national level. In TI chapters’ experiences, where civil society engagement is a requirement often the actors are selected by the government, and thus do not provide the critical voice and independent third party oversight that should be expected. There were also doubts expressed regarding the capacity of civil society in all country contexts to meaningfully engage in climate finance policy development and to monitor climate financed project delivery. One participant from a climate finance recipient country noted that “the issues are generally unknown to civil society in my country”. Sufficient human as well as professional capacity, especially in the area of public financial management, for meaningful engagement in the sector is required to ensure that civil society actors are not discredited, which might risk negatively impacting future engagement and engagement in other areas.

- Enhanced capacity-building for civil society organisations would improve their negotiation expertise and as a result support their proactive participation in the process of monitoring climate finance projects. Civil society in climate finance recipient countries should work to develop their capacity to actively and meaningfully engage with national climate finance policy and project monitoring on the ground, in order to capitalise on the provisions that are already in place for participation, and, where necessary, to push for greater involvement.

- Governments of climate finance recipient countries should recognise and support the vital role civil society can play in providing a connection to local level stakeholders and enhancing trust and buy-in in climate projects; in informing national and local climate policy to improve effectiveness and enhance country ownership, and in guarding against corruption and fraud.

- International donors should recognize the vital role that constructive state-society relationships play in effective civil society participation. As such, they should support the development and establishment of space for systematic exchange between state and civil society actors. In this context, more attention needs to be directed toward capacity development measures for civil society actors to allow them to take a stand in negotiation processes and demand accountability from their governments.

**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 greater independent oversight and civil society engagement in project monitoring. The formulation of policy recommendations will be further advanced through TI’s global and national governance assessments of these institutions and continued engagement with those actors.

TI chapters are already acting as watchdogs for climate finance projects, by employing their expertise in monitoring public procurement, and experience in applying social accountability tools such as ALACs, Integrity Pacts and public hearings, to the climate sector. TI will continue and strengthen this monitoring role at the national and local level, and proactively seek to work in cooperation with others CSOs and stakeholders to identify best practices, strengthen capacity and build the demand for full project cycle monitoring.

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