



## CLIMATE FINANCE INTEGRITY TALKS COMBATTING CORRUPTION RISKS IN MRV OF REDD+

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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 focused on kick-starting a discussion to identify corruption risks in Measurement, Reporting and Verification (MRV) systems for REDD+ and generate initial ideas on appropriate deterrents that could ensure corruption-proof MRV systems at project, sub-national and national levels. Session participants sought to highlight best practices and recommendations for robust monitoring systems that can demonstrate with confidence that REDD+ activities are working in practice to reduce carbon emission reductions, and that the communities involved see the benefits they are due and are protected from any potential negative consequences.

This event was co-hosted by [Transparency International \(TI\)](http://www.transparency.org)

and [the Gold Standard Foundation](http://www.goldstandard.org), with participation from local TI chapters from Kenya and Bangladesh; civil society organisations including World Vision International, and the Environmental Defense Fund; international organisations including Interpol, UNDP, UNEP, the World Bank and the UN-REDD Programme, carbon project implementers South Pole Carbon; the Democratic Republic of Congo's Mission to Geneva and GLOBE International. 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

#### What is MRV?

It is important to note that MRV can be defined in different ways. For the purposes of this session participants agreed to take a broad understanding of MRV that encompassed the monitoring of carbon stocks and carbon emission reductions through avoided deforestation, forest conservation, sustainable management of forests and the enhancement of forest carbon stocks, as well as the monitoring and reporting of safeguards and environmental and social benefits that are afforded to local communities through engagement in REDD+ schemes.

The recent Conference of Parties to the UN Climate Change Convention in Warsaw saw the finalization of the Warsaw Framework for REDD+, solidifying the future of REDD+ and

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providing guidance on the development of MRV systems. The final decision on MRV emerging from CoP19 requires countries to publicly disclose information on emission reductions as well as a subsequent assessment of the submitted information by a team of international experts. Significant investment is expected in the coming years to build the institutional capacity required to develop MRV systems that effectively monitor REDD+ progress at the national sub-national and regional level.

### Why address corruption in MRV?

TI's [Global Corruption Report on Climate Change](#) highlighted the serious risk that REDD+ MRV systems could be undermined through the fraudulent misrepresentation of information by officials and individuals seeking to profit from carbon emission reductions that have not occurred in practice. MRV is a backbone of the carbon market when used to comply with climate targets, and will also form an essential element in the new 2015 Climate Agreement. The integrity of global efforts for sustainable development and reduced carbon emissions would be put at risk if corruption undermines MRV systems.

Much can be learned from experience with REDD+ projects to date in order to ensure maximum protection against corruption as investments increase. Measures must be built in from the outset to ensure that carbon accounting systems are robust and transparent and that the agents responsible for the validation and verification of emission reductions are independent and free from conflicts of interests. Involvement of civil society in independent oversight can also guard against risks of corruption and fraud, and adequate sanctions need to be in place at the national and global level that will allow for due penalisation of malpractice where it is found to occur.

## MAIN DISCUSSION POINTS

A summary of the main concerns, challenges and risks identified by participants as being important to be mindful of in moving the conversation forward.

### 1) Finding wrong-doing is positive and can be learned from

Participants warned against interpreting the identification of wrong-doing as proof of wide-spread corruption. Rather,

when wrong-doing is uncovered it shows that the preventative measures that are in place are working.

### 2) National level approach to MRV could help to reduce corruption risks

It was noted that an approach to REDD+ that is national (or regional in the case of some countries in the Pacific) rather than project based does have the potential to reduce opportunities for corruption, as it moves away from a litany of individual policies and procedures towards a more harmonised approach that, if done right, may make it easier to engage with and monitor.

### 3) Scale of REDD+ national/sub-national/regional systems can also pose challenges

Whilst a national level approach has advantages, it also has its potential drawbacks. The forest carbon stocks which would need to be regularly calculated under a countrywide REDD+ commitment are often measured by one central facility relying on large amounts of remotely sensed data, raising corruption risks amongst the various government bodies, consultancies and research organizations with technical capacity for undertaking the measurement of forest carbon stocks. For this reason the use of independent sources of data is indispensable.

### 4) The importance of looking outside the forests

REDD+ is not just happening in the forests but in fact is largely happening outside such as reducing the impact of agriculture as a driver for forest clearing. When identifying corruption risks, it is therefore important to have a broader outlook.

### 5) Focus on MRV of non-carbon performance indicators

Participants pointed out that in the short to medium term, performance based payments will come from public sources and will also be based on performance against proxies that are not carbon related. These can include policies that have been enacted, measures enforced, consultations conducted, capacity enhanced etc. These too will need to be subject to transparent and accountable monitoring and reporting.

### 6) Avoiding wrongdoing starts during the design phase

A number of participants raised policy capture as an issue including the comment that the risks relate not so much to money as to politics. There is a need to get law-making and the institutional set-up for MRV right from the outset. Much greater emphasis should be placed on the importance of

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the earlier design phase to avoiding problems arising later. Waiting until MRV is underway to identify what can go wrong is too late.

#### 7) [The capacity of legislators to proactively engage in the development of REDD+ legal frameworks is key](#)

Parliamentarians for the most part are not knowledgeable on REDD+ and as such are not engaging in the process. When properly equipped, parliamentarians can contribute to anti-corruption efforts in REDD+ through both their legislative and scrutiny functions. Some advances have been made, for example in Mexico where Parliament passed amendments to its forest sustainable development law in 2012, linking the national forest inventory to the UNFCCC REDD+ MRV system, and in DR Congo where legislators have been actively involved in discussions on the national REDD+ architecture. These countries are leaders in the field however and many other countries are lagging behind.

#### 8) [Weaknesses in law enforcement](#)

There is a need for greater clarity around what is expected from law enforcement agencies within this process. Based on this, capacity of law enforcement officials will have to be built so that they have a greater understanding of the challenges and the impacts that they should be watching out for.

#### 9) [Collusion between different actors is a risk](#)

Participants felt that many different actors can be guilty of improper behaviour extending beyond government to private sector, civil society and international organisations. The very complexity of MRV processes makes guarding against fraud particularly complicated, as the requisite skills and knowledge to accurately assess the validity of MRV processes are necessarily limited to a small pool of experts. Monopoly can pose an opportunity for corruption, as there is increased risk of collusion and this kind of limited expertise reduces the options for independent monitoring.

#### 10) [Defrauding of MRV processes is a risk](#)

This may be achieved through the purposeful misrepresentation of figures, or, more subtly, [verifiers could intentionally distort their analysis to achieve a more favorable measurement](#), for example by measuring only certain variables, leaving out relevant leakage effects or by carefully selecting the sites for collecting data to result in a more favorable, and profitable, measurement.

#### 11) [There are potential conflicts of interest in the design of MRV systems](#)

Conflicts of interests can be seen where those who are set to benefit from REDD+ payments might play a role or exert influence over the MRV process.

#### 12) [The risk of embezzlement of REDD+ revenues](#)

Concerns were also raised regarding the effective management of the profits of REDD+. Corruption could hamper the fair distribution of REDD+ revenues amongst stakeholders, [revenues may become a vehicle for the enrichment of powerful elites](#).

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## SOLUTIONS AND BEST PRACTICES

The participants' experiences of principles, initiatives and measures needed when contemplating how to guard against corruption and fraud in MRV systems

Many lessons can be garnered from implementing MRV at the project level. For example, within the voluntary market REDD+ projects applying the Verified Carbon Standard (VCS) or Climate Community and Biodiversity Alliance (CCBA) standards use public registries providing transparency as an important tool against corruption. The Gold Standard Foundation also has a certification scheme in which five of the seven core principles deal directly or indirectly with corruption, including corruption in MRV systems. The Gold Standard however has traditionally been focussing on 'project based' emission reductions – activities with clear boundaries. Lifting this to a national level, as the 2020 agreements foresee, could make the MRV of REDD+ more vulnerable to corruption. This includes corruption in monitoring in changes of emissions levels, monitoring of financial flows, monitoring of adherence to standards and corruption in the Safeguards Information System. The following measures and principles were identified by the participants as key to ensuring that the scaling up of MRV is corruption proofed.

### Principles

#### 1) [Anti-corruption solutions for REDD+ should be context specific and locally owned](#)

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When talking about solutions the importance of designing them in a participatory manner was stressed. Externally imposed solutions will not work.

#### 2) [Avoid the urge to wrap REDD+ up in too many rules](#)

Not recreating the wheel – some good governance systems do already exist, choosing where to invest efforts in a way that does not overlap or create additional costs. Be aware that control systems can themselves generate corruption, and can be so costly that benefits accruing to local stakeholders are reduced.

#### 3) [The importance of transparency](#)

Transparency must be pursued and ensured at every step of the way. It is important that communities for example see the information presented in such a way that they can understand and actively engage with it. It is further important that there is compatibility and alignment sought between different access to information policies and processes.

#### 4) [Getting things right up-front](#)

There must be emphasis put on law making and institutional set-up at an early stage. One challenge which must be avoided is the over complexity of laws which can lead to catching the small-fry whilst those that are better connected and have better access to resources are able to manoeuvre their way through the loop-holes.

### Measures

#### 1) [Explore the potential of using the IATI as a model to publicise information](#)

This is a tried and tested format that could be adopted for REDD+.

#### 2) [The development of registries](#)

A registry would clearly capture who is doing what and what benefits are expected and as such would act as a transparency tool and a key route for accessing information. This is already being pursued in Kenya and registries already exist for REDD+ projects according to the Verified Carbon Standard (VCS) and the Climate, Community & Biodiversity Alliance (CCBA). Such a solution however should be simple and low-cost to be of use.

#### 3) [Effective monitoring of “non-carbon benefits” critical](#)

This is required in order to provide a holistic view of a project's impact and effectiveness beyond the reduction of

carbon emissions. Non-carbon benefit MRV is required to adequately measure and assess the social and developmental impact of a project on a community and to improve accountability to project stakeholders and beneficiaries.

#### 4) [Capacity Building of Communities, the Executive and Parliaments.](#)

Those living in and around the forests must have sufficient training, including on technical matters, to enable them to effectively monitor and reduce the opportunities for manipulation. Other actors such as Parliamentarians also have an important role, both in passing legislation and in providing scrutiny and oversight of REDD+ funds and national budgets. Targeted capacity building must be carefully designed according to different stakeholders' needs.

#### 5) [Tracking financial flows](#)

Digital payment schemes such as the Bolsa Familia in Brazil were suggested as a model that could be adapted in order to create links from the financial institution to the recipient on the ground to follow the flow of the money and ensure it gets to its intended destination.

#### 6) [Naming and shaming](#)

Naming and shaming including the potential for debarment as a sanction has proven to be an effective deterrent.

#### 7) [Signing up to an anti-corruption pledge or code of conduct including the Transparency International Integrity Pact.](#)

All participants in a process should be required to sign up to an anti-corruption pledge which should further be monitored and enforced. The Dutch firm Eneco drafted such a REDD+ Code of Conduct together with WWF-NL and IUCN-NL.

#### 8) [Capturing and showcasing best practices](#)

Best practices should be captured and documented in order to present to governments in a way that they can see how they might apply and be more willing to take them on board.

#### 9) [Mobilising national level institutions for monitoring and control](#)

With the appropriate support in terms of capacity building, anti-corruption commissions and other anti-corruption entities (if sufficiently independent) as well as Parliamentarians and law enforcement agencies can play a key role in supporting efforts in REDD+.

#### 10) [Accessing communities through faith leaders](#)

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Outreach at community level could be extended by engaging faith leaders who often have significant presence and are already engaging with a number of non-governmental organisations.

#### 11) Making use of technology

Technology can be used to help improve monitoring and reporting from the global to the local level, for example through mobile reporting of deforestation (see [TI Malaysia's Forest Watch](#) initiative) and satellite tracking systems such as the recently launched global platform [Global Forest Watch](#). More work can be done to integrate these open online platforms in REDD+ MRV systems.

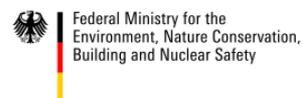
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## NEXT STEPS

TI will promote the outcomes of this workshop by continuing to advocate and engage with climate financing and recipient institutions for the development of policies and practice that assure maximum accountability and openness in MRV processes, as well as appropriate deterrents to corruption.

TI will seek to identify areas of collaboration with other actors, such as aligning capacity building and monitoring at the national level with the actions of others, as well as through furthering the policy debate at the global level to achieve a greater understanding of the corruption risks in MRV systems and to design better responses.

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