

# **PART 5**

## **Adaptation to climate change**

**Building accountable, sustainable resilience**

## 5.0

# Adaptation to climate change

## Building accountable, sustainable resilience

Adaptation to climate change involves ‘adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities’.<sup>1</sup> This adaptation will take place within the limits of the global structure, which has so far determined that those who have the least responsibility for climate change – in the poorest, least industrialized nations – will suffer the worst consequences.<sup>2</sup>

Funding for adaptation derives from a variety of sources, and flows through a number of streams. Money for adaptation comes mainly from donor countries and, to a lesser extent, charitable foundations, developing country budgets and the private sector. It is channelled through the United Nations Framework Convention on Climate Change (UNFCCC), multilateral banks and bilateral donors in the form of development aid and dedicated national climate change funds.

At the national level, inevitably, developed and developing countries will both continue to take precautions to protect their citizens and economies from the effects of climate change through national plans to improve infrastructure, diversify economies and cope with emergencies. The focus of international interest in adaptation, however, is on the transfer of funds to and the implementation of projects and programmes in developing countries.

A fragmented framework means that separate funds function under their own governance structures, potentially undermining the efforts of the UNFCCC. Furthermore, different operating systems mean that it is difficult to trace what comes into the system and where it goes, thereby compromising transparency and weakening requirements that pledges should be ‘new and additional’ to development aid.

The opening contribution, by Richard Klein, illustrates how UNFCCC-mandated funds are generated, governed, delivered and used, and highlights the multiple governance issues yet to be resolved, including the considerable structural power imbalances and the influence of developed nations in determining to a large extent where money is spent. Transparency International complements this piece with a discussion on the governance of bilateral and multilateral funds for climate change. It questions whether the preferences of donor countries for these channels signal a parallel structure to the UNFCCC – and one that could potentially undermine it.

Adil Najam assesses the lack of transparency in adaptation financing and the limited access to financial information, and proposes an internationally managed registry to tag and track funds accurately for both adaptation and development. He demonstrates the difficulties surrounding the monitoring of flows to ensure that they are truly ‘new and additional’ and the complexity of establishing criteria to disaggregate adaptation benefits from the traditional costs of development projects.

Britta Horstmann’s section on the Adaptation Fund considers the corruption risks in one of the most innovative and equitable models for funding concrete adaptation projects and programmes. The features of the Adaptation Fund, such as the ability of national implementing agencies to access funds directly, highlight the importance of investing in national-level governance capacity, and provide a lens through which to consider broader governance challenges at the national level.

The implementation of activities that will be funded through the newly established adaptation funds may be new and innovative to some extent, but they will largely involve ‘adaptations’ to ongoing development activities. The following sections look at some of the current forms of development and suggest ways in which climate change may increase or change some of the corruption risks.

James Lewis highlights the many corruption risks inherent in the building of new structures and maintaining old ones. He provides insight into some of the risks that may be enhanced as large amounts of public funds flow into projects and increased technical specialization makes infrastructure more difficult to monitor. Accompanying this piece, TI UK presents the Project Anti-Corruption System (PACS) standards, an anti-corruption tool to assist in identifying risks in particular construction projects, and Segundo Romera and Aileen Laus highlight the shortcomings in the Philippines’ structural preparations for extreme weather events, suggesting that corruption is one reason why disaster preparedness and response are under-funded.

Providing a special focus on the most vulnerable communities, Ingrid Boas and Rebecca Dobson identify migration as a particular form of climate adaptation and highlight the risks for migrants and the organizations that may seek to assist them.

They call for recognition of climate migrants as a specific group under the UNFCCC and for a fund to assist in their relocation and resettlement. This is followed by an illustration by TI Kenya, which shows how climate change and deforestation can lead to large-scale corruption and migration.

As a crucial aspect of adaptation activity, the Water Integrity Network puts forward Bangladesh as a case study to illustrate how water can be integrated into adaptation programming and how corruption can be avoided and water resources managed equitably.

In the final section, Roslyn Hees provides an assessment of the corruption risks surrounding humanitarian aid programmes and the additional stress that they will face as a result of climate change. She suggests that, while the risks will not alter dramatically, the increased pressure under which agencies will operate may intensify already existing corruption. The piece concludes with a set of recommendations for humanitarian aid agencies to prepare for corruption in the context of climate change.

## Notes

1. Martin L. Parry et al., *Contribution of Working Group II to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge: Cambridge University Press, 2007).
2. Ibid.

## 5.1

# Show me the money

## Ensuring equity, transparency and accountability in adaptation finance

*Richard J. T. Klein*<sup>1</sup>

*We see there is money put before us. Can I suggest, in biblical terms: it looks like we are being offered thirty pieces of silver to betray our people and our future. Mr President, our future is not for sale.*

So said Ian Fry, lead negotiator of Tuvalu, on the last night of the 2009 United Nations Climate Change Conference in Copenhagen. During the final plenary session the mistrust between developed and developing countries over money was starker than ever. Prior to the conference, Benito Müller, a long-term observer of the climate negotiations, had already noted that the history of financial support for developing countries was littered with disappointments and broken promises, which have eroded trust to an unprecedented level.<sup>2</sup> What happened in the closing hours of the Copenhagen conference didn't help to restore this trust.

A small group of countries – Brazil, China, India, South Africa and the US – negotiated and agreed the Copenhagen Accord. Other countries were then asked to adopt it in plenary without transparent or inclusive deliberations. Countries that expressed reservations, such as Tuvalu, were told that the financial support referred to in the Copenhagen Accord would not be available to them.

This section provides context to illustrate some of the reasons behind the mistrust that continues to affect discussions on adaptation funding, and submits that there is a fundamental difference between developing and developed countries' interpretations of 'equity, transparency and accountability'. After presenting an overview of the current adaptation funding 'landscape', the piece discusses these concepts of equity, transparency and accountability with respect to the generation, governance, delivery

and use of adaptation money under the UN Framework Convention on Climate Change (UNFCCC). A shared perspective of countries on these issues is important not only so that they can begin to rebuild trust but also to ensure that money is used effectively and efficiently.

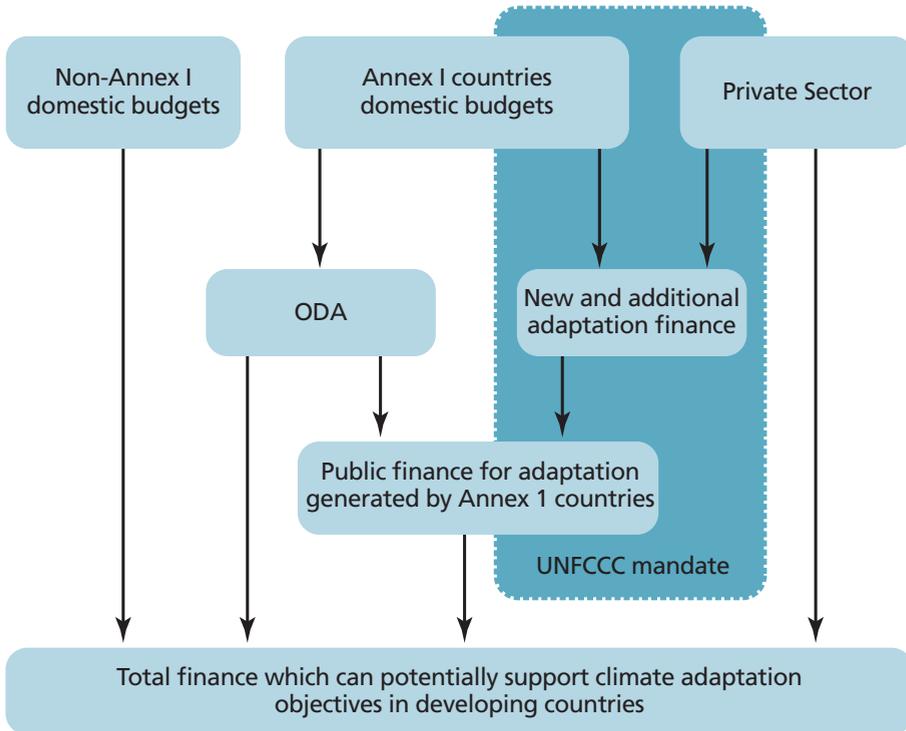
### **Funds for adaptation: an embarrassment of riches**

The 2001 United Nations Climate Change Conference in Marrakesh established three funds to support adaptation activities in developing countries: the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF), under the UNFCCC, and the Adaptation Fund, under the Kyoto Protocol.

The two funds under the UNFCCC are managed by the Global Environment Facility (GEF) and rely on voluntary contributions from developed countries. The GEF provides funding to eligible developing countries to meet the ‘additional’ or ‘incremental’ costs of adaptation; the baseline costs of a project or programme are borne by the recipient country, by other bilateral or multilateral donors, or both.<sup>3</sup> As of May 2010 US\$315 million had been pledged for adaptation under these two funds (US\$221 million to the LDCF and US\$94 million to the SCCF); of this amount, US\$220 million has been allocated (US\$135 million from the LDCF and US\$85 million from the SCCF).<sup>4</sup> In addition, the GEF used its Trust Fund to establish the Strategic Priority on Piloting an Operational Approach to Adaptation (SPA); it has allocated all US\$50 million it had made available to it.<sup>5</sup> In 2008 the GEF Council agreed to await the recommendations of the independent evaluation of the SPA and guidance to the GEF from the Conference of the Parties (COP) before making a decision on the future use of the Trust Fund for adaptation activities. No adaptation support is foreseen as part of the fifth replenishment cycle of the GEF (2010–2014).<sup>6</sup>

The Adaptation Fund, which became operational only in 2009, is managed by a special Adaptation Fund Board (AFB), but is also administered by the GEF. It is the first financial instrument under the UNFCCC and its Kyoto Protocol that is not based solely on voluntary contributions from developed countries. It receives a 2 per cent share of proceeds from project activities under the Clean Development Mechanism (CDM), but can also receive funds from other sources to fund concrete adaptation projects and programmes. The actual amount of money that will be available from the Adaptation Fund depends on the extent to which the CDM is used and on the price of carbon. As of July 2010 the Adaptation Fund had received US\$160 million, of which US\$112.5 million was generated through CDM activities. Estimates of potential resources available for the Adaptation Fund from 31 August 2010 to 31 December 2012 range from US\$317 million to US\$434 million.<sup>7</sup>

In addition to the funds that operate within the context of the UNFCCC, money for adaptation is provided through several other channels. These may be through domestic national, sectoral and local budgets of developing countries; bilateral and multilateral development assistance; or private sector flows and investments. This makes for an adaptation financing landscape that is highly fragmented, resulting in a proliferation not only of funds but also of policies, rules and procedures.



Source: Adapted from Åsa Persson et al., *Adaptation Finance under a Copenhagen Agreed Outcome* (Stockholm: SEI, 2009).

**Figure 5.1** Overview of adaptation funding channels

There are a number of anti-corruption and corporate responsibility initiatives that set standards for private flows of money, such as the UN Global Compact and the Equator Principles.<sup>8</sup> Flows coming through bilateral or multilateral development assistance have relevant policies, such as the 2005 Paris Declaration on Aid Effectiveness, which includes measures and standards of performance and accountability, and action to address corruption and a lack of transparency. These were made more concrete in the 2008 Accra Agenda of Action, committing countries

to greater transparency in public financial management, including disclosing regular, detailed and timely information on the volume, allocation and – when possible – results of development expenditure. There is also a commitment to ensure that mutual assessment reviews are in place by 2010 to strengthen accountability mechanisms and fight corruption.<sup>9</sup>

This plethora of policies, rules and procedures for financial flows outside the UNFCCC system contributes towards transparency in their separate streams, but they are not coherent and none has a specific focus on ensuring the accountability of adaptation funds. The remainder of this section, therefore, focuses on the specific adaptation funds that have been created under the UNFCCC (the GEF-managed funds and the Adaptation Fund), and on the provisions for funding included in the Copenhagen Accord and the subsequent Cancún Agreements. It follows the template provided in table 5.1, which presents an overview of the most pertinent issues in the negotiations on adaptation finance.

	Generation	Governance	Delivery	Use
<b>Equity</b>	Effort-sharing between providers of adaptation funding, taking into account the principle of common but differentiated responsibilities and respective capabilities.	Equitable representation of developed and developing countries.	Eligibility criteria and prioritization among countries based on their level of vulnerability.	Prioritization within countries based on the level of vulnerability and other nationally defined criteria.
<b>Transparency</b>	Transparent flow of finance stemming from various sources and generated through various mechanisms.	Transparent decision-making in line with just rules of procedures of governing bodies.	Transparent operational policies and guidelines.	Adherence to the principle of subsidiarity and a transparent selection process.
<b>Accountability</b>	Monitoring and reviewing of the provision of new and additional finance.	Provisions in rules of procedures to prevent conflicts of interests and deter corruption.	Adherence to operational policies and guidelines in delivering resources.	Monitoring and reviewing of the implementation of adaptation actions.

**Table 5.1** Overview of issues related to equity, transparency and accountability in the generation, governance, delivery and use of adaptation finance

## Generating adaptation finance

Article 4.4 of the UNFCCC commits developed countries ‘to assist developing countries that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects’. According to article 4.3, this assistance is understood to come in the form of ‘new and additional’ funding – that is, beyond what developed countries are already planning to provide as official development assistance (ODA).

This funding is to be provided on the basis of equitable effort-sharing; acknowledging the ‘common but differentiated responsibilities and respective capabilities’ of all parties – meaning that developed countries should lead in efforts to combat climate change and its effects. Developing countries have expressed a preference for nationally assessed contributions from developed countries to provide the lion’s share of adaptation finance, reflecting their historic responsibilities for greenhouse gas (GHG) emissions. Developed countries, on the other hand, see a primary role for market-based approaches in generating resources for adaptation, in particular the auctioning of emissions allowances.<sup>10</sup>

The GEF-managed funds depend on voluntary contributions from developed countries, while the GEF Trust Fund is replenished every four years through a negotiation process that takes the ‘responsibilities and capabilities’ of donors into account. The 2 per cent share of proceeds from the CDM that provides resources for the Adaptation Fund has been seen as a ‘solidarity tax’ imposed on those developing countries in which CDM projects are implemented. These countries are not necessarily the same as those that are being prioritized for funding; the levy on CDM projects in countries such as India and China will, in effect, be channelled to least developed countries for adaptation projects under the Adaptation Fund. A country’s contribution to the Adaptation Fund is thus not related to its ‘responsibility’ for climate change, but to its ability to attract CDM projects.

The Copenhagen Accord created a Green Climate Fund, which was further refined and agreed at COP 16 in Cancún, with the goal of mobilizing US\$100 billion a year by 2020 to be allocated in a balanced manner between adaptation and mitigation, in order to address the needs of developing countries. The accord also mentions the provision of ‘new and additional’ resources approaching US\$30 billion for the period 2010–2012 (so-called ‘fast-start’ funding), with equal allocation between adaptation and mitigation actions. It does not mention where the money might come from or how this is to be decided, but it could come from a variety of sources, including public and private, bilateral and multilateral and alternative sources of finance. This issue remains to be resolved by a high-level panel set up by

UN Secretary-General Ban Ki-moon. The panel began deliberations in February 2010 to 'study potential sources of revenue that can be used to help developing countries carry out activities to mitigate and adapt to climate change'.<sup>11</sup> The final report, which was presented in Cancún in 2010, concluded that raising US\$100 billion per year is challenging but feasible. It discusses a variety of means to raise funds, which still need to be implemented by decision-makers.<sup>12</sup>

At least four different definitions of what constitutes 'new and additional' funding make it difficult to ensure accountability in the generation of money.<sup>13</sup> By and large, developing countries consider 'new and additional' resources to be those provided by developed countries over and above the ODA targets of 0.7 per cent of GNI, agreed in the 1970s.<sup>14</sup> These targets are yet to be met by the majority of countries, however, making it difficult to set a baseline above which 'new and additional' funding can be counted.<sup>15</sup> As such, most developed countries interpret new and additional resources as those going beyond current financial flows, but consider ODA as a possible component of these resources.

Developed countries report their bilateral and multilateral financial contributions in their national communications to the UNFCCC Secretariat.<sup>16</sup> The quality of these reports is mixed, however, and there is no common standard for determining the extent to which resources are specifically dedicated to climate change or what constitutes 'new and additional' funding.<sup>17</sup> At the same time, these contributions are also reported to the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) as ODA, which has similarly imprecise and incomparable means of distinguishing climate change funding from development aid.<sup>18</sup> In the absence of clear guidance it will be difficult to prevent the double-counting of money as both adaptation finance and development assistance. According to the Fourth Overall Performance Study of the GEF, '77 percent of contributions to the GEF were recorded as ODA. However, the reality was recently recognized when the ODA percentage for GEF contributions was increased to 96 percent for the purposes of OECD/DAC reporting. If "new and additional" was meant to refer to being beyond regular ODA, only 4 percent of current funds can now be described as such.'<sup>19</sup>

The Copenhagen Accord states that the delivery of funds by developed countries will be measured, reported and verified in accordance with existing and any further guidelines adopted by the Conference of the Parties, and will ensure that the accounting of such targets and finance is rigorous, robust and transparent. Exactly how this will be done remains unclear. This lack of clarity has led to considerable discretion on the part of developed countries to do as they choose. In January 2010 it was found that the UK government's £1.5 billion (approximately US\$2.4 billion)

Copenhagen pledge for fast-start funding would be reallocated from existing overseas aid programmes.<sup>20</sup> This discovery was seen to ‘undermine repeated government pledges that such climate aid should be additional to existing overseas development aid’.<sup>21</sup> Not only was the money to be reallocated, but much of the pledge included ‘already existing commitments’ and despite being allocated for climate change would count as ODA, in effect double-counting UK contributions.<sup>22</sup>

In an attempt to enhance transparency in the generation of climate finance, the Dutch government has set up a website to record the money pledged as fast-start funding.<sup>23</sup> The website ‘aims to provide transparency about the amount, direction and use of fast-start climate finance, in turn building trust in its delivery and impact’. Although this will serve as a useful device to track funds it is likely to be subject to the same shortcomings as other financial tracking mechanisms.<sup>24</sup>

## Governance of adaptation finance

Article II of the UNFCCC states that ‘[t]he financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance’. As such, the composition of the institutions managing the funds and their levels of accountability to the Conference of the Parties under the UNFCCC are crucial for ensuring that they live up to these standards.

The GEF-managed funds and the Adaptation Fund are both accountable to varying degrees to the COP; the Adaptation Fund in particular is considered to be ‘under the authority of the COP’, meaning that the Conference of the Parties serving as the Meeting of the Parties (MOP) to the Kyoto Protocol has the authority to select the members of its executive body, and approve rules and guidelines.<sup>25</sup> This set-up is seen as a means of instilling trust in the Adaptation Fund and as a response to developing country dissatisfaction with the performance of the GEF as an operating entity under the UNFCCC,<sup>26</sup> which works with ‘limited means of accountability’ on the basis of ‘a loosely worded Memorandum of Understanding’.<sup>27</sup>

The LDCF and the SCCF are governed by members of the GEF Council that have contributed to the funds and form the LDCF/SCCF Council.<sup>28</sup> The members of the council represent 32 constituencies (16 from developing countries, 14 from developed countries and two from countries with economies in transition). Decisions are normally taken by consensus, but if consensus cannot be achieved then decisions can be adopted by a double-weighted majority – that is, an affirmative vote representing both a 60 per cent majority of council members and a 60 per cent majority of the total contributions to the funds.<sup>29</sup> Votes are ‘modified to reflect each [country’s] relative contributions to these funds’.<sup>30</sup> The latter majority requirement

favours the donors rather than the recipients, which undermines the concept of 'equitable and balanced representation' and, consequently, developing countries' trust in the GEF.

The Adaptation Fund is managed by the Adaptation Fund Board. This board consists of 16 members: 10 from developing countries and six from developed countries. This gives a majority on the board to developing countries. The rules of procedure state that decisions of the board are to be taken by consensus whenever possible. If all efforts to reach consensus have been exhausted and no agreement has been reached, decisions are taken by a two-thirds majority of the members present at the meeting, on the basis of one member, one vote. The rules of procedure also contain a section on confidentiality and conflicts of interest. As such, it has been suggested that 'the [Adaptation Fund] represents an important step towards real ownership by developing countries'.<sup>31</sup>

The emphasis on consensus decision-making in all three of the funds has meant that a constituency vote has never been taken. A key concern is that 'de facto consensus-based representative decision-making is, quite generally, susceptible to "backroom deals" by the representatives of the powerful countries (across the "North/South divide") beyond the control of weaker constituents'.<sup>32</sup> Furthermore, such undue influence on decisions goes undetected, as consensus is reached when the chair of a meeting is convinced that there is no opposition to a decision; in effect, consensus is reached on a no-objection basis.<sup>33</sup> In this context it is interesting to note that even the GEF's highly controversial Resource Allocation Framework, set up to allocate funds for mitigation to individual countries, was not voted on.<sup>34</sup> Indeed, the decision was 'pushed forcibly by donors, without authorization of the COP', indicating the political nature of decision-making at the GEF.<sup>35</sup>

The governance of multilateral funding for adaptation under the Copenhagen Accord is to be delivered through effective and efficient funding arrangements, with a governance structure providing for equal representation for developed and developing countries. Channelling the funds through the Adaptation Fund is not specifically mentioned, however, raising concerns on the part of many developing countries, which consider this to be the most equitable avenue for adaptation funding. Indeed, one of the most likely channels for the fast-start funding committed under the accord was the World Bank Climate Investment Funds (CIFs), which are completely outside (and therefore not accountable to) the UNFCCC process. This is a proposal that is favoured by many donor countries, some of which also advocate a role for the CIFs in managing the more long-term Copenhagen Green Climate Fund.<sup>36</sup>

In Cancún, countries agreed that the Green Climate Fund will be governed by a board of 24 members comprising an equal number of members from developing and developed country Parties taking into account regional groups. The World Bank was invited to serve as Trustee on an interim basis, a position that would be reviewed within three years. Given the lack of detail on the Fund, countries decided to establish a Transitional Committee to design the Fund, including its legal and institutional arrangements, rules of procedures, and financial instruments. While the governing board has equal representation, the Committee has a majority of developing countries, which could result in a fund design that is favourable to developing countries.

### **Delivery of adaptation finance**

Article 4.4 (cited above) can be read as defining the countries that would be eligible to receive adaptation finance: developing countries that are ‘particularly vulnerable’ to the adverse effects of climate change.

This use of the phrase ‘particularly vulnerable’ has led to much debate. The question of what it means to be particularly vulnerable and how to decide which countries fall into this category remains unanswered. The Preamble to the UNFCCC appears to give at least a partial answer by recognizing ‘that low-lying and other small island countries, countries with low-lying coastal, arid and semi-arid areas or areas liable to floods, drought and desertification, and developing countries with fragile mountainous ecosystems are particularly vulnerable to the adverse effects of climate change’.<sup>37</sup>

The 2007 Bali Action Plan, which provided the road map for negotiations towards Copenhagen, is more restrictive and mentions only ‘the least developed countries and small island developing States, and further taking into account the needs of countries in Africa affected by drought, desertification and floods’.<sup>38</sup> The negotiating text prepared for the Conference of the Parties in Copenhagen 2009 complicated the issue further by stating that priority ‘shall’ or ‘should’ be given to ‘particularly vulnerable populations, groups and communities, especially the poor, women, children, the elderly, indigenous peoples, minorities and those suffering from disability’.

Decisions on the allocation of funds for the LDCF, the SCCF and the Adaptation Fund are made by the LDCF/SCCF Council and the Adaptation Fund Board, respectively, and are thus subject to the governance limitations discussed above. In order for them to be equitable, transparent and accountable, however, decisions ‘must be guided by an assessment based on agreed, objective and measurable criteria’.<sup>39</sup>

The Adaptation Fund's allocation is guided by the following principles, among others: the level of vulnerability, level of urgency and risks arising from delay; and ensuring access to the fund in a balanced and equitable manner'.<sup>40</sup> What remains unresolved, however, is how to measure levels of 'vulnerability' and 'urgency', and then the successful prioritization of projects that are being funded with scarce resources.

The resulting ambiguity has made it impossible for developing countries to reach agreement on which countries to prioritize for adaptation funding. Some countries have suggested the development of a 'vulnerability index', assuming that such an index could provide an objective answer to the question. As argued by Klein, however, a vulnerability index will not resolve the ambiguity; because the 'level of vulnerability' is not a measurable and quantifiable attribute that can be objectively determined.<sup>41</sup> In fact, parties have experience with the use of indices to guide resource allocation decisions for mitigation. The former Resource Allocation Framework of the GEF combined two indices to facilitate objective and transparent decisions on a politically sensitive issue, but there has been much criticism over the framework. At the 25th GEF Council Meeting in June 2005, countries raised strong objections to the proposal of a Resource Allocation Framework. Among other things, they stated, '[w]e specifically oppose the ranking and categorization of recipient countries through non-transparent assessments based on questionable criteria. GEF resources should not be pre-allocated on such a basis'.<sup>42</sup> It remains unclear whether or not any vulnerability index will receive a warmer welcome.

## Use of adaptation finance

While the prioritization of resources among countries should be informed by countries' level of vulnerability, prioritization within countries is country-driven – i.e. based on criteria set by the countries themselves. These criteria should be developed through a transparent and participatory process. The UNFCCC has provided some guidance for in-country prioritization related to the preparation of national adaptation programmes of action (NAPAs), which states that, along with the level or degree of the adverse effects of climate change, least developed countries should consider poverty reduction to enhance adaptive capacity, synergy with other multilateral environmental agreements and cost-effectiveness when selecting priority adaptation activities.<sup>43</sup>

Ensuring that, once adaptation finance has been delivered, it is used for the intended purpose and has a valuable impact raises the issue of the monitoring and evaluation of adaptation outputs and outcomes. Measuring the performance of

mitigation activities is not uncontroversial, but it can be expressed in more or less comparable measures of CO<sub>2</sub> equivalents. Adaptation, on the other hand, lacks such a common metric. A careful choice of indicators for adaptation is therefore important in order to 'improve transparency and avoid conflict'.<sup>44</sup> A number of indicators have been suggested, including measuring adaptive capacity and both results-oriented and process-oriented adaptation activities.<sup>45</sup> How these indicators are implemented and how the baselines for measurement are established will significantly affect the effectiveness of the measures.<sup>46</sup>

The GEF has developed a results-based management framework that monitors and reports the LDCF and the SCCF at the programme level, at the level of funding areas and at the project level. This framework will incorporate both process- and results-based indicators to reduce vulnerability to the adverse impacts of climate change and increase resilience.<sup>47</sup> The Adaptation Fund is also developing a results-based management framework to link the strategic objectives and priorities of the fund to the various programmes and projects that it finances.<sup>48</sup> While the Copenhagen Accord does not mention accountability for adaptation finance, it does see transparent implementation as a prerequisite for the provision of funds, and the new Transitional Committee of the Green Climate Fund shall recommend to the COP 'mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the fund ... [and] ensure the application of environmental and social safeguards, as well as internationally accepted fiduciary standards and sound financial management to the fund activities.'

Although results-based frameworks have long been considered one of the most effective ways of measuring the impact of development aid, they are also difficult to establish and are prone to manipulation. For example, project developers have been known to distort the baselines from which progress is measured, amplifying the apparent benefits of projects.<sup>49</sup> Such manipulation is even more risky when the indicators for measuring adaptation actions are so difficult to establish, baselines are so variable and subjective and the impacts of adaptation measures may be felt in the long, medium or short term.<sup>50</sup>

## What comes next?

Adaptation financing to date has been in the order of millions of dollars, but it is soon expected to amount to billions. This raises the importance of ensuring equity, transparency and accountability in the generation, governance, delivery and use of the money. The standards set by the UNFCCC, in particular the Adaptation Fund, promote higher levels of country ownership, impose less conditionality and allow

more direct access to funds in order to ensure a more equitable distribution of resources when compared to adaptation funding provided through other channels. As we have seen above, however, there remain challenges to their implementation.

The promise of substantially scaled-up finance for adaptation was an important outcome of the Copenhagen and Cancún conferences. It will take time to set up and make operational the Green Climate Fund, but the management of the fast-start adaptation funding mentioned in the Copenhagen Accord is likely to set the tone for future systems of finance. If this money is delivered only or primarily as official development assistance and through existing institutions, such as the World Bank, it is likely to fuel the current mistrust between developed and developing countries. Any future scheme for adaptation finance must exhibit and ensure good governance, including an equitable and transparent allocation of burdens and benefits based on need, capacity and responsibility, and a system of accountability adopted by all countries.

## Notes

1. Richard Klein is a senior research fellow at the Stockholm Environment Institute (SEI) and an adjunct professor at the Centre for Climate Science and Policy Research of Linköping University.
2. See [www.oxfordenergy.org/comments.php](http://www.oxfordenergy.org/comments.php).
3. For more information see <http://thegef.org/gef/adaptation>.
4. GEF, *Status Report on the Least Developed Countries Fund and the Special Climate Change Fund* (Washington, DC: GEF, 2010).
5. GEF, 'Report on the Completion of the Strategic Priority on Adaptation' (Washington, DC: GEF, 2008).
6. For more information on replenishment, see <http://thegef.org/gef/replenishment>.
7. Adaptation Fund, *Financial Status of the Adaptation Fund Trust Fund* (Washington, DC: Adaptation Fund, August 2010).
8. See [www.unglobalcompact.org](http://www.unglobalcompact.org) and [www.equator-principles.com/principles.shtml](http://www.equator-principles.com/principles.shtml).
9. See [www.oecd.org/document/18/0,3343,en\\_2649\\_3236398\\_35401554\\_1\\_1\\_1\\_1,00&en-US\\$01DBC.html](http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1_1,00&en-US$01DBC.html).
10. Persson et al. (2009), p. 25.
11. For more information, see [www.un.org/wcm/content/site/climatechange/pages/financeadvisorygroup](http://www.un.org/wcm/content/site/climatechange/pages/financeadvisorygroup).
12. Report of the Secretary-General's High-level Advisory Group on Climate Change Financing, at [http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF\\_reports/AGF%20Report.pdf](http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF%20Report.pdf).
13. Jessica Brown et al., *Climate Finance Additionality: Emerging Definitions and Their Implications*, Climate Finance Policy Brief no. 2 (Berlin and London: Heinrich Böll Stiftung and Overseas Development Institute [ODI], 2010).
14. UN General Assembly Resolution 2626 (xxv), 1970, paragraph 43.

15. Martin Stadelmann et al., *Baseline for Trust: Defining "New and Additional" Climate Funding* (London: International Institute for Environment and Development [IIED], 2010). This briefing paper lists eight possible ways of defining a baseline and their pros and cons.
16. According to the guidelines for the preparation of national communications, developed countries shall indicate what 'new and additional' financial resources they have provided pursuant to article 4.3, and provide information on any financial resources related to the implementation of the convention provided through bilateral, regional and other multilateral channels (UNFCCC guidelines on reporting and review, at <http://unfccc.int/resource/docs/cop5/07.pdf>).
17. Clare Breidenich and Daniel Bodansky, *Measuring, Reporting and Verification in a Post-2012 Climate Agreement* (Arlington, VA: Pew Center on Global Climate Change, 2009), p.16.
18. See Adil Najam, section 5.1.2 in this volume.
19. GEF, *Progress toward Impact: Fourth Overall Performance Study of the GEF* (Washington, DC: GEF, 2010).
20. David Adam, 'Climate fund "recycled" from existing aid budget, UK government admits', *Guardian* (UK), 29 January 2010.
21. Ibid.
22. Ibid.
23. See [www.faststartfinance.org](http://www.faststartfinance.org) and *Guardian* (UK), 'UN debuts website for tracking climate aid', 3 September 2010.
24. See Adil Najam, section 5.1.2 in this volume.
25. Benito Müller, *'Under the Authority of the COP'?* (Oxford: Oxford Institute for Energy Studies [OIES], November 2009).
26. Ibid.; Richard Klein and Annett Möhner, 'Governance Limits to Effective Global Financial Support for Adaptation', in W. Neil Adger et al. (eds), *Adapting to Climate Change: Thresholds, Values, Governance* (Cambridge: Cambridge University Press, 2009), pp. 465–475.
27. Athena Ballesteros et al., *Power, Responsibility, and Accountability: Re-Thinking the Legitimacy of Institutions for Climate Finance*, working paper (Washington, DC: World Resources Institute [WRI], 2009).
28. GEF, 'Governance of Climate Change Funds' (Washington, DC: GEF, August 2006).
29. Ibid.
30. Ballesteros et al. (2009), p. 19.
31. Jan Cedergrén, Chair, Adaptation Board, October 2009, quoted on [www.climate-l.org](http://www.climate-l.org).
32. Benito Müller, 'Nairobi 2006: Trust and the Future of Adaptation Funding' (Oxford: OIES, January 2007), p. 5.
33. Ballesteros et al. (2009).
34. Müller (January 2007), p. 5. The resource allocation framework has subsequently been replaced by the System for Transparent Allocation of Resources (STAR), which is considered to be a more equitable framework.
35. Ballesteros et al. (2009), p. 24.
36. European Network on Debt and Development (Eurodad), 'Why the World Bank Is Ill-Fitted for Climate Finance: Key Principles and Recommendations for Equitable Climate Finance Governance', position paper (Brussels: Eurodad, April 2010), p. 3. See also Rebecca Dobson, section 5.1.1 in this volume.
37. See [www.un-documents.net/unfccc.htm](http://www.un-documents.net/unfccc.htm).

38. See Bali Action Plan, at [http://unfccc.int/files/meetings/cop\\_13/application/pdf/cp\\_bali\\_action.pdf](http://unfccc.int/files/meetings/cop_13/application/pdf/cp_bali_action.pdf).
39. Persson et al. (2009), p. 3.
40. Adaptation Fund, 'Initial Funding Priorities' (Bonn: Adaptation Fund, November 2009).
41. Klein and Möhner (2009).
42. Annex A (untitled) of Joint Summary of the Chairs, 1 July 2005 (revised), GEF Council Meeting, Washington, DC, 3–8 June 2005, p. 19.
43. UNFCCC decision 28/CP.7, 'Guidelines for the preparation of national adaptation programmes of action'.
44. Merylyn McKenzie Hedger et al., 'Evaluating Climate Change Adaptation from a Development Perspective' (Brighton: IDS, November 2008).
45. UNFCCC, *Synthesis Report on Efforts Undertaken to Monitor and Evaluate the Implementation of Adaptation Projects, Policies and Programmes and the Costs and Effectiveness of Completed Projects, Policies and Programmes, and Views on Lessons Learned, Good Practices, Gaps and Needs* (New York: UNFCCC, 2010).
46. This has been acknowledged by the GEF and the Adaptation Fund in the development of their programmes for results-based management.
47. GEF, *Results-Based Management Framework for Least Developed Countries (LDCF) and Special Climate Change Fund (SCCF)* (Washington, DC: GEF, 2009).
48. The framework was approved by the Adaptation Board in June 2010, see <http://adaptation-fund.org/node/561>.
49. Baselines have been inflated in order to increase the apparent value of projects. See Devi Sridhar and Tami Tamashiro, *Vertical Funds in the Health Sector: Lessons for Education from the Global Fund and GAVI* (Paris: United Nations Educational, Scientific and Cultural Organization [UNESCO], 2009).
50. See Adil Najam, section 5.1.2 in this volume.

## 5.1.1

# Fast-start funding

## Is there an emerging parallel structure for climate finance?

*Rebecca Dobson*<sup>1</sup>

The 2009 Copenhagen Accord calls for ‘scaled up, new and additional, predictable and adequate funding as well as improved access’ for adaptation and mitigation actions in developing countries. In the short term this has resulted in a pledge of US\$30 billion in fast-start funding from developed countries between 2010 and 2012. The accord does not determine the channels through which funding should flow, however. The 2010 Cancún Agreement formally endorsed this pledge and confirmed that there would be balanced allocation between adaptation and mitigation funding.

Although it may seem reasonable that financial pledges made at a United Nations Framework Convention on Climate Change (UNFCCC) conference would naturally flow through the UNFCCC-mandated funds,<sup>2</sup> in 2010 it looked increasingly likely that fast-start

funds would be channelled either bilaterally or through the multilateral development banks (MDBs) alongside the UNFCCC funds.<sup>3</sup> This preference of donor countries for financing streams outside the UNFCCC process is linked to the belief that the MDBs are better placed to govern funds and facilitate greater donor control over development aid.

There are concerns, however, that the bilateral climate initiatives – since 2006 at least six new bilateral funds have been announced by donor countries<sup>4</sup> – and multilateral funds, such as the World Bank Climate Investment Funds (CIFs),<sup>5</sup> constitute a parallel structure for climate finance. It is feared that progress that has been made under the UNFCCC in terms of equity between parties in participation, decision-making and governance will be undermined by the bilateral and multilateral structures which, for many,

represent a continuation of the old power relationships between donor and recipient countries.

According to analyses of the fast-start funds pledged at Copenhagen, donor countries appear to be favouring the CIFs as a major channel through which the funds will flow.<sup>6</sup> Over a half of the UK's pledge of US\$800 million per year has already been disbursed to the World Bank. Of the 2010 US pledge, 39 per cent will be channelled to the World Bank, and in 2011 this share is projected to increase to 47 per cent.<sup>7</sup> It has also been suggested that the World Bank and other MDBs made a 'massive sales pitch' at Copenhagen 'to persuade the ministers and heads of state present to channel the promised fast track financing ... through the CIFs'.<sup>8</sup> As a result, the World Bank received new pledges of US\$90 million to start up the CIF project 'Scaling up Renewable Energy Program in Low Income Countries'.<sup>9</sup>

Although no funds have been explicitly created to challenge or compete with the UNFCCC funds – indeed, the CIFs have a self-imposed 'sunset clause' to conclude operations in 2012 – the likely allocation of the Copenhagen fast-start funds to and considerable donor support for the CIFs may suggest that their lives will be extended,<sup>10</sup> and that they could possibly divert funding that would otherwise have gone to the UNFCCC funds. Along with bilateral funds, they currently wield considerable power in the international financing

arena: of the approximately US\$5 billion that flows outside the UNFCCC system, the CIFs are expected to disburse US\$1.5 billion.<sup>11</sup>

As discussed in the previous section,<sup>12</sup> climate funds managed by the GEF and the Adaptation Fund are accountable to the UNFCCC Conference of the Parties (COP) to varying degrees. The CIFs, by contrast, are run by the World Bank, which has been criticized for its decision-making structure, dubbed 'exclusive, offering many member countries too little voice and too few opportunities for participation'.<sup>13</sup> Bilateral funds also appear to have been designed with 'limited involvement of potential recipient countries'.<sup>14</sup> Other concerns include the fact that funding is provided as a mixture of loans and grants, which count towards countries' ODA commitments,<sup>15</sup> and that direct or indirect conditionalities may be imposed on recipients of the funds.<sup>16</sup>

These features put many bilateral and multilateral funds at odds with the general principles of climate finance: that the polluter pays; that funding should be 'new and additional', adequate and predictable; and that it would be administered with 'equitable and balanced representation of all Parties within a transparent system of governance'. Indeed, donor country preferences for bilateral aid and channelling multilateral funds through the World Bank have not increased levels of trust among developing countries

when it comes to the financing of climate projects. In early 2010 Bangladesh rejected the terms of a £60 million grant of climate aid from the UK, because it was to be channelled through the World Bank.<sup>17</sup> The government stated an unequivocal preference for the funds to go through the UN, fearing that the current terms would ‘attach unfavourable “strings and conditions”’. Civil society commentators saw this as an example of the UK government attempting to ‘weaken the argument for channelling funds through the United Nations or national funds’. Following a two-day meeting between the governments, however, Bangladesh accepted both the terms and the funds.<sup>18</sup>

As an example of a fund set up to pilot programmes for climate change resilience (i.e. adaptation), the CIF’s Pilot Program for Climate Resilience (PPCR) does not appear to measure up to the standards of the Kyoto Protocol’s Adaptation Fund, which has long been developing countries’ preferred channel for the funds.<sup>19</sup> The PPCR has been accused of ‘competing’ with the Adaptation Fund for pledges<sup>20</sup> and of having what could be considered a ‘retrograde governance structure’,<sup>21</sup> and on the grounds that its implementing agencies, as MDBs, have a ‘poor record of community participation and consultation’.<sup>22</sup>

As in the Adaptation Fund, the PPCR’s governing body enjoys ‘North–South parity’ in its decision-making.

The Strategic Climate Fund, under which it works, however, has a governance structure that leaves ‘room for improvement’ in terms of controlling interests on the board. Although country participation conforms with the PPCR, there is the addition of a World Bank representative and another representing MDBs, and the stipulation that the permanent co-chair be a World Bank vice president, while the ‘country’ co-chair rotates.<sup>23</sup> Indeed, it has been suggested that, as the secretariat and an implementing agency of the funds, the World Bank has ‘significant influence over priorities’.<sup>24</sup> In terms of participation by civil society, there are now formal observer roles in the governance of the trust funds and, while there was little involvement of civil society in the development of the Clean Technology Fund, the Forest Investment Program under the CIFs has encouraged considerably more participation.<sup>25</sup> It has been criticized, however, as being under-resourced and lacking redress mechanisms to ensure that concerns are addressed.<sup>26</sup>

Although it is important to acknowledge that donor countries are beginning to take their commitments to fund climate change seriously, successful adaptation and mitigation will require the participation, cooperation and collaboration of all parties and demand trust on all sides. The UNFCCC process has striven for equity in decision-making between North and South and for

meaningful participation by civil society actors. Indeed, progress was made in Cancún in 2010, where the parties agreed to establish the Green Climate Fund, through which a 'significant share of new multilateral funding for adaptation' should flow.<sup>27</sup> Significantly the Fund will have equal representation of developing and developed countries

on its board, signalling considerable progress in the long-term. However, no such agreement was made in relation to fast-start funds. These parallel funding structures outside the UNFCCC risk eroding trust in the system if they are seen to undermine the success of internationally agreed mechanisms to combat climate change.

## Notes

1. Rebecca Dobson works for the TI Secretariat in Berlin and is a contributing editor to the *Global Corruption Report*.
2. For adaptation, these would include the funds managed under the Global Environment Facility (GEF) and the Adaptation Fund. See Richard Klein, section 5.1 in this volume.
3. The World Resources Institute (WRI) has produced the 'Summary of Developed Country Fast-Start Climate Finance Pledges', available on its website at [www.wri.org](http://www.wri.org).
4. See Gareth Porter et al., *New Finance for Climate Change and the Environment* (Washington, DC: WWF and Heinrich Böll Stiftung North America, 2008) and Neil Bird and Leo Peskett, 'Recent Bilateral Initiatives for Climate Financing: Are They Moving in the Right Direction?', Opinion no. 112 (London: Overseas Development Institute [ODI], September 2008).
5. The CIFs consist of two funds, the Clean Technology Fund and the Strategic Climate Fund, and have been designed to pilot low-carbon and climate-resilient development. The Strategic Climate Fund houses the Pilot Program for Climate Resilience (PPCR – focusing on adaptation actions), the Forest Investment Program and the Scaling up Renewable Energy Program in Low Income Countries.
6. Liane Schalatek et al., *Where's the Money? The Status of Climate Finance post-Copenhagen*, Climate Finance Policy Brief no. 1 (Washington, DC, and London: Heinrich Böll Stiftung North America and ODI, 2010), p. 2.
7. WRI, 'Summary of climate finance pledges put forward by developed countries', as at 18 February 2010. Updated figures from November 2010 state that the UK has pledged £430 million to the World Bank and the US will channel 60 per cent of its funds through multilateral channels and the rest bilaterally. See: [http://pdf.wri.org/climate\\_finance\\_pledges\\_2010-11-24.pdf](http://pdf.wri.org/climate_finance_pledges_2010-11-24.pdf).
8. Schalatek et al. (2010), p. 3.
9. Ibid.
10. European Network on Debt and Development (Eurodad), 'Why the World Bank Is Ill-fitted for Climate Finance: Key Principles and Recommendations for Equitable Climate Finance Governance', position paper (Brussels: Eurodad, 2010).
11. Frank Ackerman, *Financing the Climate Mitigation and Adaptation Measures in Developing Countries*, G-24 Discussion Paper no. 57 (Geneva: UN Conference on Trade and Development [UNCTAD], 2009), p. 7.
12. See Richard Klein, section 5.1 in this volume.

13. Yale Center for the Study of Globalization, *Repowering the World Bank for the 21<sup>st</sup> Century: Report of the High Level Commission on Modernization of the World Bank Group Governance* (New Haven, CT: Yale Center for the Study of Globalization, 2009), p. ix.
14. Porter et al. (2008), p. 8.
15. Benito Müller, *International Adaptation Finance: The Need for an Innovative and Strategic Approach* (Oxford: Oxford Institute for Energy Studies [OIES], 2008).
16. Eurodad (2010), p. 2. While no specific conditions are placed on countries receiving climate finance, they are often required to have World Bank programmes in place to be eligible for the funds, 'effectively establishing cross-conditionality between general bank lending and climate finance'.
17. David Adam and John Vidal, 'Bangladesh rejects the terms for £60m of climate aid from UK', *Guardian* (UK), 15 February 2010.
18. Ibid.
19. See Richard Klein and Britta Horstmann articles in this chapter. See Richard Klein, section 5.1 and Britta Horstmann, section 5.2, in this volume.
20. Bretton Woods Project, 'Update on the Climate Investment Funds' (London: Bretton Woods Project, March 2010), p. 5.
21. Müller (2008), p. 10.
22. Bretton Woods Project (March 2010), p. 5.
23. Müller (2008), p. 10.
24. Athena Ballesteros et al., *Power, Responsibility, and Accountability: Re-Thinking the Legitimacy of Institutions for Climate Finance*, working paper (Washington, DC: WRI, 2009), p. 26.
25. Ballesteros et al. (2009), p. 27.
26. See Bretton Woods Project, 'Update on the Climate Investment Funds' (London: Bretton Woods Project, July 2010), p. 1, and Anju Sharma, *The Reformed Financial Mechanism of the UNFCCC: Renegotiating the Role of Civil Society in the Governance of Climate Finance* (Oxford: OIES, 2010), pp. 21–25.
27. Draft decision -/CP.16, Outcome of the work of the Ad Hoc Working Group on Long-Term Cooperative Action under the Convention, paragraph 102.

## 5.1.2

# Climate change funds and development

## How to ensure transparency and access to information on funding streams for adaptation

*Adil Najam<sup>1</sup>*

The international community has stated a commitment to provide ‘new and additional’<sup>2</sup> funding to make adaptation to climate change a reality. It is still unclear, though, how much funding will be required, how much of it will be raised or from whom and on what principle, and – most importantly – how and what spending decisions will be made. What is clear is that, to be effective, any funding mechanism(s) to emerge from the current structure of fragmented agencies will have to be both transparent and accountable.<sup>3</sup> Reducing corruption, increasing transparency and getting the system right from the beginning means making sure that financial flows are traceable and that information is available on where they come from, where they go and how they are spent.<sup>4</sup>

Although there are specific funds dedicated to funding adaptation activities,<sup>5</sup> a large proportion of adaptation need is currently met and will continue to be catered for through the deployment of existing and future development funds.<sup>6</sup> At the level of implementation, the merging of development and adaptation is necessary, as the aims of the two are often the same; levels of development are one of the most reliable indicators of vulnerability or resilience to climate change. At the point at which money flows into the system, however, it is important that funding earmarked for adaptation is disaggregated from traditional development aid, in order to ensure that it is truly ‘new and additional’ and does not divert funding away from other

priorities. As such, the climate change and development communities will need to collaborate to meet their common goals, requiring common reporting guidelines and internationally agreed criteria to measure adaptation and development outcomes. Increasing

access to information and ensuring transparency in both adaptation and development funding will be the surest way to ensure that both adaptation and development funds are accountable and effective.

## Designing effective and 'countable' adaptation financing

The next stage, therefore, is to propose a modest but meaningful first step towards a more effective system of adaptation financing.

A good beginning would be to set up a *global adaptation funding tracking system*, which would become a central pivot in any future adaptation-funding architecture.<sup>7</sup> There has been considerable debate on how this can be done most effectively. Developing country proponents have suggested a centralization of adaptation funds under the United Nations Framework Convention on Climate Change (UNFCCC), so as to ensure a harmonized governance of funding, while developed countries have for the most part advocated a more decentralized system relying on existing institutions.<sup>8</sup> This impasse is unlikely to be resolved in the near future, but the need to track development and adaptation funds is urgent. As such, a common system to 'tag' and 'track' the whole range of funding available for adaptation funding would be a step towards addressing the 'lack of confidence' in the current

structure, and would provide reliable data on what flows of finance actually contribute to climate change adaptation.<sup>9</sup>

Currently, there is no effective way of tracking such funds. A 2009 study on EU members' commitments for providing financial aid under the 2001 Bonn Declaration has found that the implementation of the declaration was 'difficult to monitor'.<sup>10</sup> The study found flaws in the 'quality and comparability' of national communications to the UNFCCC and that a 'higher quality and consistency of information' would be required to determine whether the Bonn targets had actually been met.<sup>11</sup> As with the Bonn Declaration, recent commitments from donor countries, such as those in the Copenhagen Accord, will come from a number of sources: 'public and private, bilateral and multilateral, including alternative sources of finance'.<sup>12</sup> As such, it is likely that, unless a more transparent and robust system of monitoring and reporting funds is established, it will be similarly 'difficult' to determine whether or not funding commitments have been met.

As recognized by Benito Müller, Director, Energy and Environment at the Oxford Institute for Energy Studies (OIES), in order for financial flows to be monitored and to ensure that donor countries live up to their commitments, the COP will have to list conditions under which contributions can be included.<sup>13</sup> Clarity on what constitutes 'new and additional' funding and what forms of private finance can be counted needs to be established. In the absence of such criteria, however, some experimental tracking of funds has begun. For example, the Global Environment Facility (GEF) and the World Bank Climate Investment Funds have sought to track their climate investments. Some rudimentary tagging of development aid for climate adaptation has also been done by various donor countries, both in terms of their reporting to international agencies such as the UNFCCC and for domestic purposes.<sup>14</sup> These efforts tend to be fairly simple estimations of the 'ins and outs' of monetary flows in well-defined and relatively small systems, however; they lack a common accounting framework and sometimes are internally inconsistent, and the data they report can be 'limited and incomplete'.<sup>15</sup>

Perhaps the most interesting, but very recent, international experiment is the Organisation for Economic Co-operation and Development's Development Assistance Committee

(OECD-DAC) Rio Markers, refined in January 2010, which attempt to tag OECD aid flows in relation to the objectives of the Rio Declaration on Environment and Development, and now include a marker for climate adaptation.<sup>16</sup> Although the OECD data are generally considered reliable and comparable, they are not universal and limited to official development assistance (ODA) flows. More importantly, however, the system is rather crude; the markers are still very broad, they tend to be applied inconsistently and they measure intention in use rather than actual deployment.<sup>17</sup> As such, even the OECD-DAC recognizes that this 'does not represent an exact quantification of aid towards climate change adaptation'.<sup>18</sup>

Although these experiments are limited in scope and have obvious imperfections in terms of measurability and comparability, they emerge from a need for transparent, accessible and comparable information on climate financing. Expanding these experiments to encompass all development flows and to disaggregate climate adaptation and development clearly and track both simultaneously will require a larger institutional infrastructure and significant investments in methodological innovation. Such initiatives do give us a set of ideas on which to build a more comprehensive system, however.

## Comprehensive tagging

It is clear that a methodology needs to be established to monitor the flow of adaptation funding through multiple channels. The system should encourage climate investments to be tagged for their developmental benefits, in the same way that adaptation benefits are tagged on development funding. This will

involve collaboration between the climate change and development fields in order to develop consistent criteria that can be used in both realms, to ensure that all channels of financing are measured in a coordinated, coherent and comparable manner.

## A unified system of tracking

With clearly defined criteria, multiple institutions and reporting sources will have to be registered under a *global adaptation funding tracking system*. The system should be agreed, supported and managed by a consortium of international organizations. This could be led by institutions such as the UN Environment

Programme (UNEP), the UN Development Programme (UNDP) and the World Bank (similar to the current composition of the GEF), with advisory roles for the UNFCCC, in terms of its climate expertise, and OECD-DAC, in terms of its financial tracking expertise.

## Certifying and reporting funds

The current format for development funding under the OECD-DAC and the reporting requirements under the UNFCCC national communications would have to be adapted to report consistently on flows of finance. Whereas at present funds such as those tracked by the OECD-DAC are reported and certified by donor countries as a form of 'self-certification', certification and reporting could be done jointly by

donor and recipient countries.<sup>19</sup> With clear and transparent criteria for the certification of both climate and development activities, the risk of recipient countries being pressured to overlook certain criteria at the risk of losing donor funding would be reduced.<sup>20</sup> Furthermore, reporting by recipients would ensure that not only declarations and 'intentions' are accounted for, but also the disbursement of funds.

## Oversight and compliance

Once funds are reported consistently, a system to verify and oversee the funds should be open to as many stakeholders

as possible. In order to encourage wide participation, the format of the global adaptation funding tracking system

could be structured in a ‘wiki-style’ format, with open access to enable interested and informed actors to validate the information provided on the funding streams. The role of civil society and independent experts in monitoring funds through a system of cross-checking would enhance the system by reducing opportunities for corruption, including the diversion of funds to other sectors.<sup>21</sup>

## Conclusions

A centralized global register that can track all funds—climate and development alike—and tag them for both their development and adaptation benefits would enable better coordination of activities, reduce duplication and fund fragmentation, and enhance transparency. This calls for the emerging system to go beyond the boundaries of traditional climate financing:

- *Beyond declarations.* Given the long history of unfulfilled commitments on climate financing, donor countries must be held accountable. The current sense of impunity that prevails in the climate regime, whereby commitments are declaratory rather than a legal obligation, needs to be turned on its head.<sup>22</sup>
- *Beyond additionality.* Ensuring that adaptation funding is ‘new and additional’ is fundamental, but it is clear that the scale of the adaptation challenge is greater than anything that can be addressed by specific adaptation funds alone. Effective adaptation financing will require the notion of simple additionality to give way to a more nuanced concept of complementarity: adaptation funds must be utilized in ways that ensure that developing countries’ adaptation goals are met without compromising their development priorities.
- *Beyond the UNFCCC.* Although climate institutions, principally the UNFCCC, will inevitably be one of the main channels through which adaptation resources will flow, they are unlikely to be—and should not be—the only channels for such funds. Additional capacity will be needed in both development and climate change institutions, so that needs are met transparently and effectively in both domains.
- *Beyond carbon.* Adaptation benefits cannot be measured with the same currencies that are used for mitigation: money and carbon. It is necessary, therefore, to develop a currency with which to measure and account for adaptation actions and ensure that funds are being spent effectively.

With clear criteria, tracking systems, coherent reporting and independent oversight, donors’ compliance with funding commitments, particularly their pledges that are additional to development aid, will be easier to identify. In the event that compliance mechanisms are put in place to ensure that donors live up to their commitments, access to information and transparency will be crucial to monitoring this compliance.

Without consensus on what these metrics should be there is the potential for institutional turf battles between the climate and development community over how funding should be classified.

In the absence of a collaborative, transparent and accountable system with clear criteria for measuring and systems for tracking adaptation and development

benefits, it will be impossible to ensure that donor commitments to both adaptation and development are met. Instituting a *global adaptation funding tracking system* in the context of current institutions and funding flows would be a first step on the path to ensuring the transparency, accountability and effectiveness of adaptation measures.

## Notes

1. Adil Najam is the Frederick S. Pardee professor of global public policy at Boston University. He also serves as the director of the Pardee Center for the Study of the Longer-Range Future and a professor of international relations and of geography and environment.
2. It is still unresolved how baselines for 'new and additional' finance should be established, but in essence the term means that finance flowing to climate change activities should be 'new and additional' to already pledged development aid. For a discussion on how such baselines could be established, see Martin Stadelmann et al., *Baseline for Trust: Defining 'New and Additional' Climate Funding* (London: International Institute for Environment and Development [IIED], 2010).
3. See Adil Najam et al., *Global Environmental Governance: A Reform Agenda* (Winnipeg: International Institute for Sustainable Development [IISD], 2006). There have been a number of suggestions as to what kind of institutional arrangements should be made for the governance of climate funds, principally whether these should be consolidated funds managed by the UNFCCC or whether the current multiple flows of money should be maintained with a registry to track funds allocated to climate change activities. See Benito Müller, *The Reformed Financial Mechanism of the UNFCCC*, part II, *The Question of Oversight: Post-Copenhagen Synthesis Report* (Oxford: Oxford Institute for Energy Studies [OIES], 2010), and David Reed, *The Institutional Architecture for Financing a Global Climate Deal: An Options Paper* (Washington, DC: Technical Working Group on the Institutional Architecture for Climate Finance, 2009).
4. Remi Moncel et al., *Counting the Cash: Elements of a Framework for the Measurement, Reporting and Verification of Climate Finance*, working paper (Washington, DC: World Resources Institute [WRI], 2009).
5. See Richard Klein, section 5.1 in this volume.
6. It is estimated that US\$4–37 billion a year will be required to climate-proof adaptation-related activities in developing countries. See World Bank, *Development and Climate Change: A Strategic Framework for the World Bank Group*, technical report (Washington, DC: World Bank, 2008), p. 65.
7. For a related proposal, see Adil Najam and Miquel Muñoz, *Tracking Global Environmental Financing: A Proposal*, Global Environmental Governance (GEG) Briefing Paper no. 1 (Winnipeg: IISD, 2008).

8. For a discussion on the different approaches to managing global climate finance, see Reed (2009).
9. *Ibid.*, p. 2.
10. Marc Pallemarts and Jonathan Armstrong, *Financial Support to Developing Countries for Climate Change Mitigation and Adaptation: Is the EU Meeting Its Commitments?* (London: Institute for European Environmental Policy [IEEP], 2009), pp. 5–6.
11. *Ibid.*, pp. 15–16.
12. Article 8, Copenhagen Accord, December 2009.
13. Müller (2010), p. 73.
14. For example, the UK's development agency, the Department for International Development (DfID), allocates sector codes to funding projects and programmes, as do many other development assistance agencies around the world, for their domestic reporting purposes.
15. Jessica Brown and Nanki Kaur, 'Financing Adaptation: Matching Form with Function', background note (London: Overseas Development Institute [ODI], 2009); and J. Timmons Roberts et al., 'Has Foreign Aid Been Greened?', *Environment*, vol. 50 (2009), pp. 24–35, at [www.environmentmagazine.org/Archives/Back%20Issues/January-February%202009/RobertsParksTierneyHicks-full.html](http://www.environmentmagazine.org/Archives/Back%20Issues/January-February%202009/RobertsParksTierneyHicks-full.html).
16. World Bank, 'Monitoring Climate Finance and ODA', Issues Brief no. 1 (Washington, DC: World Bank, 2010).
17. Moncel et al. (2009).
18. OECD, 'OECD Development Assistance Committee Tracks Aid in Support of Climate Change Mitigation and Adaptation', information note (Paris: OECD, December 2009); emphasis added.
19. Müller (2010), p. 76, discusses both recipient and self-certification of funds.
20. Müller (2010), p. 76, argues that 'simplicity and transparency' are the keys to 'avoid recipients feeling that they are compelled to certify'.
21. Alex Wilks, *Climate Adaptation Funding: Lessons from Development Finance*, discussion paper (Brussels: European Network on Debt and Development [Eurodad], 2010).
22. Adil Najam and Mark Halle, *Global Environmental Governance: The Challenge of Accountability*, Sustainable Development Insights no. 5 (Boston: Frederick S. Pardee Center for the Study of the Longer-Range Future, 2010).

## 5.2

# Promoting an effective and transparent use of funds through the Adaptation Fund

*Britta Horstmann<sup>1</sup>*

As a new financing institution under the Kyoto Protocol, the Adaptation Fund is about to begin disbursing funds to help developing countries adapt to the adverse effects of climate change. It has the objective of financing concrete adaptation activities, especially in those countries that are ‘particularly vulnerable’ to the effects of climate change. It is estimated that the amount of available finance under the fund will be in the range US\$297–438 million between 2010 and the end of 2012.<sup>2</sup>

The Adaptation Fund marks a change in the international climate change financing architecture, by introducing unique institutional features that meet the long-standing demands of developing countries in climate change negotiations. These features comprise independence from official development assistance, the possibility for developing countries to access funds directly and a governance structure that provides for a majority of developing countries on its board.<sup>3</sup> The Adaptation Fund still needs to pass an on-road test, however, and demonstrate that it can successfully channel funds from the global level to the national level for the implementation of adaptation activities. In particular, it has the task of demonstrating that the current institutional provisions will promote good governance – in this case the use of entrusted power and resources for purposes mandated by Parties to the Kyoto Protocol and the Adaptation Fund Board.

The question of how the Adaptation Fund can promote the effective use of funds becomes fundamental to ensuring that it meets its objectives. To disclose possible

risks of corruption as well as entry points for its prevention, this brief analysis looks at the fund's mandate and goals, its institutional arrangements and responsibilities, and its current provisions and entry points to promote the goal-oriented use of resources. Drawing on experiences from similar funding institutions and development cooperation, it concludes by proposing ideas as to how the policies and guidelines of the fund could be improved with regard to the transparent and effective use of its resources.

## **Mandate and goals of the Adaptation Fund**

The ultimate objective of the Adaptation Fund is to provide international financial assistance to developing countries to adapt to the adverse effects of climate change. It pursues the implementation of a central commitment made by developed country Parties to the UNFCCC and the Kyoto Protocol to support developing country parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.<sup>4</sup> To finance this, the Adaptation Fund receives a 2 per cent share of the proceeds from the Clean Development Mechanism (CDM).<sup>5</sup>

The Adaptation Fund will finance concrete adaptation projects and programmes,<sup>6</sup> thereby distinguishing it from past adaptation funding under the UNFCCC, which had for a long time been directed at financing national communications and the preparation of national adaptation programmes of action (NAPAs), but not the implementation of adaptation projects. A concrete adaptation project is defined as 'a set of activities aimed at addressing the adverse impacts of and risks posed by climate change', and projects 'concern discrete activities with a collective objective(s) and concrete outcomes and outputs that are more narrowly defined in scope, space, and time'.<sup>7</sup> The support of adaptation activities is guided by principles and modalities with a clear focus on transparency and accountability,<sup>8</sup> and only those activities for which sufficient information is available to warrant the adaptation activity will be financed.<sup>9</sup> The challenge will be to ensure that these principles are considered and implemented by the institutions and actors involved.

## **Institutional arrangement and responsibilities**

As a new institution, the Adaptation Fund cannot draw on existing institutional arrangements, rules and procedures that support these goals and principles. To establish the necessary arrangements, the Adaptation Fund Board, as the operating entity of the fund, has the mandate to operationalize the fund and elaborate the necessary documents under the guidance of Kyoto Protocol parties, to whom it is accountable.<sup>10</sup> The board supervises and manages the fund and decides on the

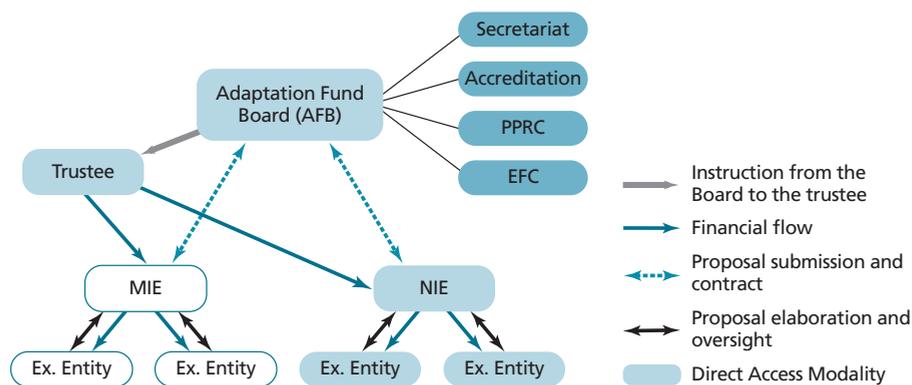
allocation of funds and project proposals, supported by two committees: the Projects and Programme Review Committee (PPRC) and the Ethics and Finance Committee (EFC).

The board is responsible for the development of criteria to ensure that the entities that implement adaptation activities at the national level ‘have the capacity to implement the administrative and financial management guidelines of the Adaptation Fund’, for monitoring and reviewing the implementation of the fund’s operations and for regularly reviewing performance reports on activities, including their independent evaluation and auditing.<sup>11</sup>

Although the Adaptation Fund Board decides on allocation criteria between countries to ensure balanced and equitable access,<sup>12</sup> it is up to national governments to decide on allocation criteria within their country. Funding can be made available for national-, regional- and community-level activities.<sup>13</sup> As the fund adopts a country-driven approach,<sup>14</sup> it will be the responsibility of governments or national-level stakeholders to define the characteristics of an adaptation project or programme in more detail.

The responsible institution at the national level that can endorse funding proposals on behalf of a government will be either a national implementing entity (NIE) or a multilateral implementing entity (MIE), which are designated by the government in question and approved by the Adaptation Fund Board (see also figure 5.2). The implementing entity bears the ‘full responsibility for the overall management of the projects and programmes’, including ‘all financial, monitoring, and reporting responsibilities’ (such as for project performance reports).<sup>15</sup> Furthermore, it also oversees the executing entities (EEs), such as non-governmental organizations (NGOs) or government agencies that execute adaptation projects and programmes.

The option to access resources directly through a national-level entity, the NIE, is a new and innovative funding modality in the international climate change finance architecture. In the past, it was possible to access funding under the UNFCCC only by using the services and established institutional structures of certain multilateral banks or organizations. The introduction of the direct access modality requires the board to set up new safeguards for the effective use of funds. To this end, the operational policies, guidelines and standards that have been introduced by the board are particularly important.



Source: Adapted from AFB/Operation Policies and Guidelines.

**Figure 5.2** Institutional structure of the Adaptation Fund

## Current guidelines and standards

The operational guidelines and standards delineate important aspects of funding procedures and are important for safeguarding the quality of operations. In particular, those concerning the assessment of funding proposals, the governance processes and institutional capacities at the national level and the monitoring of projects and programmes deserve specific attention.

### Transparency and assessment of funding proposals

Although the governance of the Adaptation Fund is guided by the principle of transparency, there are relatively few specific provisions to promote transparency in decision-making in terms of funding proposals and the related processes of proposal elaboration, fund management and reporting. Usually, transparency is enhanced by two important approaches: stakeholder participation and the disclosure of information. The Adaptation Fund Board has two related, but weak, requirements in this regard.

The template for project and programme proposal requires a description of the consultative process, including a list of stakeholders that have been consulted during the project preparation phase.<sup>16</sup> This is not, however, an explicit criterion for project assessment according to the strategic priorities and guidelines of the Adaptation Fund,<sup>17</sup> and is therefore unlikely to be included in the technical review of the proposal by the secretariat, which is then forwarded to the PPRC for further assessment. There is also no assessment of the quality of the stakeholder participation. These weaknesses reduce the onus on implementing entities to ensure transparency and participation in

fund allocation and decision-making processes. The participation of national and local stakeholders can be important in improving the quality of funded activities, as many criteria for the assessment of funding proposals and eligibility<sup>18</sup> are very broad and/or need further scrutiny than would be possible by the secretariat or the PPRC. This includes, for example, the assessment of economic, social and environmental benefits or the quality of information an activity is based on.

A related challenge for interested stakeholders is that information about the consultative process may be made available only after this process has been concluded and project proposals have been presented to the board. Under the current operational policies and guidelines, funding proposals have to be made available online only after they are approved by the board.<sup>19</sup> As a result, interested or affected stakeholders who have not been involved in the formal consultation process may not be able to comment on proposals until the process has been completed. The level of detail provided by the Adaptation Fund Board would also have to be comprehensive enough to enable informed judgements on the quality of project proposals. The level of detail to be disclosed online by the Adaptation Fund Board is not specified in the guidelines. Without such guidelines or requirements for stakeholder participation or disclosure of information, transparency may very well vary according to national-level guidelines and practices.

It is likely that the rules will be changed in the near future. At the request of NGOs, the board has already decided to post funding proposals online once they have been received and screened by the secretariat. A facility allows the public to comment on the proposals until a decision has been taken by the board.<sup>20</sup>

### **Fund allocation at the national level**

A crucial issue at the national level will be how projects and programme proposals are selected for presenting to the Adaptation Fund Board. The definition of a 'concrete adaptation project or programme' provided by the board is very broad and does not provide practical guidance for prioritization. The implementing entity or national government will still need to define what 'collective objectives' and 'concrete outcomes' of an adaptation activity are, what and who they are for, or where and when they take place.

A strategic priority of the fund is that eligible parties have to give special attention to the particular needs of the most vulnerable communities.<sup>21</sup> There is no agreed-upon metric or criteria for assessment,<sup>22</sup> however, and the board has not further defined the concept of vulnerability. As such, concepts of 'adaptation activity' and 'vulnerability' both require political decision-making at the national level. It is important, therefore, that the governance processes and the information and criteria

a decision is based on are considered legitimate by society, made transparent to the public and allow for the participation of relevant stakeholders.<sup>23</sup>

### **Institutional capacities of implementing entities**

Central to the process of fund allocation and management at the national level are the implementing entities.<sup>24</sup> The requirements for the accreditation of these entities to access funding from the Adaptation Fund concentrate on fiduciary risk management. These comprise competence in financial management, international-standard auditing capacity, institutional capacity (for example, for internationally recognized procurement practices or for independent monitoring and evaluation), transparency, self-investigative powers and anti-corruption measures.<sup>25</sup> The standards are a prerequisite for accreditation to the fund, are checked by an accreditation panel and are valid for five years.<sup>26</sup>

### **Project- and programme-level monitoring**

The implementing entities play a central role in the monitoring and evaluation of project and programme implementation and results.<sup>27</sup> To be accredited, implementing entities have to demonstrate their capacities for monitoring and prove that relevant systems are in place. The arrangements for monitoring and evaluation must be outlined in the funding proposal and are part of the technical review. Evaluations are conducted after the funded activities have taken place; evaluation is obligatory for activities above US\$1 million, but small-scale projects below this amount are subject to terminal evaluation only if it is deemed necessary by the board.<sup>28</sup>

Implementing entities have to contract external evaluators to conduct independent evaluations.<sup>29</sup> The quality of the reports depends heavily on what the evaluator is asked to evaluate and what kind of methodology is used, however. A related challenge for the evaluation of projects is the ambiguity of the terms ‘adaptation’ and ‘vulnerability’ and the difficulty in establishing an objective metric, which renders any evaluation a difficult task. As to judging whether or not an activity leads to greater adaptive capacity, evaluations are unlikely to be conclusive.

The board intends to put in place a results-based management framework for the fund and consider the process by which this framework will support projects and programmes.<sup>30</sup> This is not yet finalized,<sup>31</sup> but when it is it will be an important step in bolstering the effectiveness of financial support, as it will establish objectives and indicators as well as baselines for activities, drawing, for example, on information from vulnerability and needs assessments.

## Conclusions and outlook

This analysis has shown that the institutional capacities and the governance framework at the national level play a pivotal role in the effective implementation of adaptation activities financed by the Adaptation Fund. The provisions of the fund on efficiency, transparency and effectiveness are therefore necessary, but they are not sufficient to promote a goal-oriented use of funds. The collaboration of various stakeholders, particularly national-level stakeholders, will be necessary to make sure that the provisions are implemented effectively.

The Adaptation Fund is at an early stage, and this brief analysis can only highlight some possible entry points for corruption and its prevention. As there are few general formulae for reducing corruption in a sustained way and little empirical evidence to inform the effectiveness of anti-corruption activities at the outset,<sup>32</sup> a successful approach to good governance will require continuous attention and a process of 'learning by doing' to ensure that strategies are appropriate in different national contexts.

Based on the experience of development cooperation and anti-corruption measures in similar institutions, the Adaptation Fund Board may wish to consider the following recommendations to promote the transparent and effective use of funds:

- Provide information on corruption on the Adaptation Fund website, including analytical toolkits, best-practice examples or procurement procedures that meet audit requirements. There are many existing guidelines that could be adapted for this purpose, such as the OECD-DAC Joint Venture for Procurement's guidance notes.
- Liaise with other stakeholders and offer support for NIEs regarding their duties and operations, for example to meet the fiduciary risk management standards throughout the accreditation period.
- Disclose the necessary information and data for project monitoring, evaluation and the tracking of financial flows so as to ensure that independent oversight can take place. This should also include contact persons at the national level or information on the institutional arrangements and responsibilities at the national level that might be provided by eligible Parties to the Adaptation Fund Board.
- Check the independence of monitoring and evaluation specialists who are contracted by implementing entities.
- Facilitate the exchange of views by various stakeholders on lessons learnt as to how to improve effectiveness and transparency in the use of funds, including the question of how vulnerable communities should be considered.
- Introduce a complaints mechanism for funded projects and programmes.
- Liaise with stakeholders and donors to facilitate or support the engagement of civil society, journalists or independent research institutes. An example of international support is the Partnership for Transparency Fund.

## Notes

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3. Further analysis on the institutional governance framework of the Adaptation Fund can be found in Richard Klein, section 5.1 in this volume. See also Britta Horstmann, 'Operationalizing the Adaptation Fund: Challenges in Allocating Funds to the Vulnerable' (forthcoming in *Climate Policy*).
4. Article 4.4, UNFCCC, and article 12.8, Kyoto Protocol.
5. Decision 10/CP.7, annex 2; see also decision 5/CP.6. See Richard Klein, section 5.1 in this volume.
6. Decisions 10/CP.7, 1/CMP.4, 1/CMP.3, 5/CMP.2 and 28/CMP.1.
7. Adaptation Fund Board, *Operational Policies and Guidelines for Parties to Access Resources from the Adaptation Fund* (Bonn: UNFCCC, 2009), paragraph 10. The Adaptation Fund can also use the share of proceeds to support activities laid down in paragraph 8 of decision 5/CP.7 or to cover administrative expenses of the fund; see decision 10/CP.7.
8. These include: transparency and openness in the governance of the fund; accountability in the management, operation and use of the funds; efficiency and effectiveness in the management, operation and governance of the fund; sound financial management, including the use of international fiduciary standards; clearly defined responsibilities for quality assurance, management and implementation; independent monitoring, evaluation and financial audits; and no duplication with other sources of funding for adaptation in the use of the Adaptation Fund (decision 5/CMP.2, paragraphs 1 and 2).
9. Decision 5/CP.7, paragraph 8.
10. Decisions 28/CMP.1 and 1/CMP.3, paragraph 4. This operationalization started in 2008 and is close to being completed.
11. Decision 1/CMP.3, paragraph 5.
12. Decision 1/CMP.4, annex IV, paragraph 16 (c).
13. Decision 5/CMP.2, paragraph 2.
14. Decisions 2/CMP.1 and 5/CMP.2, paragraph 2.
15. Adaptation Fund Board (2009), paragraphs 27 and 48.
16. See [www.adaptation-fund.org/node/7](http://www.adaptation-fund.org/node/7).
17. See paragraph 15.
18. Adaptation Fund Board (2009), annex 3.
19. Adaptation Fund Board (2009), paragraphs 40 and 41.
20. Adaptation Fund Board, 'Draft Report of the Adaptation Fund Board to the Conference of the Parties Serving as the Meeting of the Parties to the Kyoto Protocol at Its Sixth Session', document code AFB/B.11/7/Rev.1 (Bonn: UNFCCC Adaptation Fund Board, 17 September 2010).
21. Strategic Priorities, Policies and Guidelines, decision 1/ CMP.4 annex IV.
22. Jörn Birkmann (ed.), *Measuring Vulnerability to Natural Hazards: Towards Disaster Resilient Societies* (Tokyo: United Nations University Press, 2006); Gilberto C. Gallopín, 'Linkages between Vulnerability, Resilience and Adaptive Capacity', *Global Environmental Change*, vol. 16 (2006), pp. 293–303; Horstmann (forthcoming).

23. On concepts of 'adaptation' and related institutional challenges, see Britta Horstmann, *Framing Adaptation to Climate Change: A Challenge for Building Institutions*, Discussion Paper no. 23/2008 (Bonn: German Development Institute, 2008).
24. For an overview of accredited implementing entities, see [www.adaptation-fund.org/node/9](http://www.adaptation-fund.org/node/9).
25. Adaptation Fund Board (2009), annex 2, paragraphs 53 and 54.
26. Adaptation Fund Board (2009), paragraphs 33–38.
27. Adaptation Fund Board (2009), paragraphs 48 and 49.
28. Adaptation Fund Board, (2009), paragraph 49.
29. Ibid.
30. Adaptation Fund Board (2009), paragraphs 47 and 50.
31. It is scheduled to be ready by Adaptation Fund Board meeting 12.
32. Organisation for Economic Co-operation and Development (OECD), *Synthesis of Lessons Learned of Donor Practices in Fighting Corruption* (Paris: OECD, 2003); Jens Andig and Odd-Helge Fjeldstad, *Corruption: A Review of Contemporary Research* (Bergen: Chr. Michelsen Institute, 2001); Robert Klitgaard, *Controlling Corruption* (Berkeley: University of California Press, 1988).

## 5.3

# Climate-proofing development

## Corruption risks in adaptation infrastructure

*James Lewis<sup>1</sup>*

Building climate-resistant infrastructure – whether flood walls, drainage systems or storm shelters – is one of the main tasks of adapting to climate change. Estimated annual costs could top US\$100 billion by 2030.<sup>2</sup> Such massive flows of money being directed towards infrastructure projects – mainly in the developing world – combined with the fact that construction and public works constitute one of the world’s most corrupt sectors,<sup>3</sup> make strong governance in this component of climate change adaptation essential.

Climate change adaptation, corruption and vulnerable populations are strongly interlinked. Corruption acts as an engine of poverty and vulnerability – creating weaknesses that are exacerbated by the changing climate.<sup>4</sup> Climate extremes are greatest in poorer countries, where, along with weak governance institutions, there is often endemic corruption. Within 10 years there will be a global slum population of some 1.4 billion living with inadequate water supplies, consequent unsanitary conditions and disease – making clean water and sanitation facilities an attractive target for corruption, greed, collusion and exploitation.<sup>5</sup> Where corruption heightens community vulnerability, it exacerbates the need for adaptation measures. In regions plagued by weak governance, adaptation responses themselves may be particularly prone to corruption.

It is of particular concern that the construction industry, long considered among the most corrupt industrial sectors,<sup>6</sup> will be entrusted with reducing human vulnerability. The World Bank estimates that anything from 5 to 20 per cent of construction costs are currently lost to corruption, burdening developing countries with some US\$18 billion a year.<sup>7</sup> Much of this will be lost in countries that are

vulnerable to climate change impacts; ‘Baby Doc’ Duvalier, for example, the former dictator of poverty-ridden and cyclone- and earthquake-prone Haiti, is reported to have amassed a private account equivalent to US\$7 million.<sup>8</sup> In this context, it is not surprising that adaptation responses are slow.

The high levels of corruption in the construction industry are not limited to initial financial losses, but have much wider-reaching implications. The fact that corruption often leads to skewed spending priorities and substandard construction and operation has a particular poignancy for climate change adaptation, which seeks to address human vulnerability urgently and efficiently.<sup>9</sup> Corruption and the way its proceeds are used not only may slow down adaptation actions but may fundamentally undermine the process, by diverting funds to illegitimate projects or reducing construction standards and contributing to vulnerability.

### **Big budgets, big companies – big corruption risks?**

Infrastructure and the procurement of public works can be either reactive projects that respond to disasters or other extreme events, or proactive in the form of climate-proofing and new infrastructure to reduce vulnerability. Such efforts will incur colossal investments, mainly from the public sector, and will need to be protected by transparent and accountable systems with rigorous safeguards at the national and local levels.

According to one estimate, annual adaptation-related costs for agriculture, water, health, coasts and ecosystems could reach US\$315 billion per year, plus US\$16–63 billion for upgraded infrastructure and a possible US\$50 billion for extreme weather impacts not avoided by adaptation.<sup>10</sup> Urban infrastructure, including drainage and public buildings, together with roads account for 77 per cent of infrastructure adaptation costs.<sup>11</sup> Such figures are already attracting considerable notice.

Large international construction firms are already gearing up to become an integral part of mitigation and adaptation projects – the very companies that often have rather dubious records of environmental unsustainability and corruption. The ‘green power building spree’ is demanding planning expertise and capital that only large international engineering companies can provide.<sup>12</sup> In infrastructure adaptation projects, contracts are likely to go the same way. British multinational Mott MacDonald, for example, is positioning itself as a leading specialist in both adaptation and mitigation, stating that it has ‘long experience, advanced expertise and international reach’ in areas such as coastal zone management, infrastructure engineering and water resource management.<sup>13</sup>

Many such companies have faced allegations of corruption in these very same types of projects, however. In 2003 Bechtel was exposed as allegedly having a 'legacy of unsustainable and destructive practices that have reaped permanent human, environmental and community devastation around the globe'.<sup>14</sup> Mott MacDonald faced allegations of corruption in relation to the infamous Lesotho Highlands Water Project.<sup>15</sup>

While the involvement of large infrastructure companies does not necessarily foreshadow corrupt corporate activities in adaptation projects, they do highlight some of the risks that have to be considered when partnering with the construction industry.

### When 'business-as-usual' meets adaptation projects

There is ample reason to believe that adaptation-related infrastructure will suffer the same corruption risks inherent in any public works projects. The sector is particularly prone to corruption because it generally builds large, long-term projects for the public sector using complex supply chains.<sup>16</sup> Furthermore, when international companies vie for contracts abroad, the corruption risks grow larger and more difficult to detect and prosecute, as different laws and business cultures come into play.<sup>17</sup>

Corruption in infrastructure projects can pervade all levels and sectors of investment, rural and urban areas, projects of all sizes, and small firms and large contractors. Corruption is a risk at every point, starting with a project's needs assessment, through the preparation and bid design phases, to contractor selection and contract award, and to contract implementation and the final accounting and auditing phase.<sup>18</sup>

Some of the 'business-as-usual' risks in the industry have particular implications for climate adaptation projects. For example, corruption or undue influence in needs assessment can lead to skewed priorities. Governments and officials are already prone to favour grand infrastructure projects, as size itself creates opportunities for corruption and bribery. Such prestige projects can displace projects higher on the scale of social need, are often left unfinished and unused and, ultimately, can end up as environmentally destructive 'monuments to corruption'.<sup>19</sup>

How adaptation needs will be determined and prioritized is still unclear. As of 2010 some 6 per cent of national adaptation programme of action (NAPA) projects were classified as purely infrastructural, with many others including infrastructure or construction elements.<sup>20</sup> Although these projects have been devised in what is considered a participatory manner, they have yet to be implemented and there is no

guidance as to which should be built most urgently. The potential for projects to be prioritized for reasons other than urgent adaptation needs is therefore very real.

Another inherent risk in infrastructure projects is the tendency for corruption to raise the price of projects while simultaneously reducing quality.<sup>21</sup> Designs may be manipulated to raise costs or ensure that only a few contractors can comply, or specifications can be made overly sophisticated. This can inflate both the cost and the duration of a project. When bribes are used to conceal quality defects, the result is substandard work. As many infrastructure projects are large, complex and non-standard, they are difficult to assess.<sup>22</sup> Moreover, governments' dual role as customer and regulator<sup>23</sup> of many such projects makes them particularly prone to corruption or fraud – on account of deceitful or insufficient regulatory capacity.

The impact of weak regulation leading to substandard work would be a heavy price to pay in the context of urgent adaptation needs, as the cost would probably be calculated in lives. Past experiences of environment-proofing infrastructure have demonstrated this, but further concerns are likely as climate-proofing projects are rolled out in countries with inadequate regulations or experience.

In Turkey, where an earthquake killed some 11,000 people in 1999, more than a half of all structures failed to comply with building regulations.<sup>24</sup> Similar scenarios can be foreseen for climate-related disasters if adaptation measures do not meet the necessary standards. Rather than increasing people's resilience to climate change, poorly managed adaptation may actually decrease it.

## **The many risks for adaptation projects**

As governments move to build flood walls and embankments, robust drainage systems and cyclone centres for displaced persons, they will also need to ensure that old structures are retrofitted to meet new standards. Governments also need to invest in 'green' technologies so as to ensure that adaptation projects do not unduly exacerbate climate change, as the construction industry accounts for 33 per cent of CO<sub>2</sub> emissions.<sup>25</sup> These interdependent priorities must be addressed in order to preserve scarce resources, and will add to the complexity of planning and building projects.

High-pressure environments, unrealistic deadlines, urgency and haste all characterize the response to rapidly emerging climate change and may lead to multiple excuses for camouflaging corrupt practices. Pressure to complete projects could undermine planning processes, including safeguarding against projects that do not take mitigation considerations into account, such as reducing CO<sub>2</sub> emissions.

Corruption in the planning stages – including land acquisition, development permits and the letting of contracts – is facilitated by haste and fragmented procedures.<sup>26</sup>

The increased specialization that climate-proofing infrastructure entails may serve to limit the number of firms with the perceived expertise to tackle such projects, thereby limiting competition. This is worrisome, because high levels of competition are considered to be ‘the single most important fact towards auction efficiency and anti-corruption’.<sup>27</sup> Collusion through anti-competitive cartels, bid-rigging and bribery may seriously diminish infrastructure funding, slowing down construction and skewing development so that it fails to perform as planned, thus wasting entire investments.

Furthermore, when specialist construction firms are few, competition is reduced and opportunities for inexperienced contractors and traders increase. When contracts are allocated by obligation, favour, partisanship, sectarianism or nepotism, not only does this constitute corruption but it can lead to substandard work that jeopardizes the original aims of climate-proofing to protect communities.

As mentioned, infrastructure projects often include non-standard activities that are difficult to assess and measure. This is even more so the case with adaptation projects: establishing whether a cyclone centre is ‘cyclone-resistant’ or an embankment is strong enough to withstand predicted floods are not simple equations. Quality control is an opportunity to determine the outcome and performance of adaptation projects and is essential for sustained investment. Governments, often responsible for assessing such projects, are frequently too ill-equipped, biased or corrupt to act effectively. Indeed, it has been acknowledged that ‘it is often far easier to monitor and deter the outcomes of corruption (a collapsed building) than the act of corruption itself (the theft of resources or a payment to avoid correcting a regulatory infraction)’.<sup>28</sup>

In the case of adaptation projects – which are intended to save lives – this is far too late. Strategies and strict controls against endemic corruption in contexts of increased climate extremes demand correspondingly rigorous procedures for quality control. Site works need informed, alert, independent and authoritative inspectors and supervisors with clear criteria on which they base their assessments.

Finally, for climate-proof infrastructure to remain effective, it needs to be maintained. Corruption has been cited as a factor behind high levels of investment in new infrastructure with no emphasis on maintaining it.<sup>29</sup> The consequences of construction and maintenance failures were shockingly illustrated in New Orleans following Hurricane Katrina in 2005.<sup>30</sup> The breach of the sea defences – meant to protect the city – was due to the negligence of the city government, and incurred losses totalling US\$71 billion.<sup>31</sup> This kind of structural failure, which can bring a

city in the US to its knees, is surely a glimpse of the future in developing countries if adaptation measures do not succeed in increasing resilience.

### **Reconstruction: building it better**

Increasing resilience with climate-proof infrastructure is essential, but it will never entirely alleviate the risks of catastrophe. When disasters strike, the rebuilding of infrastructure will play a large part in reconstruction efforts. The objective of post-disaster adaptation must be to 'build back better', in order to resist the increased risks inherent in climate change.

A bold illustration of the 'build back better' approach was the reconstruction of the Macedonian capital of Skopje after it was destroyed by an earthquake in 1963. Not only was all the infrastructure rebuilt so as to be earthquake-resistant, but city planning also ensured that the river Vardar was routed in order to control future flooding.<sup>32</sup> An achievement of this scale requires strong governance and management, and transparent sectoral and local administrations.

In cases in which there were weak and fallible institutions before a disaster, they are likely to be weaker to the point of ineffectiveness in the aftermath, when sound planning and reconstruction are needed. Without adequate and consistent measures against corruption, failed reconstruction will further weaken vulnerability to subsequent extremes, and corruption risks will be as great as those that contributed to the original destruction. In the post-conflict reconstruction in Iraq, large portions of construction budgets disappeared entirely as a result of corruption.<sup>33</sup> The close parallels between corruption reduction and disaster reduction have been observed by the UN International Strategy for Disaster Reduction, but little progress has been made to mainstream disaster risk reduction into social, economic, environmental and infrastructure planning and development.<sup>34</sup>

### **Conclusions: anti-corruption strategies**

Taking a step back from questions of accountability and corruption, one could ask why a major emphasis of adaptation efforts is on large-scale construction projects, and whether there are any lower-cost alternatives that might actually be more effective in protecting vulnerable populations.

The answer to the first question may be because many donors and development agencies tend to distribute funds quickly and need to show tangible results, lack the capacity and willingness to oversee many small projects and are perhaps unaware of lower-cost options. The answer to the second question may well lie in improved strategic thinking and better and more participatory planning processes. What is

clear is that there are considerable risks in adaptation related to large- and small-scale construction, which could undermine the whole process, making people more vulnerable rather than less. As discussed in the following section, anti-corruption strategies in the form of clear procurement guidelines and the responsible oversight of projects would be a good start.

## Notes

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25. Chartered Institute of Building (UK), 'Industry statistics', [www.ciob.org.uk/document/industry-statistics](http://www.ciob.org.uk/document/industry-statistics).
26. Jim Kennedy et al., 'The Meaning of "Build Back Better": Evidence from Post-Tsunami Aceh and Sri Lanka', *Journal of Contingencies and Crisis Management*, vol. 16 (2008), pp. 24–36.
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31. *National Underwriter* (US), 'Cat losses dropped 52% over last year', 2 December 2009.
32. Vladimir B. Ladinski, 'Post 1963 Skopje Earthquake Reconstruction: Long Term Effects', in Adenrele Awotona (ed.), *Reconstruction after Disaster: Issues and Practices* (Aldershot: Ashgate, 1997), pp. 73–107; *New York Times* (US), 'Rebuilding in Haiti', 2 April 2010.
33. *New York Times* (US), 'Idle contractors add millions to Iraq rebuilding', 25 October 2006.
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## 5.3.1

# Climate change, infrastructure and corruption

*Chandrashekhar Krishnan<sup>1</sup>*

Climate change and sea-level rise will have major impacts on infrastructure, particularly in the developing world. Adaptation to these impacts could include: reconstructing key infrastructure destroyed by hurricanes, cyclones and floods; constructing new or strengthening existing sea defences to protect low-lying areas; enhancing the resilience of bridges and highways to climate change; redesigning major infrastructure projects to take account of climate-related risks; and building new infrastructure, such as airports, in areas that are less vulnerable to sea-level rise.

As a result, the infrastructure industry will have a major part to play in adaptation to climate change, but it is also considered one of the most corrupt industries in the world.<sup>2</sup> It would therefore be prudent to ensure that corruption risks are factored into infrastructure sector responses to climate change.

It is unlikely that corruption risks in such projects will be very different from those seen traditionally. Corruption can occur during all phases of a construction project: a representative of the project owner may bribe a government or local authority official to obtain approval for a design that does not meet relevant building regulations; a qualified bidder may be rejected at the pre-qualification stage as a result of a bribe paid to a representative of the owner or engineer by another bidder; a bidder that is not necessarily the best may win a contract as a result of a bribe paid to the tender evaluation manager or a government official; a contractor may pay a bribe to the owner's representative in return for the owner issuing a variation that materially increases the contractor's scope of work; defective works may be covered up, or claims for payment may

be submitted for inferior or non-existent equipment or materials; or bribes may be paid to win operation and maintenance contracts, and fraudulent practices can lead to inflated operation and maintenance costs.<sup>3</sup>

Transparency International has developed practical tools to reduce corruption risks in infrastructure projects, which would be applicable to projects initiated in response to climate change. TI-UK and the Global Infrastructure Anti-Corruption (GIAC) Centre have developed and disseminated a Project Anti-Corruption System (PACS) for the construction sector.<sup>4</sup> PACS, which targets both bribery and fraud, sets out a variety of anti-corruption standards and templates to assist project participants to implement these standards, which include independent monitoring, due diligence, contractual commitments, procurement requirements, government commitments, corporate programmes, rules for individuals, training, transparency, reporting and enforcement.<sup>5</sup>

The PACS standards can be used by either public- or private-sector project owners to assess their anti-corruption

measures. Each PACS standard has a number of recommended measures; for example, under transparency PACS recommends that information should be 'provided in a free, easily accessible and comprehensible form, and on a prompt and regular basis'. Thus, even if certain standards are being met, the recommended measures may not be implemented in full, and PACS can highlight areas for improvement.

PACS is a highly flexible tool that can be used to assess and improve projects with the aim of reducing corruption. It is comprehensive in its coverage, but is voluntary and so may be taken in part or as a whole. As such, it could be an essential tool for emerging adaptation projects, as PACS users can adapt the measures to their local requirements, taking into consideration local laws and procedures. The integration of such anti-corruption initiatives into the climate change agenda is crucial.<sup>6</sup> We must not let corruption add additional costs to the burden of responding effectively to the climate change impacts in the infrastructure sector. We have the tools to fight it!

## Notes

1. Chandrashekhar Krishnan is executive director of TI UK.
2. TI's 2008 Bribe Payers' Index showed that public works and construction was perceived to be one of the most corrupt industries in the world. See [www.transparency.org/policy\\_research/surveys\\_indices/bpi](http://www.transparency.org/policy_research/surveys_indices/bpi).
3. Neill Stansbury and Catherine Stansbury, *Preventing Corruption on Construction Projects: Risk Assessment and Proposed Actions for Project Owners* (Berlin: TI, 2005).
4. See [www.giacentre.org/project\\_anti\\_corruption\\_system\\_home.php](http://www.giacentre.org/project_anti_corruption_system_home.php).
5. Ibid.

6. See the GIAC Centre (<http://www.giacentre.org/>) for more information on other anti-corruption programmes in the sector. For more information about the Construction Sector Transparency Initiative (CoST), which has completed its pilot phase and focuses on public sector contracting and the disclosure of information, see <http://www.constructiontransparency.org/>.

## 5.3.2

# Climate-proofing and political influence in the Philippines

*Segundo Romero and Aileen Laus<sup>1</sup>*

The Philippines is an archipelago located in the typhoon belt and is visited each year by around 20 typhoons. In September 2009 Typhoon Ketsana (Ondoy) resulted in some of the worst flooding in Metro Manila in recorded history. Some 46,000 homes were

completely destroyed and 261,000 were partially damaged.<sup>2</sup> Jerry Velasquez reported that, as '[t]he Philippines is one of the very hotspots for climate change ... , what happened during [typhoons] Ondoy and Pepeng was not the worst. The worst is still to come.'<sup>3</sup>

### **Strategies and actions: how effective are they?**

Although the government has not been blind to the need for addressing climate change, it has been slow to act. In a positive step, in 2009 the government enacted the Climate Change Act, which seeks to mainstream mitigation and adaptation measures into government policy and creates a Climate Change Commission to coordinate plans for extreme weather events.<sup>4</sup> Local initiatives have also shown some success: the Albay Public Safety and Emergency

Management Office had recorded 'zero casualties' since it began operating in 1994, despite dealing with a number of typhoons and volcanic eruptions between 1995 and 2005.<sup>5</sup> Assistance to local communities is also being provided through the Integrating Disaster Risk Reduction and Climate Change Adaptation project,<sup>6</sup> which provides local governments with training in order to anticipate the damaging effects of extreme weather.<sup>7</sup>

Despite these encouraging developments, the poor response following Typhoon Ketsana made it clear that preparations for climate change are lacking; thousands of people were left marooned on rooftops for hours without food, water or protection; people were swept away in the floods; and there were too few boats and amphibian trucks to rescue the thousands of people.<sup>8</sup> In Marikina, the worst-hit city, only two rubber boats were available for rescue operations.<sup>9</sup> Such experiences indicate that the country is ill-prepared and poorly resourced to deal with extreme weather events. In the area of infrastructure development for disaster risk management alone, it is estimated that Southeast Asian nations should budget amounts equivalent to 5–6 per cent of their GDP; at present they budget only 2–3 per cent. With such resource challenges, it will be difficult to fill the gap, particularly in the face of more extreme weather as a consequence of climate change.<sup>10</sup>

Like elsewhere in the world, much of the required adaptation in the Philippines is related to new climate-proof infrastructure that will stand the test of future typhoons and floods – a sector particularly susceptible to corruption.<sup>11</sup> In 2008 the Department of Public Works and Highways reported that it had completed 1189 flood control projects amounting to Philippine peso (P) 4.655 billion (approximately US\$105.9 million), bringing the total

completed flood control projects to 9796 since 2001.<sup>12</sup> Many badly needed projects have not even begun or have been severely delayed, however.

The Department of Public Works and Highways was supposed to begin the US\$14 million Pasig-Marikina River Improvement Project in 2007, but three years later, in 2010, it has still to be implemented. Similarly, the Kamanava Area Flood Control and Drainage System Improvement Project in northeast Metro Manila, worth US\$15 million, has also been delayed, due to ‘right of way’ compensation issues.<sup>13</sup>

Those that are built may suffer from neglect, as officials fail to maintain crucial disaster risk management facilities. The Effective Flood Control System, a PI.I billion (approximately US\$25 million) project funded by a Japanese loan, was reported to have failed on account of the neglect of the Metropolitan Manila Development Authority.<sup>14</sup> The chairperson of the authority denied the allegations, stating that the equipment was ‘operational, but obsolete’.<sup>15</sup>

Many projects are built that increase dangers rather than reduce them. Corruption in the granting of permits and licences means that they may be issued for the construction of buildings in violation of zoning and building codes. In the case of Marikina and Cainta, the flood line was 17 metres above sea level, but a land development project, which had to pass through 32

signatories before being approved, allowed construction at a mere 9 metres.<sup>16</sup>

The result when such building regulations are flouted is increased vulnerability of communities to extreme weather conditions. This becomes even more damaging if, once a disaster strikes, situations are not managed adequately. While people were perishing in Typhoon Ketsana, the government declared a state of calamity, even in areas not affected by the storm.<sup>17</sup> This was extended for a year and a P10 billion supplemental budget was proposed. This led to suspicions, however, that the extended period would lead to the juggling of funds and the circumvention of laws on government procurement; indeed, it is not clear how the amusement tax that had been earmarked for flood control was spent.<sup>18</sup>

As the cases above illustrate, corruption has the potential to undermine adaptation efforts. The unusual access that the government has to funds, particularly in light of its implication in a number of recent corruption scandals,<sup>19</sup> may serve as one explanation as to why climate change adaptation strategies have been inadequate. It appears that it may be true that 'there is one factor hampering government efforts to provide relief to flood victims and improve the nation's disaster preparedness: public distrust. The distrust is fueled by suspicions that funds set aside for disaster mitigation and improvement of flood control infrastructure might end up in the pockets of the corrupt, or in the campaign kitties of potential 2010 candidates.'<sup>20</sup>

## Notes

1. Segundo Romero, Professional Lecturer of De La Salle University, and Aileen Laus, The Asia Foundation – Philippines.
2. Inquirer.net (Philippines), 'Conditions still critical for RP typhoon victims – UN', 26 November 2009.
3. Jerry Velasquez is a senior coordinator with the UN International Strategy for Disaster Reduction body. Typhoon Pepeng hit the Philippines in late 2009. See Stephen de Tarczyński, 'Guarded optimism for new climate change law', *Global Issues*, 10 November 2009, at [www.globalissues.org/news/2009/11/09/3444](http://www.globalissues.org/news/2009/11/09/3444).
4. Ibid.
5. *Philippine Star*, 'Albay bags "Galing Pook" for disaster management', 12 February 2009.
6. The project is funded and implemented by the National Economic and Development Authority (NEDA), the UN Development Programme (UNDP) and the Australian Agency for International Development (AusAID).
7. The project has a budget of P107.89 million (A\$2.5 million). See Joel Escovilla, 'Disaster risk reduction efforts started', *Business World Online*, 23 November 2009.
8. *Philippine Daily Inquirer*, 'Ondoy exposed flaws in gov't disaster system', 10 September 2009.
9. *Philippine Daily Inquirer*, 'Survivors seethe with anger', 28 September 2009.

10. Ishaan Tharoor, 'The Manila floods: why wasn't the city prepared?', Time.com, 29 September 2009.
11. See James Lewis, section 5.3 in this volume.
12. Lynda B. Valencia, 'Driving development through progressive public works projects', Positive News Media, 28 December 2009, at [http://positivenewsmedia.net/am2/publish/Main\\_News\\_1/Driving\\_development\\_through\\_progressive\\_public\\_works\\_projects.shtml](http://positivenewsmedia.net/am2/publish/Main_News_1/Driving_development_through_progressive_public_works_projects.shtml).
13. See Shay Cullen, 'The Scourge of Climate Change', *Impact*, vol. 43 (2009), p. 11.
14. Aries Rufo, 'P1-B flood warning system wasted due to neglect', ABS-CBNnews.com, 7 October 2009.
15. Allison Lopez, 'MMDA: flood control system working: operational but obsolete P1.1-B equipment', *Philippine Daily Inquirer*, 11 October 2009.
16. Ador Paglinawan, 'Paradox's tell all: typhoon-caused deaths and destruction were not God's acts but were results of criminal negligence', Mabuhay Radio (Philippines), 25 October 2009.
17. *Philippine Star*, 'Hindrance to disaster preparedness', 8 October 2009.
18. Ibid.
19. The excessive control that the executive has over the country's finances, without adequate oversight, has led to high levels of corruption. In contrast to the 'graft-ridden' pork barrel, which averaged P8 billion from 2004 to 2008, appropriations under the control of the president in 2009 amounted to P224.44 billion, equivalent to 16 per cent of the national budget. See Philip Tubeza, 'Graft due to Palace "holding power of purse"', *Inquirer.net* (Philippines), 21 May 2009.
20. *Philippine Star*, 8 October 2009.

## 5.4

# Disrupting lives

## Climate migration and corruption

*Ingrid Boas and Rebecca Dobson<sup>1</sup>*

As climate change has become a defining feature of world politics in the 21st century, international deliberations have begun to focus on adaptation: finding ways to increase resilience and decrease vulnerability to the changing climate. Corruption is a factor that could worsen climate change impacts and negatively affect the effectiveness of adaptation strategies. The adverse effects of corruption on development have long been acknowledged: corruption increases stresses on a whole range of socio-economic challenges, exacerbating political instability, weakening governance capacity, political effectiveness and law enforcement and diverting financial resources.<sup>2</sup> As corruption has not been extensively examined in relation to climate change, this section contributes to the analysis of the corruption risks in adaptation strategies by looking at the case of climate migration – an important illustration, as it is likely to become an inevitable adaptation strategy for many when other forms of adaptation fail.<sup>3</sup>

### **The impact of climate change and the role of corruption – migration as an example**

The impact of climate change will depend on the capacity of governments, local communities and the international community to adapt to changes such as drought, flooding and desertification.<sup>4</sup> In some regions these changes will have an effect on the abundance of resources. It is estimated that with a 1–2°C increase in temperature an additional 800–1800 million people may be exposed to water stress by 2085.<sup>5</sup> Furthermore, sea-level rise could threaten millions of people living in coastal regions – a threat that is already being felt by small island states such as the Maldives.<sup>6</sup> Although there remains uncertainty about the scale of these effects on human

communities, what is clear is that ‘[c]limate change will affect the basic elements of life for people around the world – access to water, food production, health and the environment’.<sup>7</sup>

Climate change that leads to an increasing scarcity of resources also has the potential to trigger knock-on effects. These may include increased inequality; insecurity and lawlessness; the potential for violent conflict; and large-scale population displacement.<sup>8</sup> The UN High Commissioner for Refugees (UNHCR) has highlighted the linkages between climate change and migration, acknowledging climate change as one of the ‘biggest driver[s]’ of future displacement.<sup>9</sup> It is estimated that, by 2050, 200 million people, mainly from the South, will be forced to leave their homes because of climate change.<sup>10</sup> These estimates remain debated, and many cite such figures as overly pessimistic,<sup>11</sup> particularly as they rely on climatic projections and tend not to include the adaptive capacity of communities in their calculations. It is also important to note that migration is a multicausal phenomenon of push and pull factors that do not all originate with climate change.<sup>12</sup> The combination of the economic, social and ecological influences on migratory patterns is likely to be profoundly shaped by the changing climate, however.

When considering the socio-economic processes surrounding the flight of climate refugees, it is noteworthy that many of the countries that are vulnerable to climate migration are also those that are challenged with corruption. The main climate migration hot spots are found in Africa and Asia, in particular sub-Saharan Africa, and South and East Asia.<sup>13</sup> These are also areas of the world that tend to have low scores on Transparency International’s Corruption Perceptions Index – indicating that they are perceived as having high levels of corruption, and that they are likely to face various governance challenges.<sup>14</sup> Moreover, with the increased pressure of climate change and the consequent inequality and insecurity that this can bring, there is a greater potential for corruption to flourish. A recent report on climate change and conflict, for instance, highlights how, in times of scarcity, resources could be expropriated by the elite at the expense of marginalized communities.<sup>15</sup>

### **Climate migration: a new governance challenge?**

The governance of climate migration at a global level is weak, as there are no strong institutional mechanisms in place at present to deal effectively with climate refugees.<sup>16</sup> Furthermore, different types of governance measures may be required depending on whether climate refugees are displaced within their country of origin or across international borders, and on whether they move as a result of slow-onset climate change or are forced to move because of natural disasters.<sup>17</sup> Moreover, as no strong

governance mechanisms have been created so far to assist climate refugees, and as current standards in refugee and human rights law vary considerably depending on the source and type of the flight, ‘many climate victims [are left] unprotected and vulnerable to abuse’.<sup>18</sup>

Corruption may aggravate the already challenging situation in terms of coping with climate migration and posing additional governance needs. Climate migration and corruption interact in complex ways. Corruption may first of all be an aggravating factor, pushing populations to migrate as a result of elite capture of their resources.<sup>19</sup> Secondly, adaptation measures could be rendered ineffective as a result of corrupt activities, either directly through the potential for the embezzlement of development funds or indirectly when national law enforcement, political will and regulatory systems are weak. It is precisely these latter socio-economic factors that make states vulnerable to climate change, and subsequent climate migration, and make them less effective in dealing with migration when it occurs. Finally, the process of climate migration itself may increase opportunities for corruption, as climate refugees may become vulnerable victims of corrupt activities as they move to unfamiliar environments with their own socio-economic challenges.

The sorts of challenges created by corruption will also depend on the type of migration patterns, as different circumstances may pose different kinds of problems and opportunities with respect to corruption. The remainder of this contribution analyses the specific corruption challenges for two different forms of climate migration, namely internal migration and displacement, and international migration.

### **Internal migration and displacement**

The internal displacement of large parts of a population due to climate change may trigger enormous challenges for national governments. At present, when natural disasters occur, governments have the primary obligation to protect their citizens, and to provide assistance to internally displaced communities,<sup>20</sup> even though aid agencies and the international community also share obligations related to humanitarian aid.<sup>21</sup> Effective management of internal climate migration will therefore depend on how prepared governments are to cope with climate change impacts and possible sudden and gradual climate migration.

If populations are displaced without warning or if migration is poorly managed, migration has the potential to increase vulnerability and exposure to corruption. For example, checkpoints may be set up on local roads to levy bribes from vulnerable groups; in Côte d’Ivoire, populations moving from the rebel-controlled north to the government-controlled south have been forced to pay US\$40–60<sup>22</sup> – a considerable burden for poor travellers. Bribes may also be extorted to process applications to

change places of residence.<sup>23</sup> Moreover, once settled, migrants living in urban slums may be exposed to ‘threats of clearance, eviction and rent-seeking from government officials’.<sup>24</sup>

Although the Guiding Principles on Internal Displacement<sup>25</sup> have raised awareness about the needs of internally displaced people, they are still not afforded the same rights as refugees.<sup>26</sup> As a result, only half of the world’s internally displaced people – estimated at around 26 million at the end of 2008 – receive assistance.<sup>27</sup> Humanitarian aid can be extremely political, and ‘sovereignty is often invoked as a justification for restricting international aid efforts’.<sup>28</sup> In 2007, countries such as Sudan, Myanmar and Zimbabwe restricted humanitarian assistance to almost 1.5 million people.<sup>29</sup>

The International Organization for Migration (IOM) has recommended that migration and displacement should not be forgotten in the international negotiations on climate change. It suggests the development of ‘integrated solutions that link migration and climate change adaptation’.<sup>30</sup> The national adaptation programmes of action (NAPAs), which have been completed by 38 of the least developed countries, indicate that there is a level of awareness in the climate change adaptation community that climate change could lead to inevitable large-scale migration, and that this requires government planning for resettlement.<sup>31</sup> The NAPAs do not provide consistent detail on implementation of such plans, however, and previous experience of resettlement programmes raises concerns about the effectiveness of such initiatives.<sup>32</sup>

Relocation programmes, including arrangements to build temporary shelters, homes and villages, and those that provide aid or compensation to relocated populations, often operate under weak governance and provide opportunities for corruption. Such programmes may trigger the embezzlement of funds. In addition, bureaucratic procedures surrounding the allocation of land and registration may be subject to bribery and preferential treatment. In Kenya, where some 500,000 people fled their homes following the post-election violence in 2007–2008, government resettlement programmes have been blighted by corruption, resulting in 350,000 people living in temporary camps for extended periods of time.<sup>33</sup> It is estimated that, of the Kenya shilling (Sh) 2 billion (approximately US\$28 million) allocated to these internally displaced people, as much as Sh500 million has been ‘embezzled’.<sup>34</sup> Furthermore, land bought by the government in the Rift Valley to resettle internally displaced people has been sold to the ‘highest bidder’.<sup>35</sup> Similar scenarios are likely to play out in government relocation programmes related to climate change, unless they are well planned and governed appropriately. As argued by Koko Warner, the resettled rely heavily on international and governmental assistance,<sup>36</sup> which leaves them particularly vulnerable to the vagaries of corrupt officials.

## International migration

There is limited protection for climate refugees in international law, as they are not considered refugees under the 1951 Geneva Convention or its 1967 Protocol. Other provisions, such as the 1969 Convention on Specific Aspects of Refugee Problems in Africa and the 1984 Cartagena Declaration on Refugees directed to refugees in Central America, Mexico and Panama, may cover climate refugees in as much as they extend their remit to those affected by a serious disturbance in 'public order', but are unlikely to be sufficient to include victims of slow-onset climate change, such as drought.<sup>37</sup> Indeed, these conventions were not originally intended for this population, which raises uncertainty as to whether climate refugees could be protected this way.<sup>38</sup> Climate refugees may also be eligible for temporary protected status; Denmark, for example, provides humanitarian asylum for victims of drought.<sup>39</sup> It is clear that these exceptions are rather narrow and applied at the discretion of individual countries, however, leaving the system with fragmented legislation and legal loopholes.

The crossing of borders is rife with corruption risks, and immigration offices have long been considered a hot spot for corrupt practices. Transparency International's 2009 East African Bribery Index reveals that the immigration departments in Kenya, Uganda and Tanzania are considered to be some of the most corrupt institutions in the region.<sup>40</sup> More generally, the 2009 *Human Development Report* suggests that 'a labyrinth of procedures and regulation, often exacerbated by corruption, causes excessive delays and compounds the costs of leaving'.<sup>41</sup> Migrants may also be regarded as 'easy targets by corrupt officials' for the extortion of bribes.<sup>42</sup> The report highlights how police may 'destroy or refuse to recognize documents in order to justify arrest' with the hope of extorting bribes from migrants.<sup>43</sup> Furthermore, when migrants are repatriated, schemes may be subject to corruption. This may cause unequal treatment and delays, or victims may be asked to pay unofficial fees for appropriate travel documentation or be subjected to risks similar to those mentioned for internal resettlement programmes.

Particularly pernicious forms of international migration include the smuggling of migrants<sup>44</sup> and human trafficking.<sup>45</sup> The IOM suggests that millions of people are transported illegally across borders each year, 'under false pretences, or, allegedly, by corrupt government officials'.<sup>46</sup> Increased vulnerability due to climate change could increase the prevalence of both smuggling and trafficking, and corruption is a key factor in understanding both these processes.<sup>47</sup> The industry would not thrive without the complicity of corrupt officials in border patrols, consulates or the police, who may either be actively involved in the issuing of travel documents, or passively tolerate or ignore illegal activities.<sup>48</sup> In 2009 the UN Office on Drugs and

Crime (UNODC) launched a survey, which identified the most vulnerable elements of the human trafficking chain to corruption. Of the respondents, 65 per cent referred to border control, immigration and customs, 50 per cent to law enforcement and police, and 25 per cent to civil society organizations as being most susceptible to corruption.<sup>49</sup>

Climate change may increase the incentives, density and complexity of these illegal circuits, as it has the potential to make smuggling and human trafficking activities very lucrative. In situations in which there is weak governance, climate refugees' vulnerability to these two industries increases. Such a situation was seen in Bangladesh following the flooding in 2007. As the livelihoods of families were destroyed by the floods, the promise of temporary work in India was taken up by many male breadwinners. Instead, the climate refugees became victims of torture and slavery.<sup>50</sup> Meanwhile, the women that they left behind were left with no economic resources, without the expected remittances from the men in India. As a consequence they became vulnerable to human trafficking, forced labour or prostitution.<sup>51</sup>

## Conclusions and recommendations

If migration is not managed adequately, some of the most dire predictions of displacement, smuggling and human trafficking may actually become a reality for those forced to migrate due to climate change. The discussion above illustrates that there are corruption risks inherent in the different forms of displacement and migration and that both national and international forms of governance are largely inadequate to cope with the climate change challenge. It is clear that, without effective safeguards and mechanisms for accountability, vulnerability to corruption and the most egregious forms of migration, such as human smuggling and trafficking, may thrive. For these reasons, it is crucial for national and international policy to integrate climate migration as a component of well-governed adaptation programmes.

In order to cope with the challenge of climate migration in an effective and fair manner, climate refugees require legal recognition, political support and financial assistance.<sup>52</sup> Rather than extending the remit of refugee status, the particular nature of climate refugees asks for a unique regime, tailored to their needs, appropriately supported and financed by the international community.<sup>53</sup> This could be realized through an additional protocol to the UNFCCC for the recognition, protection and resettlement of climate refugees, as suggested by Frank Biermann and Ingrid Boas, which includes a specific funding mechanism and an overall framework through which international action can be taken.<sup>54</sup>

At the institutional level, this protocol would be managed by an executive committee functioning under the authority of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). Rather than providing support through post-disaster assistance, the protocol allows for planned and organized voluntary resettlement programmes.<sup>55</sup> It is envisaged that these resettlements take place largely within the home countries of the affected communities, but would receive international assistance. At the organizational level, various international agencies, such as the UNHCR and the United Nations Development Programme (UNDP), would be involved in the management of resettlement programmes; that they would be accountable to the UNFCCC COP will help ensure a balanced and equitable governance structure.

The protocol also allows for financial support to be provided by the international community, through a climate refugee protection and resettlement fund.<sup>56</sup> This fund is based on the principle of 'common but differentiated responsibilities and respective capabilities', ensuring that developed countries bear most of the costs. As a specialized fund for activities, it would be easier to trace donations and verify that developed countries meet their commitments in this area.

In sum, there is an urgent need for research and policy action to focus on the governance of climate migration through adaptation measures. Some progress was made in the UNFCCC negotiating text at Cancún in 2010, when a paragraph on the relocation of climate change migrants was included.<sup>57</sup> At this nascent stage in the negotiations, it is pivotal that governance and corruption risks are acknowledged and included in policy designs. We simply cannot cope with climate migration effectively and humanely without fighting corruption.

## Notes

1. Ingrid Boas is a PhD student at the University of Kent and a guest researcher at the Department of Environmental Policy Analysis of the Institute for Environmental Studies of the VU University Amsterdam. Rebecca Dobson works for Transparency International.
2. Robert Smith and Mathew Walpole, 'Should Conservationists Pay More Attention to Corruption?', *Oryx*, vol. 39 (2005), pp. 251–256; and German Advisory Council on Global Change, *World in Transition: Climate Change as a Security Risk* (London: Earthscan, 2007), p. 43.
3. It is important to note that migration could be identified, 'not only as one of the problems, but also one of the solutions to the challenges presented by climate change': Boncour (2008) Philippe Boncour, Head of the International Dialogue on Migration, International Organisation for Migration, Side Event at the 14th Conference of the Parties to the UNFCCC, 8 December 2008.

4. See discussion in Frank Biermann and Ingrid Boas, 'Preparing for a Warmer World: Towards a Global Governance System to Protect Climate Refugees', *Global Environmental Politics*, vol. 10 (2010), pp. 60–88, pp. 67.
5. Rachel Warren et al. 'Understanding the regional impacts of climate change', Working Paper no. 90 (Norwich: Tyndall Centre for Climate Change Research, 2006), ch. 2. It is important to note that, under such circumstances, between 2074 and 2239 million people may experience an increased run-off. Nonetheless, 'this extra runoff would probably increase flood risks, and because it would occur during the wet season would not alleviate shortages during the dry season in the absence of storage' (Warren et al., 2006, p. 16).
6. Reuters (UK), 'For Maldives, climate deal is a survival issue', 28 November 2009.
7. Nicholas Stern, *The Economics of Climate Change (The Stern Review)* (Cambridge: Cambridge University Press, 2006), ch. 3.5, p. 56.
8. German Advisory Council on Global Change (2007).
9. See UNHCR, 'Climate change could become the biggest driver of displacement: UNHCR chief', 16 December 2009, at [www.unhcr.org/4b2910239.html](http://www.unhcr.org/4b2910239.html).
10. Norman Myers, 'Environmental Refugees: A Growing Phenomenon of the 21st Century', *Philosophical Transactions of the Royal Society: Biological Sciences*, vol. 357 (2002), pp. 609–613; see also discussion in Stern (2006, ch. 3.5).
11. See Richard Black, *Environmental Refugees: Myth or Reality?*, New Issues in Refugee Research Working Paper no. 34 (Geneva: UNHCR, 2001); Stephen Castles, *Environmental Change and Forced Migration: Making Sense of the Debate*, New Issues in Refugee Research Working Paper no. 70 (Geneva: UNHCR, 2002). Norman Myers and Jennifer Kent have provided a figure for environmental refugees, based on population scenarios, vulnerable areas, etc. Norman Myers and Jennifer Kent, *Environmental Exodus – An Emergent Crisis in the Global Arena* (Washington DC: Climate Institute, 1995). As argued by Stephen Castles, however, they have done so without providing 'figures on people who have actually been displaced by such problems. Rather, the linkage appears simply as "common sense" – if water levels rise, or forests disappear, it seems obvious that people will have to move' (Castles, 2002, p. 3). Nevertheless, the study does provide a basis from which one may depart. In this regard, *The Stern Review* states that Myers and Kent's prediction of 150–200 million environmental refugees 'has not been rigorously tested, but it remains in line with the evidence presented throughout this chapter that climate change will lead to hundreds of millions more people without sufficient water or food to survive or threatened by dangerous floods and increased disease' (Stern, 2006, p.77).
12. Black (2001), p.13.
13. German Advisory Council on Global Change (2007), p. 163. See also Biermann and Boas (2010), p. 69.
14. Many countries in these areas score below 3.6 on a scale of 1 to 10 on TI's Corruption Perceptions Index 2009 (10 meaning that the country is perceived as 'highly clean'): see [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009).
15. Jennifer Smith, *The Rough Guide to Climate Change and Conflict* (London: CAFOD, 2008).
16. See discussion in Biermann and Boas (2010); see also Frank Biermann and Ingrid Boas, 'Global Adaptation Governance: Setting the Stage', in Frank Biermann et al. (eds), *Global Climate Governance beyond 2012: Architecture, Agency and Adaptation* (Cambridge, Cambridge University Press, 2010), pp. 223–234.

17. Michelle Leighton, 'Climate Change and Migration: Key Issues for Legal Protection of Migrants and Displaced Persons' (Washington, DC: German Marshall Fund of the United States, 2010); Koko Warner, 'Global Environmental Change and Migration: Governance Challenges', *Global Environmental Change*, vol. 20 (2010), pp. 402–413.
18. Leighton (2010).
19. Smith (2008).
20. Leighton (2010), p.2.
21. Ibid. See Roslyn Hees, section 5.5 in this volume.
22. UN Development Programme (UNDP), *Human Development Report 2009: Overcoming Barriers: Human Mobility and Development* (New York: Palgrave Macmillan, 2009), p. 40.
23. Ibid.
24. Ibid.
25. See [www.idpguidingprinciples.org](http://www.idpguidingprinciples.org).
26. UNDP (2009), p. 63.
27. Ibid.
28. Ibid.
29. Ibid. The report estimates around 500,000 people in each of the countries.
30. William Lacy Swing, director general IOM, speaking at a side event, 'Climate Adaptation Continuum, Migration and Displacement: Copenhagen and Beyond', COP 15, 16 December 2009.
31. Susan Martin, *Climate Change, Migration and Adaptation* (Washington, DC: German Marshall Fund of the United States, 2010).
32. Ibid.
33. Andrew Teyie, 'IDPs top 2009 list of shame', AllAfrica.com (Mauritius), 5 January 2010.
34. Ibid.
35. Phillip Ngunjiri, 'Want a piece of IDP land? That will be US\$866 only', AllAfrica.com (Mauritius), 28 December 2009.
36. Warner (2010), p. 406.
37. Leighton (2010).
38. Biermann and Boas (2010: 'Preparing for a Warmer World'), p. 73.
39. Leighton (2010).
40. The impact of bribery is the proportion of those who report having interacted with a particular organization and being provided with the service after paying a bribe that was demanded of them within the previous 12 months. See TI, 'East African Bribery Index 2009', TI Kenya.
41. UNDP (2009), p. 40.
42. Ibid., p.61.
43. Ibid.
44. UN, *Protocol against the Smuggling of Migrants by Land, Sea and Air, Supplementing the United Nations Convention against Transnational Organized Crime* (New York: UN, 2000).
45. UN, *Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, Supplementing the United Nations Convention against Transnational Organized Crime* (New York: UN, 2000).
46. IOM, *In Pursuit of the Southern Dream: Victims of Necessity: Assessment of the Irregular Movement of Men from East Africa and the Horn to South Africa* (Geneva: IOM, 2009).

47. See Sheldon Zhang and Samuel Pineda, 'Corruption as a Causal Factor in Human Trafficking', in Dina Siegel and Hans Nelen (eds), *Organized Crime: Culture, Markets and Policies* (Berlin: Springer, 2008), pp. 41–55.
48. Ibid.
49. Anti-Slavery International, TI and UNODC, *The Role of Corruption in Trafficking in Persons* (London: Anti-Slavery International, 2009).
50. Alice Poncelet, 'Bangladesh Case-Study Report: 'The Land of Mad Rivers'', in *Environmental Change and Forced Migration (EACH-FOR)* (Brussels: European Commission, 2009), pp. 19–20.
51. Ibid.
52. Biermann and Boas (2010: 'Preparing for a Warmer World').
53. Ibid.
54. Ibid.
55. Ibid.
56. Ibid.
57. UNFCCC (2010) 'Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action under the Convention', 16th Conference of the Parties, Cancún, Mexico, 29 November to 10 December, paragraph 14(f).

## 5.4.1

# The plunder of Kenya's forests

## Resettling the settlers and holding the loggers accountable

*Sheila Masinde and Lisa Karanja<sup>1</sup>*

Never before had forestry issues hit the headlines as hard as they did in 2009. The destruction of the 400,000 hectare (ha) Mau Forest Complex in the heart of Kenya's Rift Valley brought the issues of deforestation, environmental degradation and conservation to the public consciousness. The Kenya Forestry Working Group has estimated that Kenya stands to lose more than Kenya shilling (Sh) 24 billion (approximately US\$300 million) each year from the tourism, tea and energy sectors if the devastation continues at the current rate.<sup>2</sup> In 1963 Kenya had forest cover of some 10 per cent; by 2006 this figure had fallen to a meagre 1.7 per cent.<sup>3</sup>

The devastation of forests, such as the Mau Forest, by slash and burn techniques results in previously dense, green and lush forest becoming choked with

parched land and tree stumps. These forests form the basis of water catchments throughout Kenya; their destruction increases pressure on a population grappling with hunger and water and power shortages. The destruction of the forests also has implications for climate change, in terms of both mitigation and adaptation. Forests are important for protecting ecological diversity, regulating climate patterns and acting as carbon sinks: Nobel laureate Wangari Matthai has suggested that 20 per cent of greenhouse gas (GHG) emissions are due to deforestation and forest degradation.<sup>4</sup>

The rate of deforestation in Kenya has spiralled in the last three decades, with the incidence of excisions of forest land, logging including charcoal burning, the harvesting of forest products,

cultivation and forest fires all increasing.<sup>5</sup> A report published by the Kenya Forest Service in 2007 suggested that this is the result of forest guards from the Ministry of Forestry being under-resourced, and therefore unable to manage the forests effectively, or due to 'abuse of office, dereliction of duty and/or corruption'.<sup>6</sup> Weak governance has made it difficult to address deforestation in terms of the irregular issuance of logging licences, bribery to forgo arrests or prosecution following forestry offences, and the illegal parcelling out of land by officials to repay or gain political favours.<sup>7</sup>

The nub of the forestry problem in Kenya, precipitated by the allocation of land, is the tension between the necessity to conserve the forests and, at the same time, the need to ensure that settlers on the land are treated fairly and equitably. Among the human factors driving the destruction of the forests are poverty, unsustainable livelihoods, a lack of land and population pressure on the areas surrounding the forest reserves. Successive governments have carved out the forests in an attempt to accommodate communities living near wooded areas, but this has been accompanied by the illegitimate allocation of land.<sup>8</sup>

The government set up a Commission of Inquiry into the Illegal/Irregular Allocation of Land in Kenya, and in 2004 it produced a report.<sup>9</sup> The chair of the commission, Paul Nding'u, suggested that the grabbing of the Mau Forest had begun as a genuine effort to

settle landless members of the Ogiek community, but that in the process of allocating land for these settlements 'corruption crept in'.<sup>10</sup> For instance, instead of carving out the agreed 2000ha to allocate to the Ogiek community, public officials took around 10,000ha and allocated the extra land to 'themselves and other influential individuals in government'.<sup>11</sup>

It is clear that the mass depletion of forests in Kenya could herald an environmental catastrophe for a country dealing with the effects of climate change. What is not so clear is how to conserve the forest, prevent illegal logging, resettle the people and ensure that this process is not also marred by corruption. The resettlement of vulnerable communities, who consider their land to be their own, is of particular concern given that, between 2004 and 2006, it is estimated that more than 100,000 people were forcibly evicted from their homes in forested areas in Kenya.<sup>12</sup> The lack of trust was further heightened in August 2009 when the Kenya Forestry Service issued a 14-day eviction notice on people living in the Mau Forest,<sup>13</sup> which was subsequently overturned by the prime minister, Raila Odinga, after only a few days.<sup>14</sup>

Debate on the resettlement of the Mau Forest inhabitants has been affected by political and tribal undertones, but Rift Valley leaders have stuck to their guns, demanding that their constituents should not be evicted without adequate

reparations.<sup>15</sup> The question for the government now is how to determine who have valid claims that need to be compensated. Furthermore, once the evictions and resettlements have taken place, there will be a need to ensure that forestry laws are enforced to stop the situation returning to its current state.<sup>16</sup>

In September 2009, in a move to protect the forest, the government launched an appeal to save the Mau Forest Complex.<sup>17</sup> The Interim Coordinating Secretariat, set up to implement the recommendations of the Mau Forest Task Force, identified a 10-point intervention plan, which includes the creation of institutional

frameworks.<sup>18</sup> The plan deals with both the relocation and settlement of communities, including helping them 'to adjust to their new homes', and calls for the 'restoration and replanting of degraded sites'.<sup>19</sup>

It will take years to restore the depleted forests of Kenya to their past glory. If Kenyans are to be protected from the onset of climate change, while avoiding even harsher water shortages than they have already experienced, and at the same time play their part in mitigating climate change's progression, however, the rehabilitation of Kenya's forests is the key; and it will turn only if it is unimpeded by corruption.

## Notes

1. Sheila Masinde and Lisa Karanja work for Transparency International Kenya.
2. UN Environment Programme (UNEP), 'Forest fires destroy Kenya's key water catchments', press release, 25 March 2009.
3. UNESCO, 'Fighting desertification in Kenya, one tree at a time', *Courier*, 3, 2006.
4. See [www.greenbeltmovement.org/a.php?id=431](http://www.greenbeltmovement.org/a.php?id=431).
5. Winston Mathu, *Forest Law Enforcement and Governance in Kenya* (Nairobi: Kenya Forest Service, 2007), p. 6.
6. *Ibid.*
7. *Ibid.*, p. 17.
8. James Makori, 'Mau Compensation: The Corruption and Land Politics in Kenya', *Adili* no. 116 (2010), pp. 1–4.
9. Republic of Kenya, *Report of the Commission of Inquiry into the Illegal/ Irregular Allocation of Public Land* (Nairobi: Government Printer, 2004).
10. *Sunday Nation* (Kenya), 'How grabbing of forest land started', on African News Online, 31 July 2009.
11. *Ibid.*
12. Amnesty International, *Nowhere to Go: Forced Evictions in Mau Forest* (London: Amnesty International, 2007), citing Centre on Housing Rights and Evictions (COHRE) and Hakijamii, 'Forest Evictions: A Way Forward', *Kenya Housing Rights Update*, August 2006. The total number of evictions is disputed, and no accurate numbers are available.
13. *Sunday Nation* (Kenya), 'Rift Valley MPs' fury on new Mau deadline', 25 August 2009.
14. *Sunday Nation* (Kenya), 'Kenya PM tells Mau settlers to ignore quit notice', 26 August 2009.
15. *Daily Nation* (Kenya), 'Raila softens stance on Rift Valley "rebels"', 16 August 2009.

16. Other than the Forest Act (2005), Kenya has over 77 statutes pertaining to forestry. They include the Draft Land Use policy, Environmental Management and Conservation Act (1999), the Wildlife (Conservation and Management) Act 1976 and the Agriculture/National Food Policy (Sessional Paper no. 2, 1994).
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18. Ibid.
19. Ibid.

## 5.4.2

# Climate change adaptation and water integrity

A global challenge to address local realities

*Grit Martinez and Teun Bastemeijer<sup>1</sup>*

‘Climate adaptation *is* water adaptation’: so says the consortium of the Co-operative Programme on Water and Climate (CPWC), the World Water Council (WWC) and the International Union for the Conservation of Nature (IUCN).<sup>2</sup> Climate change can be observed very clearly in the form of increases in water stress and scarcity cutting across sectors and regions. Vulnerability to these impacts is not evenly distributed; often those affected most by climate change have the lowest capacity to cope.<sup>3</sup> As such, a focus on water as a component of any adaptation measure is essential, particularly in developing countries, where low levels of resilience to the effects of climate change mean higher risks for people and the economy.

Climate change interacts with other political, social, economic and environmental phenomena, and these multiple stresses, such as population growth and the unsustainable use of land and natural resources, combine to increase water scarcity and damage by extreme weather events. For example, it is estimated that, by 2020, 75–250 million people in Africa will be exposed to increased water stress as a result of climate change.<sup>4</sup>

There is a perception that adaptation measures under-represent water in ‘national plans or in international investment portfolios’.<sup>5</sup> A significant focus on water can be identified in the national adaptation programmes of action (NAPAs) developed by least developed countries under the UN

Framework Convention on Climate Change (UNFCCC), however. In an analysis of the sectors covered by NAPAs, 13 per cent are related to water resources and 9 per cent cover coastal zones and marine ecosystems.<sup>6</sup> There remains concern, however, that NAPAs have not taken ‘a holistic approach to adaptation responses in the water sector and its development’.<sup>7</sup>

Although climate change contributes to increased water stress, scarcity in the sector is largely due to weak governance and the absence of regulatory frameworks

and law enforcement. Corruption is estimated to increase the cost of achieving the UN Millennium Development Goal on water and sanitation by US\$48 billion.<sup>8</sup> In this context, an important element of any adaptation effort should be the promotion of water integrity at all levels. The case study below, which looks at the integration of water and adaptation activities, will serve as an important litmus test for addressing corruption risks in implementing strategies at the national level.

### **A country-specific approach: adaptation and water challenges in Bangladesh**

Bangladesh is on the climate change front line, with a reduction in its vulnerabilities related to water being its highest priority.<sup>9</sup> The UN Development Programme (UNDP) has ranked Bangladesh as the country in the world most at risk in relation to tropical cyclones and the sixth most at risk in the world in relation to floods.<sup>10</sup> Its high level of vulnerability has been recognized by the UNFCCC<sup>11</sup> and is high on the agenda of the Bangladesh government.<sup>12</sup>

In 2005 the Bangladesh government completed its NAPA. Of the 15 projects recommended as urgent in the final report, nine of them were directly related to water.<sup>13</sup> The Bangladesh Climate Change Strategy and Action Plan,<sup>14</sup> prepared following extensive consultation, recognizes water as an

essential component of the hazards the country is likely to face as a consequence of climate change.<sup>15</sup> It was estimated that some US\$500 million will be necessary in the first two years for strengthening disaster management, research and knowledge management, capacity-building and public awareness, and urgent investment in cyclone shelters and selected drainage programmes.<sup>16</sup>

In June 2010 the government of Bangladesh and development partners reached an agreement to establish a national climate change resilience fund. The development partners will provide an initial contribution of US\$100 million.<sup>17</sup> This fund is to be managed and implemented by the government with the involvement of development partners and civil society.<sup>18</sup> The involvement of the

World Bank, in terms of providing 'technical support for implementation', aims to 'help ensure that due diligence requirements are met'.<sup>19</sup>

It seems that Bangladesh is taking climate change and its relationship to water seriously and that there are safeguards in place to ensure good governance of the funds. It is unlikely that this will be enough, however, as corruption is deeply rooted in society and affects the water sector particularly. With facilitating support from the Water Integrity Network (WIN), a core group of organizations recently launched the Bangladesh Water Integrity Initiative (BAWIN).<sup>20</sup> One of its areas of focus is to explore ways to curb corruption in the

areas affected by Cyclone Aila in 2009. BAWIN conducted an investigation into the reasons for delays and specified measures that are needed to ensure transparency and accountability. The study identified the following as areas of particular vulnerability:

- planning, tendering and contracting processes;
- the monitoring and repair of dykes and embankments; and
- the provision of freshwater and the flow of resources to affected people.

These findings will be particularly relevant in the context of the government's plans for water adaptation projects and programmes in the future.

## Notes

1. Grit Martinez and Teun Bastemeijer work for the Water Integrity Network (WIN).
2. WWC, *Don't Stick Your Head in the Sand! Towards a Framework for Climate-Proofing* (Marseilles: WWC, 2009).
3. Ibid.
4. UN Educational, Scientific and Cultural Organization (UNESCO), *World Water Development Report 3: Water in a Changing World* (Paris: UNESCO, 2009).
5. UN-Water, 'Climate Change Adaptation: The Pivotal Role of Water' (New York: UN, 2010), p. 1.
6. UN, *Least Developed Countries under the UNFCCC* (New York: UN, 2009).
7. Gunilla Björklund et al., *Water Adaptation in National Adaptation Programmes for Action: Freshwater in Climate Adaptation Planning and Climate Adaptation in Freshwater Planning* (Paris: UNESCO, 2009), p. 8.
8. TI, *Global Corruption Report 2008: Corruption in the Water Sector* (Cambridge: Cambridge University Press, 2008), p. 12.
9. A ranking of key climate change impacts and vulnerabilities for Bangladesh conducted by the Organisation for Economic Co-operation and Development (OECD) identified water and coastal resources as being of the highest priority for adaptation. See Shardul Agrawala and Maëlis Carraro, *Assessing the Role of Microfinance in Fostering Adaptation to Climate Change*, Environmental Working Paper no. 15 (Paris: OECD, 2010).
10. Ministry of Environment and Forests (MoEF), *Bangladesh Climate Change Strategy and Action Plan 2008* (Dhaka: MoEF, 2008), p. 4, at [www.moef.gov.bd/moef.pdf](http://www.moef.gov.bd/moef.pdf).

11. Report of the Conference of the Parties on its 15th session (COP 15), held in Copenhagen 7–19 December 2009. See <http://unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf>.
12. MoEF, *National Adaptation Programme of Action (NAPA) Final Report* (Dhaka: MoEF, 2005); see <http://unfccc.int/resource/docs/napa/ban01.pdf>.
13. *Ibid.*
14. MoEF (2008).
15. *Ibid.*, p. 13.
16. *Ibid.*, p. 29. The total cost of programmes for the first five years could be in the order of US\$5 billion.
17. See <http://beta.worldbank.org/content/bangladesh-economics-adaptation-climate-change-study>.
18. Ministry of Foreign Affairs of Denmark, 'Building resilience to address climate change', 23 September 2010, at [www.ambdhaka.um.dk/en/menu/TheEmbassy/News/BuildingResilienceToAddressClimateChange.htm](http://www.ambdhaka.um.dk/en/menu/TheEmbassy/News/BuildingResilienceToAddressClimateChange.htm).
19. *Daily Star* (Bangladesh), 'Bangladesh gets US\$110m climate fund', 2 June 2010.
20. Kathy Shordt, 'BAWIN concept note' (Berlin: WIN, July 2010).

## 5.5

# When disaster strikes

## Corruption and rapid response in climate-related relief and recovery

*Roslyn Hees*<sup>1</sup>

*Efforts to help developing countries adapt to climate change are doomed to failure unless good governance and ethics are integral elements of financial assistance.*

(Wangari Maathai, Nobel Peace Prize laureate)<sup>2</sup>

### **Climate change and natural disasters: nature and scale of the problem**

The humanitarian community is well aware of the recent and projected growth in climate-related disasters or extreme weather events and the implications that this will have for the resources needed for emergency responses. Climate change would increase emergency response requirements through both a higher frequency and/or intensity of sudden-impact disasters and expanded coverage of slow-impact disasters. Increased emergency aid will be required because of the loss of agricultural production and food supplies, economic infrastructure, freshwater sources and shelter, and to deal with the immediate and medium-term health problems that result from disasters. The resulting increased demand for emergency aid is likely to offer greater opportunities for the corrupt diversion of aid resources.

The UN's Office for the Coordination of Humanitarian Affairs (OCHA) estimates that the number of recorded disasters has increased from 200 to 400 per year over the past two decades, and that 90 per cent of them are climate-related.<sup>3</sup> An average of about 240 million people are affected by climate-related disasters every year, a number that has about tripled since 1980 and is projected to grow by over 50 per cent to an average of 375 million by 2015.<sup>4</sup> The World Health Organization

(WHO) has calculated that 315,000 deaths per year were due to climate change between 2004 and 2008, substantially greater than the death toll attributable to the 2004 Asian tsunami.<sup>5</sup>

### **Are disaster response programmes particularly vulnerable to corruption?**

Humanitarian aid is generally delivered in challenging environments, and climate change emergency responses will be no different. According to several studies commissioned by Transparency International,<sup>6</sup> the incidence of corruption in disaster response appears to be related to the external environment as well as the effectiveness of internal humanitarian agency controls. As could be expected, corruption risks are higher in countries with endemic pre-crisis corruption, fragile public institutions with low absorptive capacity and weak rule of law, and low levels of independent civil society or media scrutiny and, as a consequence, government accountability to its citizens.

The World Bank has identified some of the most likely climate-related disaster hot spots, and in most cases these countries score poorly regarding both perceptions of government effectiveness and the level of perceived corruption (see Table 5.2). This makes it likely that aid responses will be vulnerable to corruption risks.

The sudden injection of massive resources into a resource-poor environment following a disaster presents particular temptation and opportunities for corrupt behaviour in the form of, for example, ‘survival corruption’ among disaster victims desperate for emergency aid. Aid is also sometimes captured by ‘gatekeepers’ – local authorities, community leaders or militias controlling communication with target beneficiaries – who use aid to enhance their own political, social, economic or personal agendas. This ‘aid capture’ may also serve to prolong conflict or perpetuate dependence, creating a vicious humanitarian cycle.<sup>7</sup> Gatekeepers and aid workers have been known to extort sexual favours in return for food, shelter or admittance to official refugee camps, as reported in several African countries.<sup>8</sup> Corruption also undermines the trust that disaster victims have in aid organizations, whether governmental or non-governmental, which is essential for effective recovery.

Aid resources can be corruptly diverted in a wide variety of ways. Contracts, invoices, employee payroll records and beneficiary numbers or aid packages can be falsified or inflated, and the extra resources pocketed or sold for profit. Bribes, kickbacks or threats can distort the choice of suppliers of goods and services, resulting in higher contract costs or the supply of substandard goods. In all such cases, less aid reaches the beneficiaries.

Climate-related event	Country/hot spot (high risk)*	Government effectiveness score**	Corruption Perceptions Index score***
Drought	Malawi	30.3	3.3
	Ethiopia	39.8	2.7
	Zimbabwe	2.4	2.2
Floods	Bangladesh	22.7	2.4
	China	63.5	3.6
	India	53.6	3.4
Storms	Philippines	55.0	2.4
	Bangladesh	22.7	2.4
	Madagascar	33.2	3.0
Sea-level rise	Maldives	44.1	2.5
	Vietnam	45.5	2.7
	Egypt	43.1	2.8
Reduced agricultural production	Sudan	5.2	1.5
	Senegal	51.2	3.0
	Mali	21.8	2.8

Notes:

\* Examples taken from World Bank Environment Department, *Convenient Solutions to an Inconvenient Truth* (Washington, DC: World Bank, 2009), p.19.

\*\* Daniel Kaufman et al., *Governance Matters VIII: Aggregate and Individual Governance Indicators 1996–2008*, Policy Research Working Paper no. 4978 (Washington, DC: World Bank, 2009).

\*\*\*TI, Corruption Perceptions Index 2009; see [www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009).

**Table 5.2** Climate change hot spots and vulnerability to corruption

‘Non-financial corruption’, which does not show up in agency accounts and is thus not detected by audits, can also have a damaging effect on the humanitarian mission, however. Practices such as nepotism/cronyism, the diversion of aid to non-target groups and the expropriation of aid resources for political, social or military purposes may not be considered forms of corruption but ‘business-as-usual’ in some countries. They constitute abuses of power nonetheless and divert resources from the intended beneficiaries.

The massive humanitarian response to the Asian tsunami saw numerous allegations of corruption, such as contractors accused of building housing that did not meet the

quality specifications for which they were paid in Aceh, or the claim that reconstructed houses in Sri Lanka were allocated to government officials' friends and family rather than to other victims who had greater need.<sup>9</sup> It has been reported recently – although challenged by the aid agency – that in Somalia close to 50 per cent of the main food aid programme did not reach targeted beneficiaries, but was divided among local implementing partners, transporters and armed militias.<sup>10</sup> The near-total breakdown of political, economic and social institutions in Somalia means that this particular case cannot be considered representative of all aid programmes, but it does illustrate an extreme example of the corrupt diversion of emergency aid.

### Existing disaster risk reduction plans

The humanitarian community has formulated various action plans to promote climate-related disaster preparedness and adaptation, such as the Hyogo Framework for Action 2005–2015.<sup>11</sup> These focus mainly on technical risk reduction measures, however, such as improved infrastructure, land-use planning and better disaster prediction and early warning systems. Governance is addressed as regards improving disaster management and response coordination, or strengthening affected communities' ability to anticipate and respond to disaster, but the impact of corruption has, to a large extent, not been considered.

To date, insufficient thought seems to have been given to the expected costs of implementing these action plans, or to the expanded financial resources that will be required to address the human needs created by increased climate-related crises. One such rare analysis estimates that annual international spending on humanitarian aid could grow over the next 20 years (in nominal terms) by anything from 32 per cent (if only estimated increases in disaster frequency are included), to 134 per cent (if disaster frequency and intensity are included) to up to 1600 per cent (if past disaster trends are projected linearly).<sup>12</sup>

The increased resources required, combined with pressure from donors, the media and the general public on public and non-governmental aid organizations to scale up operations and disburse aid rapidly, could stress already overstretched systems and staff, and weaken vigilance and controls. The limitations posed by low absorptive capacity in many at-risk countries (as measured, for example, by government effectiveness in table 5.2) mean that, when aid is scaled up, existing systems may not be able to absorb large increases in resources without leading to more waste, leakage or corruption.<sup>13</sup> In view of this massive potential growth in humanitarian resource flows, it is surprising that so little analysis has been done of the associated corruption risks.

## What can be done?

Extensive field research undertaken in partnership with several leading international humanitarian non-governmental organizations culminated in the publication of TI's *Preventing Corruption in Humanitarian Operations: Handbook of Good Practices* in January 2010.<sup>14</sup> The handbook outlines several areas in which improved policies and systems can help prevent and mitigate corruption in disaster responses.

Corruption seems to remain a taboo topic within the humanitarian and climate change community. Discussion of the impact of corruption on climate-related disasters needs to be brought into the open and reflected in the research and advocacy documentation in these fields.

It is important to understand that perceptions of what constitutes corruption vary within and between cultures, and are often limited to financial mismanagement and fraud. 'Non-financial corruption' (described above) is less often understood as a corrupt practice, and in some cultures may not be considered corrupt at all. Ensuring that affected communities as well as humanitarian aid providers share clear understandings about what constitutes corrupt behaviour and its damaging effects is an important part of preventing it.

Integrating the analysis of corruption risks and the external political and institutional environment into *emergency preparedness*, an essential element in disaster risk reduction, is vital to anticipating and preventing corruption. It is particularly important that both the absorptive capacity of institutions in the affected area and the formal and informal political, economic and social power structures are well understood when formulating disaster response programmes, so that these programmes do not exacerbate corruption risks. On the basis of such analysis, context-specific measures to reduce corruption can be built into the response. As many of the areas that are likely to suffer from climate-related disasters can already be identified, this analysis can be undertaken well in advance of such disasters.

*On-site monitoring* deters and detects corruption, particularly with regard to non-financial corrupt practices, and needs to be given greater importance in humanitarian responses. Monitoring how corruption can affect aid outcomes should be built into the disaster response at the planning phase. If crisis-prone local communities take the lead in preparing for and responding to climate-related disasters, as many experts recommend, they can also monitor the humanitarian aid responses, including the incidence of corruption. Greater *transparency* in the information on response programmes made available to local governments, recipient communities and civil society organizations will also be essential for effective monitoring and genuine accountability.

## Notes

1. Roslyn Hees is senior advisor for the TI Secretariat.
2. Reuters AlertNet (UK), 11 December 2009.
3. EM-DAT: the International Disaster Database, Centre for Research on the Epidemiology of Disasters (CRED), Université Catholique de Louvain, Brussels.
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