

CORRUPTION RISKS IN GLOBAL AND NATIONAL CLIMATE FINANCE

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Manila, 25 – 27 May 2015

CLIMATE FINANCE: LEGAL FRAMEWORK



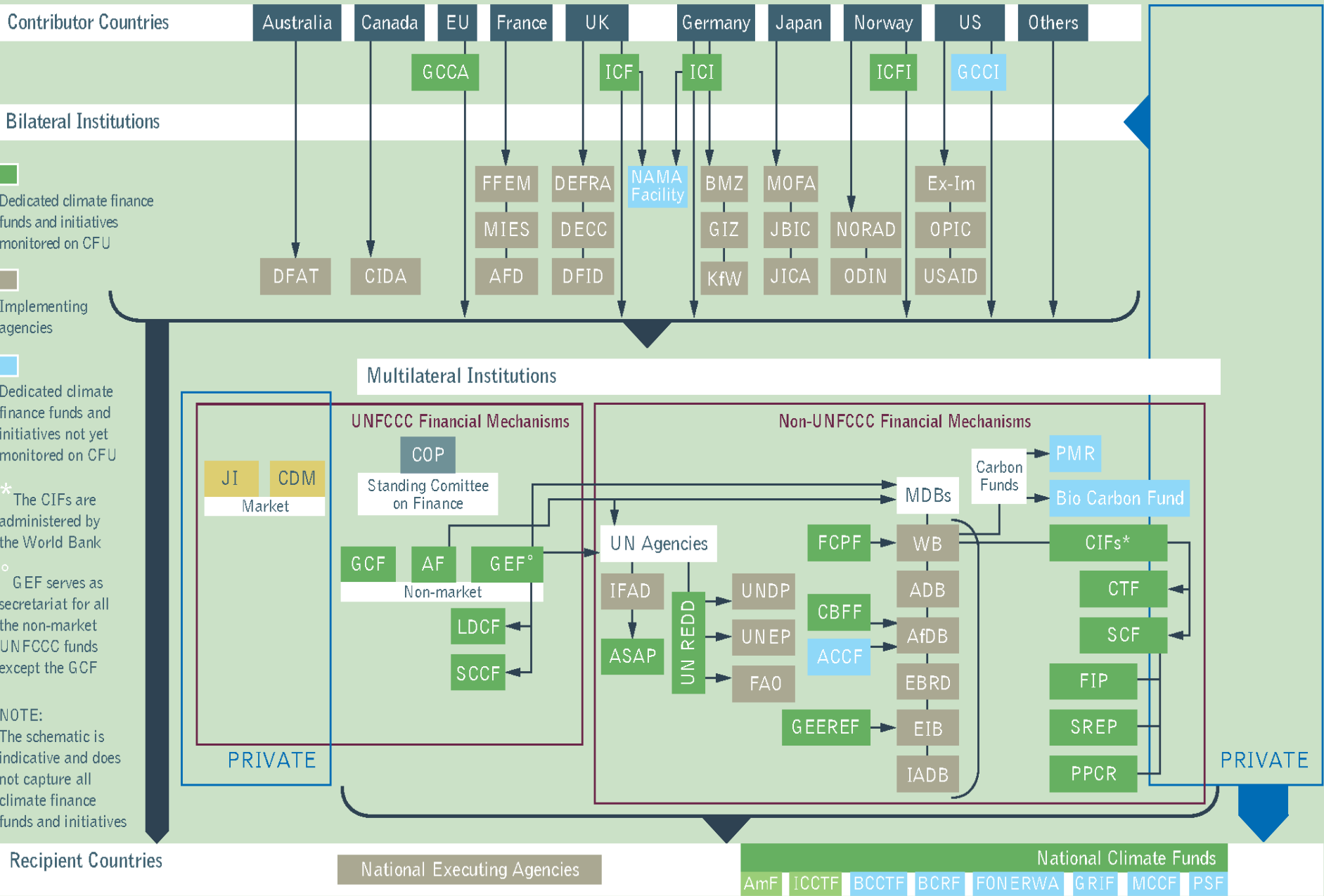
- UNFCCC lays down the basic principles of climate finance such as transparency, accountability, integrity, participation, adequacy, gender etc.
- Art 3 contains 5 guiding principles:
 - Equity & common but differentiated responsibility based on respective capabilities (CBDR+RC), based mechanism
 - Consideration of specific needs of Developing Countries
 - Principles such as cost-effectiveness & ensuring global benefits from adopted measures
 - Recognition of the Right to promote Development & SD
 - Cooperation to promote an open int'l econ system - this means the climate regime is to be built on neoliberal market philosophy

LEGAL FRAMEWORK (CONT'D)



- Based on these guiding principles, fin commitments of Annex II Parties can be put under 2 categories:
 - Under Art 4 (3) providing for ‘new and additional’ finance taking into account the need for adequacy & predictability, to meet the agreed full or incremental costs’ (both for mitigation & adaptation) & appropriate burden sharing among the Annex II Parties
 - Art 4.4 stipulates for fin assistance to ‘meet the costs of adaptation ..particularly for PVCs; regarded by some as the ‘most costly’ provision in the regime
- Article 12 (8) of the Kyoto Protocol stipulates for a levy on the CDM projects to go into an Adaptation Fund
- Bali Action Plan stipulates for “innovative means of funding ... in meeting the cost of adaptation.”(para 1.e.iii)

GLOBAL CLIMATE FUND MECHANISM



CLIMATE CHANGE FUNDS: SAFE FROM CORRUPTION?

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TI conducted governance risk assessments of the major multilateral climate funds, to identify governance strengths and weaknesses, and risks of corruption. The funds assessed:

- The Climate Investment Funds
- Forest Carbon Partnership Facility
- UN-REDD
- The Adaptation Fund
- The Global Environment Facility

OVERVIEW: CLIMATE INVESTMENT FUND



- Established in 2008, the Climate Investment Funds (CIF) aim to support middle income and developing countries to mitigate climate change and to reduce their GHG emissions
- CIF is composed of four key programs—
 - a) Clean Technology Fund,
 - b) Forest Investment Program
 - c) Pilot Program for Climate Resilience and the Scaling Up
 - d) Renewable Energy in Low Income Countries Program
- Funds have allocated US\$7.6 billion to assist
- CIF's two Trust Funds, the Clean Technology Fund (CTF) and the Strategic Climate Fund (SCF), include a [Trust Fund Committee](#), a [Partnership Forum](#), an [MDB Committee](#), an [Administrative Unit](#) and a [Trustee](#).
- The Administrative Unit, MDB Committee and Trustee are shared by both Trust Funds
- Each Fund has its own Trust Fund Committee, and each Trust Fund Committee and Sub-Committee is composed of equal representation by contributor countries and recipient countries.

ASSESSMENT INDICATORS: CLIMATE INVESTMENT FUNDS



TRANSPARENCY

- **Indicator (1) : Policy Level Transparency** - Are there policy provisions in place for public access to information regarding the Funds' administration and operations including activities, outputs and decisions?
- **Indicator (2): Practice Level Transparency** - In practice, can members of the public obtain relevant and timely information on the Funds' policies, procedures, activities, outputs and decisions throughout the project cycle?

ACCOUNTABILITY

- **Indicator (1): Financial Reporting and Audits** -Do the Funds have effective financial reporting guidelines in place? Are the activities of the relevant organizational decision-making body subject to audits?
- **Indicator (2): Accountability (Answerability) Mechanisms**- Are the Funds' decisions governed by clear and effective accountability mechanisms?

ASSESSMENT INDICATORS: CLIMATE INVESTMENT FUNDS (CONTINUED---



Accountability

- **Indicator (4): Complaints and Investigation Mechanisms** - Are there independent and effective mechanisms in place to register and investigate complaints about corruption or fraud?
- **Indicator (5): Sanctions**- Are there effective policies and procedures in place to penalise corruption and fraud?
- **Indicator (6): Civil Society Consultation** - Is the Fund required to consult with civil society throughout the project cycle?

INTEGRITY

- **Indicator (1): Anti-Corruption Rules** - Are appointed members and technical staff subject to effective conflict of interest policies and codes of conduct warding against corrupt or fraudulent behaviour?
- **Indicator (2): Integrity Screenings**
- Are appointed members and technical staff subject to integrity screenings or background checks prior to employment

DATA COLLECTIONS: CLIMATE INVESTMENT FUNDS



- The study involved preliminary desk research and subsequent interviews with the Funds' Administrative Unit (Secretariat)
- This research was informed primarily by publicly available material on the Climate Investment Funds' website and, to some extent, the websites of the partner Multilateral Development Banks
- This was complemented by follow-up interviews with the Funds' Administrative Unit; and Inputs received through a peer review process
- As a quality control measure, Transparency International then reviewed all content for accuracy and credibility
- Input from the Funds was validated, and corrections were made as necessary and appropriate.

SUMMARY OF CLIMATE INVESTMENT FUNDS' ASSESSMENT PERFORMANCE



TRANSPARENCY	PERFORMANCE
<p>Indicator (1) : Policy Level Transparency Are there policy provisions in place for public access to information regarding the Funds' administration and operations including activities, outputs and decisions?</p>	<p>ABOVE AVERAGE</p>
<p>Indicator (2): Practice Level Transparency In practice, can members of the public obtain relevant and timely information on the Funds' policies, procedures, activities, outputs and decisions throughout the project cycle?</p>	<p>STRONG</p>
ACCOUNTABILITY	PERFORMANCE
<p>Indicator (1): Financial Reporting and Audits Do the Funds have effective financial reporting guidelines in place? Are the activities of the relevant organisational decision-making body subject to audits?</p>	<p>STRONG</p>
<p>Indicator (2): Accountability (Answerability) Mechanisms Are the Funds' decisions governed by clear and effective accountability mechanisms?</p>	<p>BELOW AVERAGE</p>

KEY FINDINGS: CIF



Transparent Reporting

- The Funds perform relatively well in terms of publishing relevant Fund reports and has recently made further advances;
- However, some gaps remain - some reports such as audit and evaluation reports are not readily found. Further, no data on disbursements to specific private sector actors are made available.

Executive Decision-Making Transparency

- The Trust Fund Committee and Sub-Committee meetings are generally open, although some room for improvement remains
- Executive sessions can be closed and there is currently no public streaming of Trust Fund Committee and Sub-Committee sessions.

Access to Information Policy

- From the outset, the Funds have had an information disclosure policy in place. **However**, existing Fund policy does not allow for requests for information to be made, nor does it set out timelines within which information must be provided
- As such, Funds' website and foundation documents are now giving conflicting messages about what Fund documentation can be accessed and how.

KEY FINDINGS: CIF



Anti-Corruption Rules – Disclosure

- Information regarding the anti-corruption rules and safeguards of the Multilateral Development Banks are disclosed at the Fund level.
- Anti-corruption rules and requirements of borrowers, clients or Implementing Agencies are not, however, disclosed at the Fund level. This information is essential to ensure accountability for the prevention and deterrence of corruption and fraud.

Accountability

- In terms of accountability at the Fund level, clear and comprehensive processes defined by World Bank policies are in place to ensure the investigation and sanctioning of the Funds' Administrative Unit and Trustee
- However, the Funds' executive-level accountability needs further rules and procedures regarding the behaviour of the Trust Fund Committee, the Sub-Committee and the individual Members of these Committees - means more sufficient assurances that investigative, review and sanctioning processes are in place.

SUMMARY OF CLIMATE INVESTMENT FUNDS' ASSESSMENT PERFORMANCE



Indicator (3): Whistleblower Protection

Throughout the Funds' project cycle are there provisions for effective, independent and enforceable whistleblower protection for any Fund-related executive members, employees, contractors, subcontractors and consultants who would expose any wrongdoing in any Fund-related action?

AVERAGE

Indicator (4): Complaints and Investigation Mechanisms

Are there independent and effective mechanisms in place to register and investigate complaints about corruption or fraud?

ABOVE AVERAGE

Indicator (5): Sanctions

Are there effective policies and procedures in place to penalise corruption and fraud?

BELOW AVERAGE

Indicator (6): Civil Society Consultation

Is the Fund required to consult with civil society throughout the project cycle?

ABOVE AVERAGE

Indicator (7): Observer Participation

Do independent civil society actors participate meaningfully in the proceedings of the Funds?

STRONG

KEY FINDINGS: CIF



Accountability

- Project-level accountability is delegated to the Funds' Implementing Entities – a role which is fulfilled by the MDBs. The effectiveness of this arrangement is important, yet it can only be partially assessed insofar as it applies to officials of the MDBs themselves
- Most of the policies applicable to them are readily available on the Funds' website, although information on their application and effectiveness is wanting
- The effectiveness of this arrangement is harder to assess for actors further downstream, however, due to the inconsistent availability of information regarding what specific anti-corruption rules apply
- Similarly, requirements for and the extent to which complaints mechanisms and whistleblower protection are provided by these actors needs much greater clarification and understanding
- Downstream accountability (Implementation at national level) and , therefore, needs to be much better demonstrated in clear and consistent ways.

KEY FINDINGS: CIF



Accountability

- However, no information is provided at the Fund level that identifies to whom they are accountable nationally and by what rules; principles and guidelines pertaining to ethical/non-corrupt behaviour appear to be non-existent for Fund Observers/local stakeholders.

Integrity

- MDBs, as per Funds' documents, it is largely silent in terms of the fiduciary standards or integrity requirements for the MDB
- Sanctions for condoning or sanctioning corrupt behaviour, such as disaccreditation or project cancellation, are also absent. **In this way, the Funds are missing a clear commitment to anti-corruption.**
- A Fund-wide zero-tolerance of corruption policy is starkly missing. There is also no such policy specifically for the Trust Fund Committee or Sub-Committee

SUMMARY OF CLIMATE INVESTMENT FUNDS' ASSESSMENT PERFORMANCE



INTEGRITY	
<p>Indicator (1): Anti-Corruption Rules Are appointed members and technical staff subject to effective conflict of interest policies and codes of conduct warding against corrupt or fraudulent behaviour?</p>	AVERAGE
<p>Indicator (2): Integrity Screenings Are appointed members and technical staff subject to integrity screenings or background checks prior to employment?</p>	ABOVE AVERAGE
<p>Indicator (3): Integrity Training Are appointed members and technical staff trained on issues of integrity?</p>	AVERAGE

OVERVIEW: UN-REDD PROGRAMME



- Established in 2008, the UN-REDD Programme aims to assist capacity building in developing countries to reduce emissions and develop related market mechanisms.
- The Programme's economic and social strategies are aimed at transforming domestic forest industries, with an emphasis on reducing emissions from deforestation and forest degradation as well as contributing to human well-being
- As an institution, the Programme is a collaborative management arrangement between the following Participating UN Organisations: the UNEP, UNDP and FAO
- As of December 2013, the Programme has disbursed US\$84 million towards the implementation of its objectives.

SUMMARY OF UN-REDD PROGRAMME ASSESSMENT PERFORMANCE



TRANSPARENCY	PERFORMANCE
<p>Indicator (1) : Policy Level Transparency Are there policy provisions in place for public access to information regarding the Fund's administration and operations including activities, outputs and decisions?</p>	AVERAGE
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SUMMARY OF UN-REDD PROGRAMME ASSESSMENT PERFORMANCE

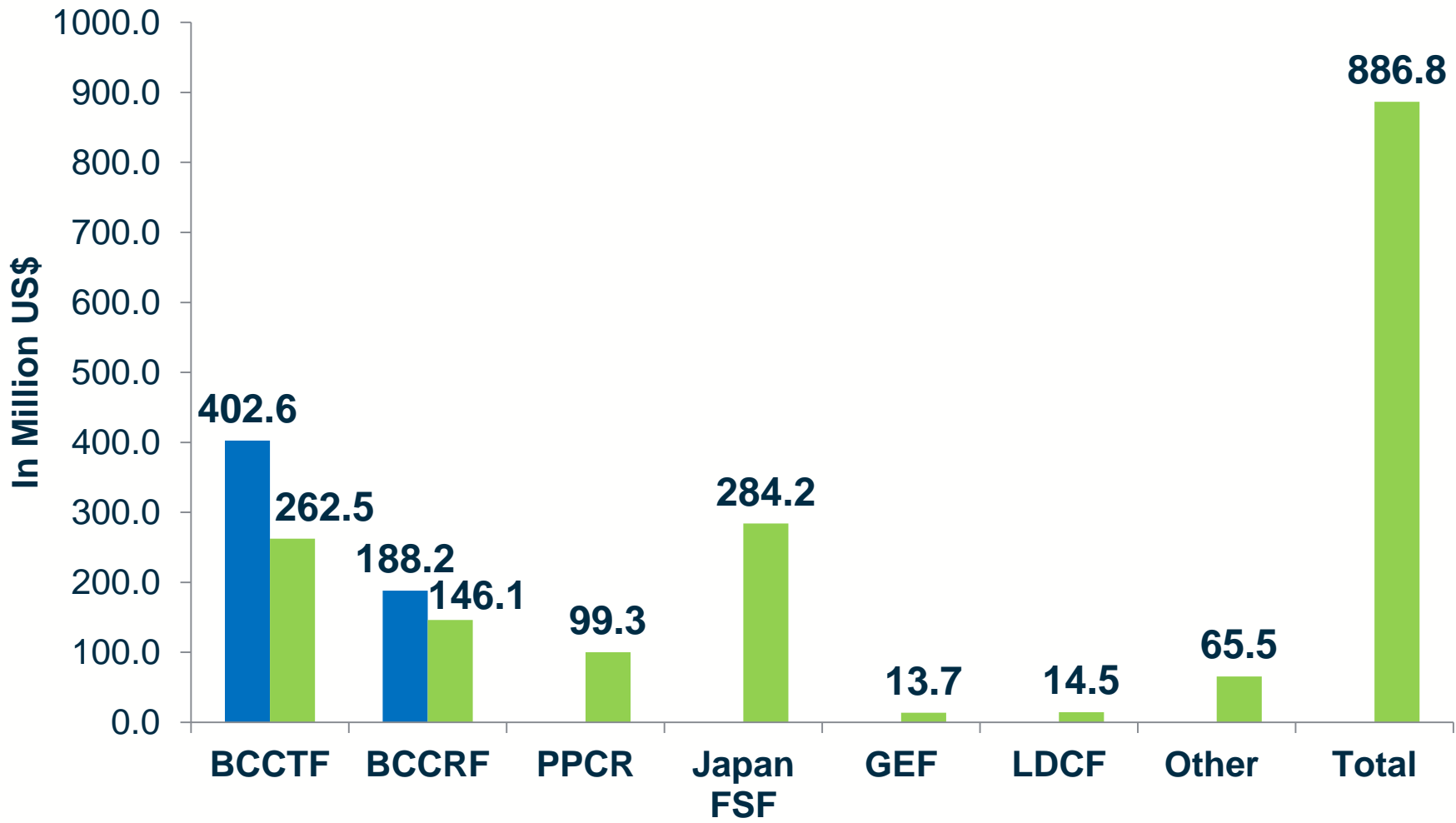


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CLIMATE FINANCE : BANGLADESH CONTEXT



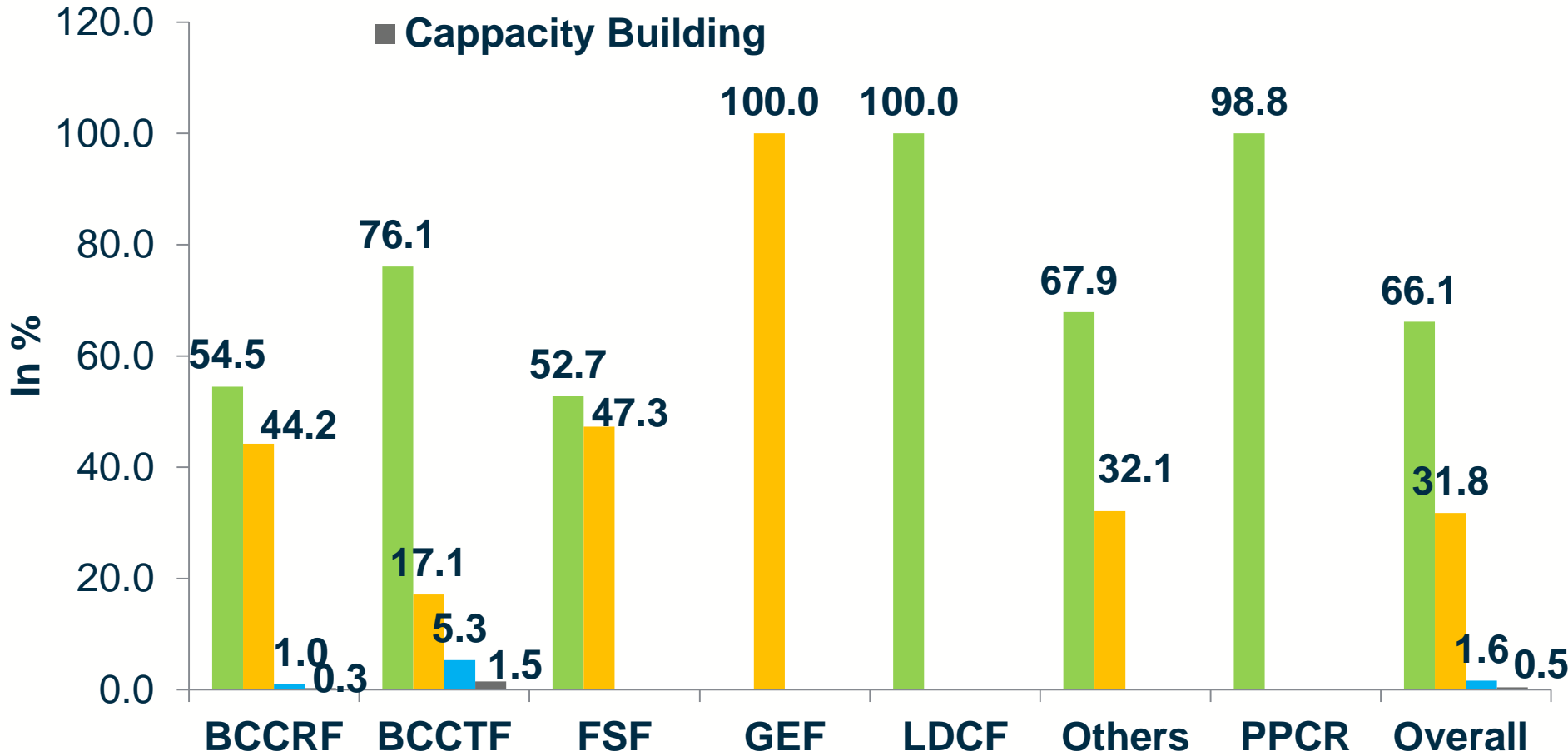
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CLIMATE FINANCE ALLOCATIONS: BANGLADESH CONTEXT



- Adaptation
- Mitigation and Low Carbon Development
- Research
- Capacity Building



Challenge:
Climate Funds -
Who will get what?



**TRANSPARENCY
INTERNATIONAL
BANGLADESH**

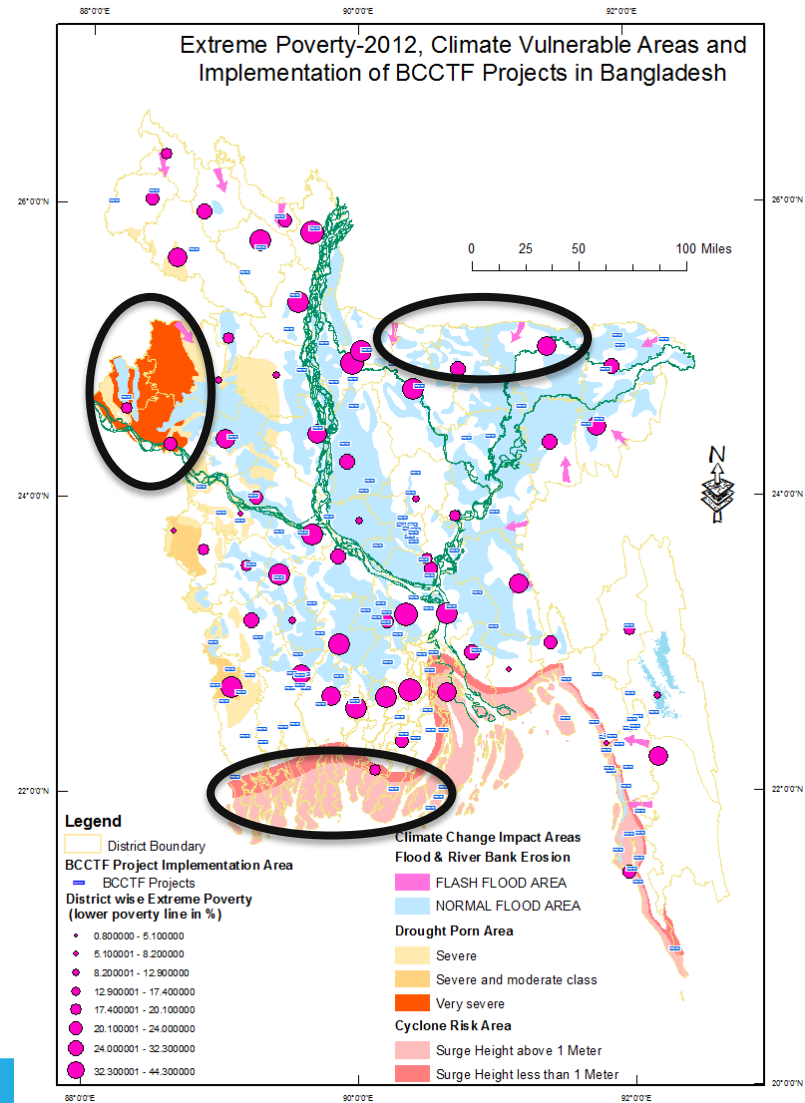
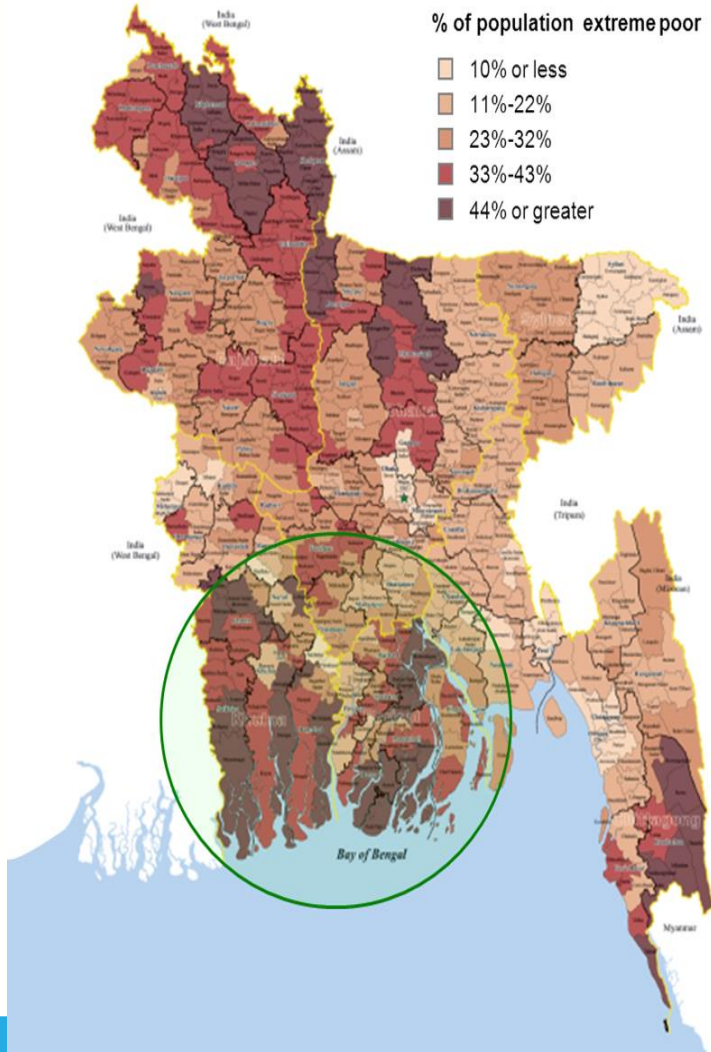
Social movement against corruption



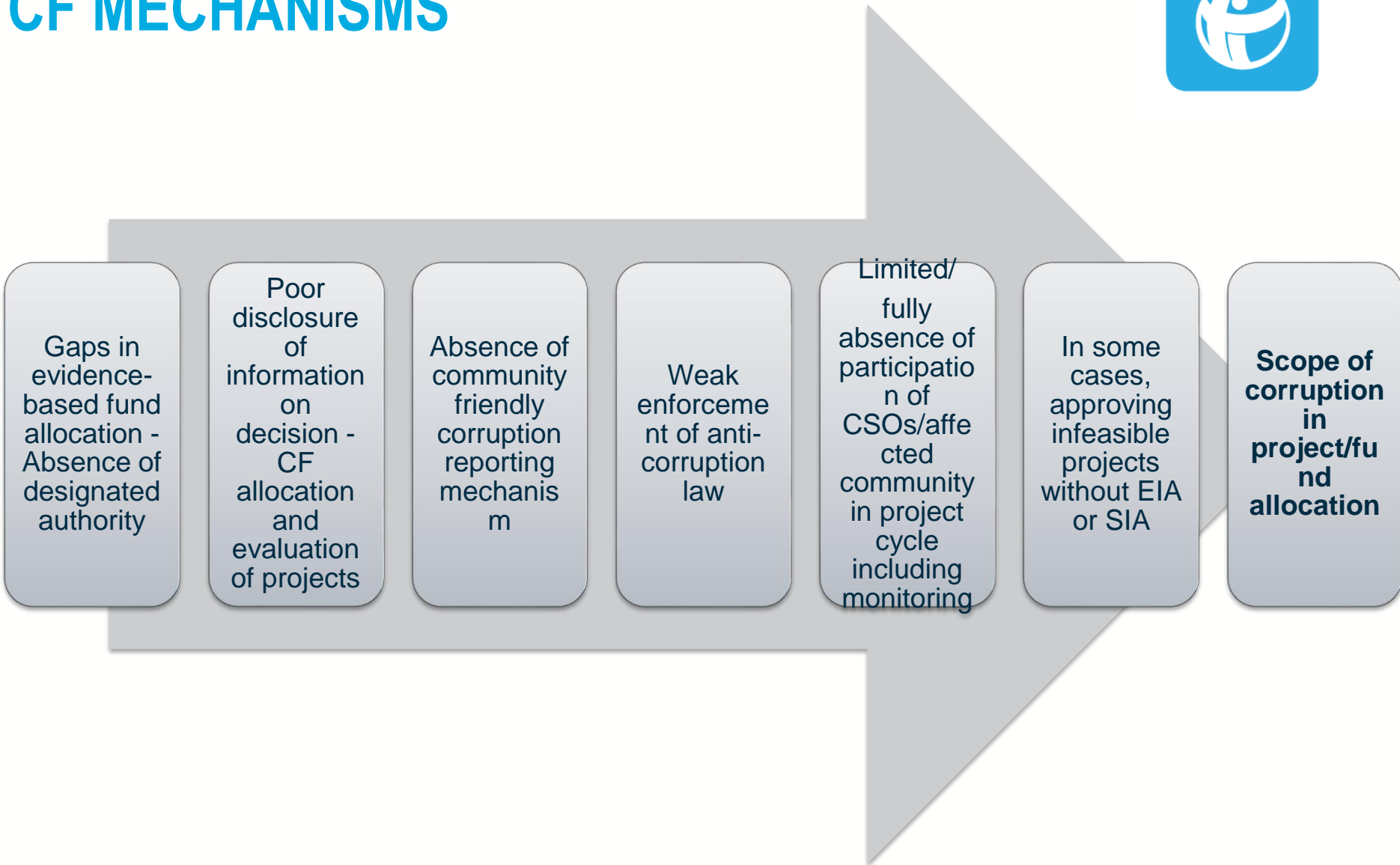
OVERALL CORRUPTION RISKS:



Missing Link: Less CF allocation for the most vulnerable to SLR as well as cyclone and drought prone areas >> Individual/Vested Interests



OVERALL CORRUPTION RISKS: NATIONAL CF MECHANISMS



TIB Generate Evidences on Climate Fund Transparency and Accountability



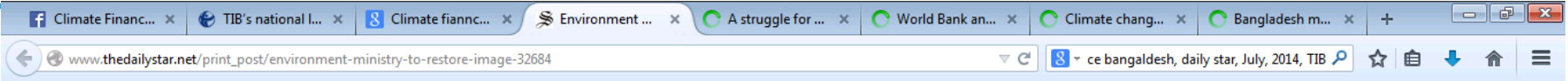
- ❑ **Inaccurate information regarding source of funds** – *in place of BCCRF (e.g. 'new' and 'additional' funds)* showing finance as 'credit' from the World Bank; even field level officials know about actual sources of funds

A follow up investigative study by [The Guardian](#) based on TIB study on 2013 it identified that “*Bangladesh has already indebted for every \$1 that Bangladesh received in climate finance over the period 2010-12, it paid back over \$3 to service long-term bilateral debt to World Bank*”



16th September 2012

MINISTER ACKNOWLEDGED TIB'S EVIDENCE ON CORRUPTION RISKS E.G. ABSENCE OF MONITORING OF BCCTF PROJECTS



Environment ministry to restore image

Minister tells of corruption by officials

Staff Correspondent

The environment and forest ministry is trying to regain its image lost because of allegations of ministry officials' involvement in illegal logging, clearing forest and gobbling up project money, said Anwar Hossain Manju who holds the portfolio.

The minister, who took office six months ago, also admitted that the allegations about the mismanagement of climate fund have grounds.

"Not all the allegations of misusing climate fund are wrong. We have found a project in which money was allocated but we do not know the current status of the project," the minister said at a seminar yesterday organised by Transparency International Bangladesh (TIB) at Brac Centre Inn in the capital yesterday.

Mentioning that the case was being investigated, Manju said his ministry has taken initiatives to audit all climate projects to ensure transparency in expenses so that the donor agencies do not have any confusion regarding climate finance governance.

He said this in response to a working paper presented by Zakir Hossain, chief of Climate Finance Governance Project of TIB.

Zakir recommended that the government form a high powered climate financing commission comprising public servants, climate experts, representatives of affected communities, civil society members and media personnel.

The transparency watchdog also asked the government to bolster diplomatic efforts to get the grants and aid committed by donors.

Bangladesh has two climate funds -- Bangladesh Climate Change Trust Fund (BCCTF) financed by itself and Bangladesh Climate Change Resilience Fund (BCCRF) run on foreign aid, according



Make best use of climate funds

UK minister Alistair Burt urges Bangladesh

STAFF CORRESPONDENT

Visiting British Foreign Office Minister for South Asia Alistair Burt yesterday urged Bangladesh to make the best use of available funds to fight climate change.

"We are very conscious about tracking the money wherever it goes. We have greater transparency. It's good for society," he said during an interaction with teachers and students of Brac University in the capital.

The private university organised a dialogue on UK-Bangladesh relations and challenges.

The British minister said climate change was one of the biggest threats to the wellbeing of people, and Bangladesh's geographical location made it particularly vulnerable to flooding on one hand and water shortage on the other.

The UK is a close partner of Bangladesh in international forums in funding and helping the country on climate change, he added.

At present, the UK is supporting the construction of 56 multi-purpose cyclone shelters in Bangladesh and helping over 15 million Bangladeshis get better prepared for floods.

Burt said his country had been working tirelessly to cut carbon emissions worldwide and pressing for a legally binding agreement in 2015. "We want to help all the countries to do their bit to make growth green."

Asked if the climate-induced migrants should be provided with compensation by high carbon emitters through relocating them to those countries, the minister said the situation should not lead to mass migration of climate refugees.

It is not only governments, but also individuals and communities which have important roles to play in tackling climate change, which is an idea central to the notion of a "big society," he observed.

Referring to a survey by the British Council in Bangladesh, he said youths believed they should be involved in social work, but only 30 percent of them actually got involved in it.

So, the challenge was not to get young people engaged in social issues, but to empower them to get involved in them, pointed out Burt.

It is vital the citizens had confidence in the democratic processes; confidence that they can vote freely, their votes would be counted fairly, and could make a difference, he maintained.

"Providing citizens with the means of expressing their views and shaping their futures is at the heart of democracy," he said, adding that governments must pay heed to the warnings sounded by civil society.

When a teacher asked Burt about his country's stance on the activities of Hizb ut-Tahrir in the UK when Bangladesh had banned it, he said the UK believed in freedom of ideas and thoughts, and that it could not prosecute anyone unless there was evidence of violence or terrorist activities.

Brac University Vice-Chancellor Dr Ainun Nishat and British High Commissioner to Bangladesh Robert Gibson spoke at the programme.

The UK minister arrived in Dhaka on Monday on a three-day visit.

Following concern from TIB CF provider UK also raised concern

POLICY BRIEF

Climate Change Governance

Transparency and Accountability in Climate Finance Governance for the Most Vulnerable in Bangladesh: A Focus on Local Level Governance

April, 2014

Issue: CCG 14-003

Climate change has been quandary to national and international development, progress, poverty alleviation schemes, security and survival at the national and international contexts. According to the Global Climate Risk Index 2013, Bangladesh tops the list of countries most at risk as a result of climate change over the next 20 years.

Policy Pointers

- Need Integrated National Platform for integrated planning and effective utilization of allocated climate funds especially from the BCCTF and BCCRF
- Highest pro-disclosures - a key to effective climate finance at local level
- Need to involve affected community and the CSOs in the decision making process and monitoring of implementations

Impacts of climate change on Bangladesh is illustrated below.

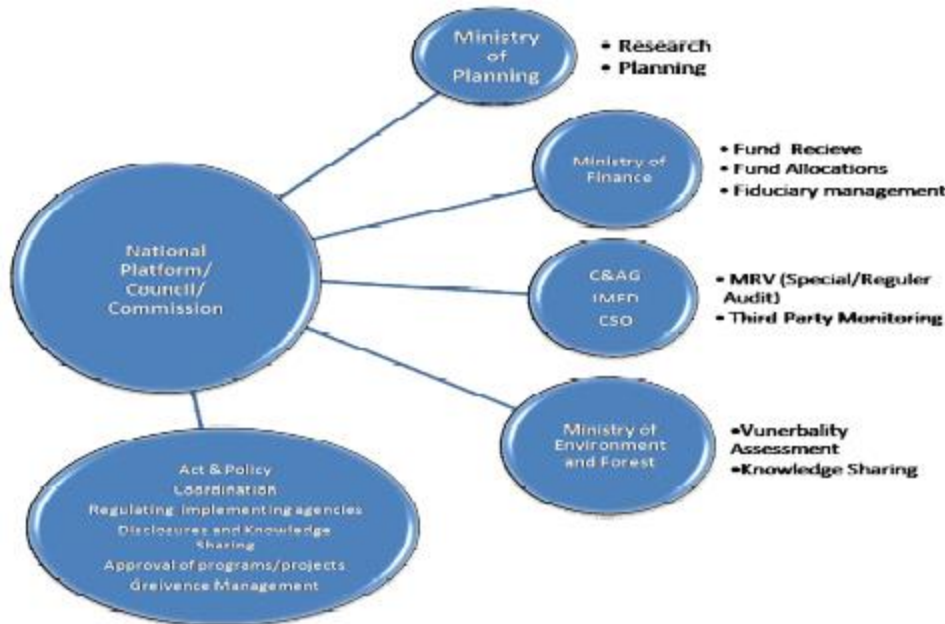
Impacts	Level of Impacts	Additional Mortality/Year		Additional Economic Cost (Million USD/Yearly)		Additional Person Affected (Yearly)	
		2010	2030	2010	2030	2010	2030
Sea Level Rise	High	-	-	1250	20,000	40,000	45,000
Agriculture	Severe	-	-	650	5,500	-	-
Floods, Landslide	Acute	75	100	300	3000	600,000	900,000
Storms	Acute	1750	2500	350	1250	400,000	600,000
Droughts	Severe	-	-	15	75	-	-
Labor Productivity	Acute	-	-	3,500	30,000	-	-
Hunger	Acute	9750	15,000	10,000	15,000	-	-

The Bangladesh Climate Change Strategy and Action Plan (BCCSAP), developed by the Ministry of Environment and Forest (MoEF) with the support from different national and international stakeholders is the guiding document for selecting any project under both the BCCTF and BCCRF. For funding in projects and programs, six thematic areas of the BCCSAP were identified; 1) Food security, social protection and health; 2) Comprehensive disaster management; 3) Infrastructure; 4) Research and knowledge management; 5) Mitigation and low carbon

development; 6) Capacity building and institutional strengthening. Bangladesh's centralizing climate funds and the integration of the BCCSAP in the various national and international funds' planning have role in coordination and coherence of climate finance at the national level.

SIGNIFICANCE TO ADDRESS LOCAL LEVEL CLIMATE FINANCE GOVERNANCE

Climate change always impacts grassroots level vulnerabilities with the fre-



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This is the output of the joint collaboration between Transparency International Bangladesh (TIB) and International Center on Climate Change and Development (ICCCAD). This policy brief has been prepared based on several studies conducted by Transparency International Bangladesh (<http://www.ti-bangladesh.org/beta3/index.php/en/communications/reports/climate-finance-governance-reports>) Germanwatch, 2013

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The publication of this policy brief was funded by the British High Commission in Dhaka, Bangladesh; however the views expressed here do not necessarily reflect the views of the British High Commission.



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