

Report on Workshop

**Corruption Risks and Anti-Corruption Strategies in Climate Financing
– Good Governance towards Integrity, Transparency and
Accountability in Achieving Objectives in Climate Mitigation and
Adaptation**

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Corruption Risks and Anti-Corruption Strategies in Climate Financing – Good Governance Towards Integrity, Transparency, and Accountability in Achieving Objectives in Climate Mitigation and Adaptation

Facilitators Kendra Dupuy
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Host U4 Agency GIZ

Venue Asian Development Bank Headquarters

No. Participants 47

Length 2.5 days

Summary

This two-and-a-half day workshop involved staff from U4 partner agencies present in Manila (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), British Embassy); representatives of the Asian Development Bank (ADB) (from Resident Missions and headquarters); representatives from government agencies (Department of Environment and Natural Resources; Department of Energy; Department of Public Works and Highways; Department of Agriculture; Department of Interior and Local Government; Department of Transportation and Communications; Office of the Ombudsman); representatives from civil society organizations (Transparency International-Philippines chapter; WISE); and other relevant stakeholders (Anti-Corruption Commission of Bhutan; USAID; University of the Philippines Ateneo School of Governance; Institute for Climate and Sustainable Cities).

The objectives of the workshop agreed with the host U4 partner agency (GIZ) and ADB were to:

- Develop a common and general understanding of climate finance flows.
- Develop a common understanding of corruption risks, causes, and consequences in climate finance flows and uses, with reference to natural resource management.
- Examine existing and potential anti-corruption strategies to mitigate corruption risks in climate finance and in natural resource management.
- Formulate concrete recommendations for how to mitigate corruption risks in climate finance flows to, and within, the Philippines.

The following is a summary of the main issues covered in sequential order according to the workshop proceedings. (See Annex 1 for the full agenda.) The workshop's main conclusions are provided at the end of this report as well as in the group exercises (found in Annex 3), as is a summary of participants' feedback (Annex 2). A list of key resources on climate finance transparency and accountability is in Annex 4, and a list of the participants can be found in Annex 5.

Welcome

The workshop was opened by Claudia Buentjen, Principal Public Management Specialist and OIC, Technical Advisor (Governance), ADB, and Bernd-Markus Liss, GIZ Philippines Principal Advisor Climate Program, Focal Point Anticorruption. They welcomed participants and outlined the background and rationale for the workshop and the effective partnership between U4, ADB and GIZ to organize the training.

Session 1 - Introduction

Aled Williams, Senior Advisor, U4/CMI gave an introductory presentation to U4, and solicited the participants' expectations about the workshop.

Kendra Dupuy, Advisor, U4/CMI gave an introductory presentation on corruption. The presentation started with a group exercise called "Is it corruption?", wherein participants were given nine questions and asked to determine whether the behaviour described in the questions was corruption, and why or why not. See Annex 3 for a copy of this exercise.

Academic and practitioner definitions of corruption were provided, and the different types of corruption (grand and petty) as well as corrupt behaviours were defined and discussed. Theories about the causes of

corruption, such as poverty and the role of social norms, were presented. A framework for understanding why corruption occurs was presented. First, Klitgaard's formula for how corruption occurs was presented; this formula posits that corruption is likely to occur in situations in which there is a high level of monopoly power, a high level of discretion over some function, and a low level of accountability. Second, principal-agent theory was introduced as a further way to understand how and why corruption occurs. In this framework, a principal has delegated power to an agent. When the agent's interests and motivations diverge from those of the principal, and when there is an information asymmetry between the two parties due to the principal's inability to fully monitor the agent, corruption is likely to occur. The presentation concluded with an overview of the costs and consequences of corruption on political, social, and economic outcomes, and a brief overview of the trends regarding corruption in the Philippines' context.

Session 2 – Trends and Patterns in Climate Finance

Kendra Dupuy, Advisor, U4/CMI, gave a presentation on general climate finance terms and patterns. She first presented definitions of climate finance, which is understood as local, or transnational financing, drawn from public, private, and alternative sources of financing that is designed to lower emissions, fund adaptation, and to reduce the impact of climate change. Climate finance also entails the flow of money from developed to developing countries. There is no commonly accepted definition of climate finance, nor is there any commonly accepted system for tracking all climate finance flows.

Climate finance has been an integral part of climate change discussions from the mid-1990s. The 2009 Copenhagen Accord committed developed countries to

mobilizing \$100 billion per year by 2020 to address the needs of developing countries to mitigate and adapt to the effects of climate change. This commitment was reconfirmed at the 2010 Cancun conference of parties under the United Nations Framework Convention on Climate Change (UNFCCC).

Climate finance is important, as large investments are required to reduce emissions and to adapt to the effects of climate change. The poorest countries will be hardest hit by climate change as they have fewer resources, and climate change threatens to deepen poverty. Climate finance will help poor countries to manage the trade-offs between the economic growth needed for poverty alleviation and reducing greenhouse gas emissions.

The sources, channels, and types of climate finance were presented. These include public and private sources that are distributed in a variety of ways and through a variety of funding institutions and mechanism. The climate finance architecture is extremely complex, with many actors, institutions, and flows at international, national, and sub-national levels. The majority of climate finance (58%) comes from private sources, while the rest come from public sources. Public contributions come from national and multilateral development financial institutions and development cooperation agencies, national and multilateral climate funds, and government to government flows. Developed to developing country flows are primarily public money.

Some of the world's major greenhouse gas emitters are located in the Asian region, including the People's Republic of China, India, Indonesia, and Japan. East Asia and the Pacific is now estimated to be the largest global destination of climate finance flows (30% of the total), most of which funds mitigation activities. The Philippines is a major global recipient of climate finance.

The presentation concluded with a discussion of the link between climate finance and natural resource management. Natural resources are impacted by climate change, and resource use can aggravate climate vulnerability. Natural resources such as oceans and forests will play an important role in the response to climate change, and smart resource use can lead to good development outcomes. However, natural resource sectors are often characterized by high levels of corruption in many developing countries. Corruption in resource-related climate finance contributes to environmental destruction and the improper use of resources – which can enhance, rather than mitigate, climate change.

Michael Rattinger, Climate Change Specialist, Climate Change Coordination & Disaster Risk Management Unit, ADB, gave an overview of the many sources of, and funding instruments channelling, climate finance. The Philippines is among the top five recipients of climate finance in Asia and the Pacific region. He noted that there is an acute need to make sure that there is smart use of public money for climate finance, whether that money comes from international or domestic sources.

The ADB emphasises in its long-term strategic framework the importance of inclusive economic growth, regional integration, and environmentally sustainable growth. Environment and climate change is one of ADB's ten strategic priorities. ADB has five strategic priorities for its climate change work: to scale up clean energy; to encourage sustainable transport and urban development; to manage land use and forests for carbon sequestration; to promote climate-resilient development; and to strengthen policies, governance, and capacity.

ADB has a number of active mitigation initiatives that fall under the previously mentioned five strategic priorities. ADB also has a number of adaptation initiatives, such as mainstreaming climate resilience in core

development planning and climate proofing vulnerable projects.

ADB's Strategy 2020 commits it to continue clean energy investments, increase assistance for sustainable transport, scale up support for climate adaptation, strengthen integrated disaster risk management, promote natural resources management, strengthen policies and capacity, and to facilitate access to climate finance. ADB's revised project classification system records the level of climate risks, emission reduction and avoidance, and climate mitigation and adaptation finance. All ADB projects undergo climate risk screening in order to assess how the project addresses climate risks.

ADB's approaches to climate finance mobilization include deploying concessional resources such as internally- and externally-managed climate funds, maximizing market mechanisms such as carbon markets and credits, and catalysing private capital such as through public-private partnerships. ADB is also involved in administering monies from several multilateral climate funds. In 2014, ADB allocated a total of \$3.187 billion in climate finance, most of which (77%) is allocated towards mitigation activities.

There is a uniform approach across the multilateral development banks to adaptation finance tracking. This approach is purpose, context, and activity based; is a conservative approach in how activities are reported; and requires that project activities address drivers of vulnerability, build resistance, and incorporate climate risks and management of those risks into investments and plans. The common approach to mitigation tracking is also activity-based, and prioritizes activities that should lead to emissions reductions. A final principle is that financing for mitigation and adaptation should not be added together, so as to prevent double counting.

The presentation concluded with an overview of the Green Climate Fund. ADB is an accredited implementing entity for this

fund, and the first accredited multilateral development bank. Legal arrangements between the fund and ADB are to be negotiated.

Muhammad Zakir Hossain Khan, Head of Climate Governance Team, Transparency International Bangladesh, introduced the participants to the history, organizational structure, and work of Transparency International and to the work of the chapter in Bangladesh. An overview of Transparency International's work on Climate Change was then given. This work was started in 2011 with the publication of the Global Corruption Report on Climate Change. The goal of TI's Climate Finance Integrity Programme is to ensure that public money for climate change is used effectively and for its intended purposes. This programme is implemented in a number of countries in Asia, Latin America, and Africa. TI chapters in climate finance-recipient countries focus on combatting corruption risks that could hamper climate adaptation and mitigation efforts.

TI has published several reports that assess the performance of several climate funds in the categories of transparency, accountability, and integrity. Each of these categories are assessed using a set of indicators. In many of these funds, accountability mechanisms are not clear and there is a lack of grievance mechanisms. Local politics can prevent effective monitoring. A key issue is how to ensure that funds trickle down to the local level and how to get real local consultation regarding the use of funds.

Finally, a graphic was shown that depicted the highest recipients of climate finance and those countries' scores on the Corruption Perceptions Index. Many of the most vulnerable countries to climate change have low scores on the CPI, meaning that there are corruption risks to climate finance flows in these countries.

Session 4 – Status of Climate Finance in the Philippines

This session began with a group work session called “What Do You Know?”. Participants were asked to detail their individual knowledge about ongoing climate change-related projects, programs, activities, and funding flows. Participants were asked to describe the project goals; actors and institutions involved; source (and purpose) of funding; actor(s) responsible for receiving, distributing, and administering funds; activities on which the funding was spent; and monitoring and reporting on use of funding. This group work exercise can be found in Annex 3.

Participants identified the following projects and funding streams that are active in the Philippines and other countries in the region:

- National Greening Program, DENR and other government departments
- Support to Climate Change Commission in implementing the National Climate Change Action Plan, CCC and GIZ funded through Germany’s International Climate Initiative
- Forest Investment Program, DENR and World Bank and ADB
- Protected Area Management Enhancement (PAME), DENR and GIZ, funded through Germany’s International Climate Initiative
- IMO-NORAD project to assist East Asian countries to ratify and implement MARPOL conventions relating to protection of the marine environment, IMO and NORAD and Maritime Administration
- Low carbon maritime transportation capacity building, Global Environmental Facility and Maritime Industry Authority
- National REDD+ system Philippines Project, DENR and GIZ, funded through Germany’s International Climate Initiative
- Climate proofing and upgrading of roads, Australia DFAT and ADB
- Enhancement of food security in the Visayas, multiple funders and multiple partners including GIZ
- PHL-UK Flood Modelling Knowledge Exchange, UK Embassy and government agencies
- Government money from registration charge on motor vehicles, Department of Transportation
- Promotion of Green Economic Development, Department of Trade and Industry and GIZ funded through Germany’s bilateral official development cooperation
- Coastal Town Environmental Improvement Project, World Bank and government agencies (Bangladesh)
- EU Advance REDD in Palawan, EU and government and NGOs
- Program on enhancing local government unit capacity on disaster resilience and climate change adaptation, Department of Local Government
- Climate Investment Fund, Nepalese government
- National REDD+ System in the Philippines component on safeguards, DENR with Ateneo School of Governance and GIZ, funded through Germany’s International Climate Initiative
- Advocacy for REDD+ safeguards at the international level, Ford Foundation
- Climate change adaptation project, Global Environmental Facility (World Bank) and DENR

The groups noted that monitoring was an important issue across the various projects and funds, and that monitors must themselves be monitored.

Pebbles Sanchez, Senior Technical Staff, Climate Change Commission, Philippines, gave a presentation on the current status of climate finance in the Philippines. She first reviewed the existing legislative framework that addresses climate change, and the government’s roadmap to climate finance readiness. The policies and strategies that

have been put in place to promote mobilization of public and private climate finance were presented. Key processes and strategies have included the GIZ assessment of the Philippines' climate finance readiness, Climate Public Expenditure and Institutional Review, and the move to tag government expenditures for climate change adaptation and mitigation in national and local budgets.

Climate appropriations have been increasing relative to overall government budgets; these appropriations increased by about 2.5 times between 2008 and 2013. However, the level of funding based on projected needs is still low, around 0.3 percent of GDP. Budget tagging is done to assess the status of the country's national response to climate change but also to guide improvement of its effectiveness such as by avoiding duplication of funds at national and local levels. The process of tagging was outlined; this starts with mainstreaming climate change actions in planning and activity programming, then identifying and tagging climate change expenditure in agency budgets, publishing budget data, and then tracking budget execution. Over 5% of the national budget has been tagged for climate change expenditures, with 98% of expenditures directed towards adaptation and 59% focused on flooding and protecting road surfaces from water runoff.

The People's Survival Fund was discussed. This is a domestic "rewards fund" aimed at addressing urgent adaptation needs, and funding is to be directed to support programs and projects that are connected to climate change action plans of local government units and organizations. A Fund Board will manage the funds, which will be 1 billion pesos per year. The Board has several functions, including providing strategic guidance on the management and use of the fund, issuing final approval of projects to be funded, and ensuring that there is independent evaluation and auditing of the fund.

There are other climate finance sources in the Philippines in addition to the People's

Survival Fund. The Department of Environment and Natural Resources serves as the operational focal point for the Global Environmental Facility; \$7.47 million was allocated from this fund in the Philippines during the 6th cycle, focused on mitigation activities. The Adaptation Fund is also active, and the Department of Finance has applied as the National Implementing Entity for this Fund. The Climate Change Commission serves as the National Designated Authority for the Green Climate Fund. UNEP's Climate Technology Centre and Network provides technical assistance, which can range from \$50,000 to \$250,000.

Session 5 – What Do We Know About Corruption Risks in Climate Finance and in Natural Resource Management (NRM)?

Kendra Dupuy, Advisor, U4/CMI, began the session by noting why it is important to discuss corruption in climate finance. Corruption threatens the effective use of funds (whether climate finance achieves its goals and is spent for the intended purposes); efficiency in the use of funds (whether there is value for money, and the best use of funds); the mobilization of new funds; and accountability of government (since climate finance in developing countries consists primarily of public money). Corruption raises the costs of climate change and exacerbates its effects because it distorts the wise use of natural resources, fails to help the vulnerable, and leads to poor quality and inappropriate projects being implemented.

There are many opportunities for corruption in climate finance. There are large amounts of money flowing for climate finance and pressure to disburse the money quickly. There are a wide variety of funding sources and levels, and overlap among these. The climate finance architecture is

very complex, and there are many actors, institutions, and financial instruments. Many of the funding channels and instruments are new and untested, and have divergent governance standards (policies, rules, and procedures) that may not always be transparent and accountable. There is a lack of agreement on measurement and definitions of climate finance, which can lead to duplication. Finally, poor climate change-affected countries are also more likely to have weak accountability institutions and to be more corrupt.

Aled Williams, Senior Advisor, U4/CMI, gave a presentation about corruption risks in natural resource management. He began by discussing the relationship between natural resources and corruption. Two issues of corruption that are important for natural resource management are rent-seeking and patronage. Resources may cause corruption, as when endowments of appropriable resources trigger high levels of rent-seeking. Systems set up to manage resources may fall prey to corrupt practices and lead to sub-optimal outcomes.

In terms of what determines whether corruption will occur in a given natural resource sector, this can be approached from three perspectives. The rent-seeking perspective posits that where resource rents are high and institutional quality is low, there will be incentives for individuals to engage in rent-seeking behaviour. Countries with good institutions can overcome this risk. The patronage perspective posits that resource rents provide individuals with opportunities to pay off political supporters in order to stay in power. The key institutions to focus on are those that govern the distribution of public spending. Finally, the diversified economy perspective suggests that where public revenues are derived from a wider economic base, rent-seeking may be less likely.

Natural resource management is corrupted in several ways. The necessary preconditions for this are that there must be

personal benefit for those involved, and those involved must have both authority over decisions and the opportunity to act corruptly within their institutions. It is important to understand the roles of the various actors involved in corrupt behaviour in natural resource sectors. Corruption risks can occur prior to resource extraction and production, such as when actors seek to unduly influence due process. Corruption risks also emerge during resource extraction and production, such as when the terms of resource management are not respected, regulations are not enforced, monitoring is not carried out, or when monitoring systems are themselves corrupted.

The forms and impacts of mining sector corruption were discussed. Corruption in mining can occur during the issuing of licenses, in how license conditions are complied with, in the handling of mining revenues, in handling of compensation and obligations toward local communities, in contracts with contractors and suppliers, in post-extraction quality control, and in product and equipment theft. Key actors involved in corrupt behaviour in natural resource sectors include the host government agencies, politically exposed persons, other types of domestic actors like NGOs, foreign actors such as donors, and the private sector.

Corruption's link to deforestation was then reviewed. Deforestation has increased dramatically in the past decade. Transparency International has ranked the forestry sector as the 10th most corrupt sector globally. REDD+ has been set up to try to halt deforestation and forest degradation in tropical forested countries, and is currently primarily funded through large amounts of foreign aid.

However, REDD+ programs have suffered from corruption in several implementing countries, such as Indonesia and the Democratic Republic of the Congo – which recent U4 reports have shown. Key problems in these countries include weak

governance and institutions, data management, and human resources, especially at local and provincial levels. In the DR Congo, weak institutions and poor legal enforcement allow illegal and informal logging to occur. Logging permits have not been properly issued, authorized volumes not respected, and taxes not paid on forest resources. Corrupt behaviour that has so far emerged in REDD+ implementation include kickback payments on consultancy contracts and workshop per diems, the politicization of REDD+ government positions, and the non-transparent reporting, contracting, and use of REDD+ funds.

Muhammad Zakir Hossain Khan, Head of Climate Governance Team, Transparency International Bangladesh, gave a presentation on corruption risks in multilateral and national climate finance. He began by detailing the international legal framework that undergirds climate finance, which is primarily found in the UNFCCC. This framework emphasizes the need for climate finance to assist developing countries to address climate change's effects, and that climate finance should be transparent and accountable.

Transparency International recently published a number of governance risk assessments of several major multilateral climate funds. These assessments were carried out to identify governance strengths and weaknesses and risks of corruption. These reports assess the climate funds in three categories: transparency, accountability, and integrity. Each of these three categories is measured using a number of indicators.

The report on the Climate Investment Funds shows a mixed performance on the various indicators. This fund scores well on transparency and integrity measures, but has a mixed performance on the accountability measures. For instance, the Funds score "below average" on accountability and sanctions mechanisms, but "above average" on civil society

consultation. A number of gaps in transparent reporting, executive decision-making transparency, and access to information, anti-corruption rules, and general accountability and integrity were noted.

In contrast, the UN-REDD Programme's performance across the three categories was scored higher than the Climate Investment Funds. However, similar to the Climate Investment Funds, the UN-REDD Programme also scored "below average" on sanctions mechanisms.

The case of Bangladesh was then presented. First, the financial amounts that have been pledged and approved were shown, and these amounts disaggregated into types of activities (adaptation, mitigation, research, and capacity building). A key issue in Bangladesh is that lower amounts of climate finance are being allocated to the most vulnerable areas, such as cyclone and drought-prone areas, due to individual and vested interests.

There are several corruption risks in national climate finance mechanisms in Bangladesh, including: gaps in evidence-based allocation of funding and the absence of a designated authority; poor disclosure of information on decision-making regarding allocation of money and evaluation of projects; an absence of community-friendly corruption reporting mechanisms; weak enforcement of anti-corruption law; limited participation of civil society organizations and affected communities in the project cycle, including monitoring; and approval of infeasible projects, and no submission of an EIA or SIA.

Sessions 6 & 7 – Group Work

During Sessions 6 and 7, the participants were asked to engage in a group work exercise and to present their findings and

recommendations. This exercise asked participants to determine why and how specific corrupt behaviours had occurred in the Indonesian Reforestation Fund (IRF), and to provide recommendations for how to mitigate the corruption risks and behaviours they identified. This group work exercise can be found in Annex 3.

The specific corrupt behaviours that the participants were asked to examine were: loss of money to fraud by government and plantation companies; diversion of money to non-Fund related uses such as construction projects; use of money to finance politically favoured projects; and allocation of money to politically connected individuals. Participants were asked to identify the key actors involved in each corrupt behaviour, and the key vulnerabilities that allowed the behaviour to occur.

Participants gave the following recommendations for how to mitigate the corruption risks in the IRF:

To avoid fraud:

- Establish strong internal control mechanisms
- Establish participatory mechanisms
- Establish a competitive way of grant funds
- Establish clear procurement procedures and processes
- Carry out third-party monitoring and evaluation

To avoid the diversion of funds to non-fund related purposes:

- Enforce the rule of law and impose penalties for this behavior
- Establish transparent mechanisms throughout the funding allocation process
- Establish ways to provide information about the Fund, such as websites, newsletters, public announcements, media
- Ensure civil society participation
- Ensure protection for whistleblowers

- Ensure community consultation
- Involve other government agencies in decision-making
- Establish specific criteria for activities that can be funded
- Establish strong internal control mechanisms
- Establish external oversight
- Carry out monitoring and evaluation

To avoid money being used for politically favoured projects:

- Use legal means to change national political leadership
- Establish an accountability reporting system
- Establish a screening committee to guide the disbursement of funds
- Issue specific guidelines on use of funds
- Approved work and financial plan for projects should guide finance people on to allocate project funds

To avoid money being allocated to politically connected individuals:

- Establish a third-party public monitoring body that would carry out stakeholder consultations and publish monitoring rules
- Disclose disbursement information via media and publication of results and reports
- Create a citizen's charter

Kendra Dupuy, Advisor, U4/CMI,

concluded the session by presenting what steps the Indonesian government had taken to address the corruption in the IRF. These steps included placing the fund under the administrative authority of Ministry of Finance; consolidating the fund with the national budget; establishing a Supreme Audit Board and granting it far-reaching authority to audit the Fund and other public financial assets; creating a Corruption Eradication Commission; and establishing a more equitable mechanism for sharing revenues from the Fund, with 40% of funds now distributed among local governments,

and 60% administered by national government.

The importance of using corruption risk assessments (CARs) as diagnostic tools to identify factors that increase the risk for corruption and to inform the design of interventions to reduce these risks was noted. The key steps for carrying out a CARs were outlined.

The findings of recent UNDP and GIZ reports on corruption risks in national climate funds were then discussed. An increasing number of countries are setting up nationally-controlled and specific funding mechanisms to raise, collect, blend, allocate, and account for climate finance as well as to coordinate activities and stakeholders. Many of these sit outside of government budgets and have their own accounting structures and legal standards. The Philippines' People's Survival Fund is an example of national climate fund.

There are corruption risks in national climate funds (NCFs). First, extra-budgetary funds are sometimes associated with reduced control and accountability measures as well as problems in reporting fiscal data. Second, a lack of transparency and the temptation to raid the fund for special interests (in return for political support) and personal benefit (rent-seeking) can result in corruption. To mitigate these risks, the design of a fund is critical; measures to ensure accountability and transparency should be included. There is a need for a strong monitoring and evaluation system in a NCF in order to track flows & create transparency and accountability of fund's operations. There should also be clear accounting policies; publicly available audits; and a strong, standardized and uniformly applied framework to monitor projects and evaluate results. Furthermore, in the project cycle of a NCF, there needs to be transparency in project selection criteria and procedures, including beneficiary definition; external review of project proposals (i.e. technical committee), and approval by a Board of

Trustees; and due diligence to determine that beneficiaries can properly manage funds. In terms of financial management, there needs to be accurate, timely recording of transactions, and regular audits; transparent procurement practices; and scrutiny of disbursement and utilization of finances. A system is needed to collect, distribute, and track funds and project data; and rules established to avoid conflicts of interest between trustee/beneficiary. An effective governance structure must be established, one that has an oversight body, and a technical group to review proposals; a clear project proposal process for submission and approval; and clear, known decision-making rules. Finally, there must be monitoring, reporting, and verification, with similarity and complementarity across MRV systems; regular, systematized, publicly available reports; and clear oversight and audit roles.

Session 8 – Specific Corruption Risks in Climate Finance and in Natural Resource Management in the Philippines

Justine Nicole Torres, Legal and Policy Specialist, Ateneo School of Government, Ateneo de Manila University, gave a presentation on the corruption risks in implementing REDD+ in the Philippines. Currently, the Philippines is the readiness phase of REDD+, and is establishing institutions and policies to fully implement REDD+.

REDD+ brings several potential corruption risks: it may enable new forms of corruption, or entrench existing corruption. For instance, a big risk is that REDD+ will inherit the forestry sector's endemic corruption and further entrench this, and that there will be a large inflow of financial resource that creates incentives and opportunities for corruption (for example, if

interested actors influence the development of plans to maximize their chances of capturing revenues). However, REDD+ also represents an opportunity to improve forest governance in the Philippines, including systematically addressing corruption in the forest sector.

A Corruption Risk Assessment for implementing REDD+ in the Philippines was carried out in 2012. This CRA framed risks according to the categories defined in the 2007 DENR Integrity Development Review. This report showed that corruption risks are likely to emerge in REDD+ because of low capacity to implement and enforce laws and regulations, a culture of acceptance for corruption, and lack of whistle blower protection in the Philippines. Other enabling factors of corruption in REDD+ in the Philippines include insecure land tenure, unclear benefit sharing mechanisms, an attitude of ignoring petty corruption and fear of speaking up, and the lack of a policy on carbon ownership.

Some examples of existing corrupt behaviour within forestry management can be found in Southern Palawan, where there has been misuse of royalty funds, and petty environmental crimes have been committed with official support. In other areas such as General Nakar, road projects have been used as a back door for illegally harvested forest products, while contractors with local political connections have been given preferential treatment in the processing permits.

A further example of corruption in the forestry sector is the National Greening Program, which was launched in 2011 and is being implemented by the DENR. The program is designed to provide incentives to people's organizations to participate in reforestation and protection of reforested areas. There have been allegations about the selection of inappropriate tree species for reforestation efforts as well as misrepresentation of survival rates. Progress forward in implementing REDD+ in a transparent and accountable manner

will depend heavily on ensuring that the REDD+ safeguards are properly implemented and respected.

Grizelda Gerthie Mayo-Anda, Executive Director, Environmental Legal Assistance Center (ELAC), gave a presentation about corruption in the use of the Malampaya Royalty Fund as an example of corruption in natural resource management in the context of the Philippines. The Malampaya project is the Philippines' only natural gas offshore project, and it is used to supply energy to the country's largest region (Luzon). The project yields over P12 billion annually in royalty shares for the national government; these royalties are by law supposed to be shared between the national government and local government units (LGUs), although at present this is being legally contested by the national government. The local government code requires that royalty funds that go to the LGUs should be used for electrification (80% of funds) and livelihoods enhancement (20% of funds).

The interim sharing scheme between the national government and local government units has not been subject to public scrutiny. An initial distribution of the royalty fund did not follow the local government code. Instead, the royalty fund became a huge pork barrel for powerful politicians. Two Commission on Audit reports found several instances of corrupt behaviour in the use of the royalty funds: hundreds of infrastructure projects funded by the royalties did not comply with required bidding procedures, dozens of projects went to a single contractor while dozens of other projects had overlapping contractors, hired engineers violated accreditation requirements, numerous projects were overpriced, and a large amount of money remains unaccounted for in a solar home panel installation project. A report by the National Bureau of Investigation further showed a complete lack of project documents and failure to actually provide materials for several road projects. Promised infrastructure never materialized,

while in other cases the infrastructure that was built was of very low quality.

This corrupt behaviour occurred because political leaders were responsible for determining projects and they manipulated bidding rules to favour certain public works contractors. There were ghost and overpriced projects, and spending by the national government was unaccounted for. Too many infrastructure projects received money, rather than electrification projects.

In the wake of the revelations about corruption in the Malampaya royalty funds, civil society has advocated for full transparency through effective safety mechanisms, that a special law be adopted to de-politicize royalties and prevent them from being used as pork barrel spending, congressional oversight of royalty money, and prosecution of criminal and administrative cases against officials responsible for the corrupt behaviour.

The example of Malampaya demonstrates the importance of clearly established transparency and accountability mechanisms in climate finance, the need to establish effective mechanisms for civil society participation in project selection processes, capacity building efforts, and in monitoring and evaluation, and the need for effective compliance with established policies and rules.

Session 10 – Introduction to Anti-Corruption

Aled Williams, Senior Advisor, U4/CMI, began the session with an introduction to the concept of a “theory of change”. Because corruption risks are dynamic, so anti-corruption work must also be dynamic, and it often fails when there is a mismatch between theory and practice. A theory of change makes explicit the assumptions underlying anti-corruption work, and encourages an evaluation of those assumptions once a program is underway to

see if they are valid. It is not advised to be overly prescriptive in making anti-corruption interventions. A theory of change can be used in both minimum and maximum ways as time allows, but ideally developing a theory of change should match up with the project cycle.

Kendra Dupuy, Advisor, U4/CMI, provided an introduction to key concepts and theories in anti-corruption. The basic logic of anti-corruption is composed of four elements: transparency, participation, integrity, and accountability. Each of these four elements helps to mitigate corruption risks. Transparency entails the provision of information, which is needed to overcome the information asymmetries that provide opportunities for corruption to occur. Transparency also allows people to hold power-holders accountable. Participation breaks discretionary power by creating checks and balances, leading to a competition of interests, and reducing the potential for capture of political or administration decisions by a specific, narrow interest. Transparency and participation are interrelated and interdependent. Intra-organizational anti-corruption measures seek to build integrity through rules and values. These measures include trainings, risk analysis, codes of ethics, and whistle-blower procedures. Participation and transparency are together pre-conditions for accountability, which is the process of holding actors responsible for their actions. Accountability relies on answerability (the ability of duty-bearers to provide information and justification for their actions), and on enforceability (the possibility of imposing sanctions for failing to answer accountability claims).

There are many possible ways to control corruption, and an ample menu of possibilities yet a scarcity of resources. Selection criteria are needed in order to determine which possibilities to pursue.

Four steps in carrying out anti-corruption interventions are: 1) diagnosing the problem(s) through risk maps and political

economy analysis; 2) designing good strategies and policies, based on a theory of change; 3) implementing these strategies and policies, which requires coordination, communication, and resources; and 4) monitoring and evaluation.

It must be remembered that even the best intentions can backfire, including in anti-corruption work. For instance, zero-tolerance policies might crowd-out intrinsic motivation and create incentives not to report corrupt behaviour and to get around the rules. Anti-corruption interventions can quickly exhaust existing resources, especially in small organizations and thus can have a high opportunity cost. Interventions lose credibility if they are not enforced and if they do not take the country context into account.

Session 11 – Anti-Corruption Measures in Climate Finance

Muhammad Zakir Hossain Khan, Head of Climate Governance Team, Transparency International Bangladesh, introduced the risks assessments that were done by Transparency International on the anti-corruption safeguards in multilateral climate initiatives and in country-level climate finance mechanisms within developing countries. The reports on the multilateral climate funds revealed both challenges at the global level and at the local level. Three areas were covered in the reports.

First, the reports looked at global accountability and conflicts of interest. Day to day reporting lines within the funds were found to be relatively clear. Investigation and punishment for any World Bank staff member who engages in corruption are also comprehensive and clear. However, accountability for cases when corruption happens regarding executive decision-makers such as Board or Committee

members of climate funds is not clear. For example, a conflict of interest could arise where a Board Member could approve a project in his/her country over another's, and it is not clear how this would be dealt with (except the Adaptability Fund, which has clear policy that they would be dismissed from the Board).

Second, in terms of project cycle monitoring, the assessment evaluated consultation with civil society and participation throughout the project cycle. This is because it is clear that corruption as well as other abuses can happen downstream and can impact on project results and in some cases even have adverse effects on people and the environment. At present however, TI's research has shown that this type of monitoring is currently not built into the policy design of multilateral climate funds. The funds under review each have some requirements at fund level in terms of participation during the design and approval stage of projects. After that, although some steps have been taken to address these issues, the funds are largely silent and the policies and procedures of implementing entities apply.

Third, in terms of complaints mechanisms, the climate funds do not themselves provide policy guidance on fiduciary standards. For instance, the GEF and Adaptation Fund makes it clear that a complaints mechanism is required but are silent on what such a mechanism should look like – rather, these funds they rely on the rules and procedures of implementing agencies. This makes chains of accountability complex, for example, where in one country multiple agencies are applying different standards and compliance rules. So, for a citizen – any stakeholder – who witnesses or is a victim of corruption or fraud or who suffers from social or environmental abuses, the accessibility of anti-corruption hotlines and grievance (redress, complaints) mechanisms becomes confusing and often untenable. Only the Adaptation Fund makes some effort to spell out what these are, by providing lists of email addresses on the

fund website, but even from that list it is clear that some of the core best practices of a complaints mechanism such as the option to make a complaint confidentially are not met.

The example of corruption risks in climate finance in Bangladesh was then discussed. There has, for example, been lower climate finance allocation for the most cyclone and drought prone areas in Bangladesh – these are areas where the extreme poverty rate is also highest. Transparency International Bangladesh has been engaged in adaptation project tracking in order to ensure the effective use of resources. This tracking examines whether affected communities were consulted and are involved in monitoring as well as a physical verification of project implementation to examine the quality of work. TI-B has developed a method and process for this project tracking, which assesses the capacity of implementing organizations and the independence of projects as well as their transparency and openness. TI-B investigations in 2012 of adaptation projects revealed political connections in project contracting, no prior consultation with beneficiaries, and a lack of proper monitoring and evaluation. Local political influence and pressures are a key factor enabling corruption in climate finance, including collusion between contractors and politicians. As a result, poor quality infrastructure has been built.

Investigation into the Bangladesh Climate Change Trust Fund revealed that there has been a withdrawal of funds without any work and violation of procurement rules. The Bangladesh government has taken steps to reduce corruption risks in climate finance flows, including carrying out an assessment to identify conflicts of interest, assigning evaluation responsibilities to the Bangladesh Institute of Development Studies, auditing Trust Fund projects, and holding public hearings about projects.

Session 12 – International Standards and Best Practices for Aid Flows, Revenue Transfers, and Natural Resource Management

Kendra Dupuy, Advisor, U4/CMI, began the session with a presentation on international standards and best practices for mitigating corruption in aid flows and sub-national revenue transfers. Information is key to anti-corruption efforts, as the availability of information enhances transparency, while the use of information enhances participation. However, it should be remembered that there are drawbacks to and problems with providing more information, including the costs of making information available and useable, having too many demands on an organization to disclose information, the quality and comprehensiveness of information, the ability to use information, and the fact that too much information can be overwhelming and actually lead to less transparency.

Transparency and accountability initiatives (TAIs) are demand-side mechanisms that are designed to enable citizens to hold states accountable by increasing citizens' access to information. Open data is data that is publicly available for anyone to use, reuse, and redistribute at a minimal cost, and can be used to enhance government and organizational performance and responsiveness.

TAIs and open data sources could be important tools for reducing corruption risks in climate finance. There are a number of existing open data tools and TAIs for international aid flows that could serve as useful models or starting points. There are also a few TAIs and open data sources for climate finance, as well as data sources for bilateral and multilateral climate finance. However, these tools face a number of

challenges, including the fact that there is currently no internationally agreed-upon definition of climate finance, that there is no centralized system for tracking all climate finance flows, there is no common system to monitor and evaluate climate finance, and much of the focus has been on tracking funds at the international level rather than at the national and sub-national levels. There are some existing examples of open data and TAIs at the national level which could be built on. However, tracking climate finance flows at national and sub-national levels will require in-country monitoring, reporting, and verification systems.

In addition to creating and strengthening initiatives to make information about climate finance flows available through open and publicly available information, there are other actions that can be taken to reduce corruption risks in climate finance flows. This includes ensuring independent oversight and auditing of funds, setting up performance-dependent funding mechanisms to ensure effective resource use, putting fiduciary safeguards in place, and creating complaints mechanisms. It is also important to establish participatory governance in climate finance mechanisms.

The presentation ended with a discussion of the criteria that Transparency International developed to assess the accountability performance of multilateral climate funds. These include the following indicators:

- Effective reporting and auditing guidelines & requirements
- Answerability mechanisms: explanations of decisions to key stakeholders and appeals process for decisions
- Whistleblower protection for those working with the fund
- Complaints and investigation mechanisms
- Sanctions to penalize corruption
- Requirements to consult with civil society in project cycle
- Participation of civil society in funds' proceedings

TI measures transparency performance by examining policy-level and practice-level transparency of multilateral climate funds. Finally, integrity performance is measured by examining whether the funds have anti-corruption rules, integrity screens, and integrity trainings in place.

There are a number of broader reforms that should be considered to reduce corruption risks in climate finance, including public integrity campaigns and policies, strengthening of national laws and institutions, and reforming public financial management and procurement systems.

Aled Williams, Senior Advisor, U4/CMI, gave a presentation about anti-corruption measures in natural resource management and REDD+. Transparency is important because without it corruption becomes more attractive and less risky, it makes it harder to get public officials to act cleanly, it makes it difficult to select the best people for public sector positions and contracts, and can have wider social consequences such as making cooperation harder to sustain and reducing trust.

There are four types of anti-corruption interventions in natural resource sectors: 1) transparency initiatives; 2) national and international legal tools and law enforcement work; 3) codes of good practice; 4) and regulatory and institutional capacity development (often carried out by donor agencies).

Some challenges of anti-corruption work in natural resource sectors include that greater levels of information need to be coupled with a higher degree of public accountability, that hard law enforcement approaches are unlikely to re-establish trust in contexts where there has been a serious breakdown in the social contract between citizens and the state, the need for international standards and codes of practice to fit the context in which they are being applied, and that capacity building and monitoring alone do not necessarily

address patronage and rent-seeking behaviour.

There are also challenges for anti-corruption work in REDD+. First, REDD+ anti-corruption strategies should reach down to the local level, where corruption in the forestry sector is often worse. Second, ensuring that REDD+ financing is properly spent requires measurement and monitoring work within forestry departments, but also independent auditing. Third, the capacity of law enforcement bodies needs to be built up. Finally, conflicts of interest can arise when the same NGOs that receive REDD+ funding are also expected to blow the whistle on REDD+-related corruption.

Daniel Nicer, Assistant Secretary for Internal Audit and Anti-Corruption, Department of Environment and Natural Resources, discussed the Department of Environment and Natural Resource's Integrity Program. This program has both systems and individual integrity components. Systems integrity components include an Anti-Corruption Office, internal audit of major programs, monitoring of offices, posting information online, computerization of land records, and budget consultations with civil society organizations. Individual integrity measures include ethics screening for recruitment and promotion, as well as background checks and punishment for violations. Several types of monitoring are being used for the National Greening Program, including internal monitoring by planning and field operations, external monitoring by the Commission on Audit, IAS monitoring, and monitoring using a technological tool called SnapPlot.

Government efforts to reduce illegal logging and wildlife trafficking were also noted. Presidential Executive Order No. 23 was adopted to reduce illegal logging, and has thus far reduced the number of illegal logging hotspots in the country from 197 to 23. 1411 cases have been filed, with 197 persons convicted. The Philippine

Operations Group on Ivory was established in 2013, and seeks to combat wildlife smuggling.

Session 13 – Mainstreaming Anti-Corruption into Donor Work & National Policies and Programs for Climate Finance and Natural Resource Management

This session began with a group work exercise that asked participants to map out existing practices, programs, initiatives, and actors in anti-corruption in the Philippines, and to identify gaps and challenges in anti-corruption initiatives. The results of this group work are provided in Annex 3.

Heidi Mendoza, Commissioner, Commission on Audit (CoA), Philippines, then gave a presentation about corruption risks in climate finance and about a citizen's participatory audit of the Solid Waste Management program.

Some of the corruption risks in climate finance include audit detection risks, double dipping, duplication, ghost projects, and redundancy. These risks occur due to size and complexity of funds, the location and accessibility of projects, the override of controls due to limited resources, different reporting formats, and inability to track funds directly to local government units and civil society organizations. Bribery and nepotism can result in plans favouring specific interest groups rather than areas of greatest need, and to appoint staff members. There can be rent-seeking in use of funds, and priority might be given to infrastructure projects to enable future opportunities for bribery. Fraud and collusion can ensure favourable treatment of certain individuals, and there can be corruption in procurement processes. To mitigate these risks, lobbying practices should be regulated and

monitored, finance mechanisms governance anti-corruption measures assessed, transparency ensured in the flows of funds, and ownership, transparency, and participation in climate finance decision-making processes ensured.

The CoA adopted a participatory approach to the audit process. Participatory audits are audits that include citizen representatives in the audit team to make government more effective, transparent, and accountable. The solid waste participatory audit focused on how Quezon City implemented its solid waste management program. Civil society organizations were enlisted to participate in the audit, and helped to design the survey tool, carry out the survey, assess the data results, and draft the audit report.

Other participatory audits have been conducted on the implementation of environmental laws in the country. The benefits of participatory audits include increased citizen awareness of and knowledge about the government; strengthened ownership of public funds; citizen participation in government decisions; and improved public service delivery. Participatory audits can be faster, more flexible since they are more informal, and provide more observations and different types of data than formal audits.

A citizen website was launched in November 2012 to generate interest and feedback from citizens on audits. The website is a repository of audit information and a portal for citizen feedback.

Entry points for citizen participatory audits – for individuals, civil society organizations, and the media – include giving feedback, building awareness, monitoring, advocacy, and fund-raising.

Some challenges for participatory audits include the need to create an enabling environment for civil society organizations to act as a watchdog and provide informed advocacy (and not co-opt civil society organizations), the need to constructively

engage government and avoid participatory approaches that are overly critical and fault finding, and the need to understand the contextual appropriateness and nexus between government and citizens to ensure good collaboration.

Session 14 – The Way Forward

During this session, participants were asked to develop key recommendations for anti-corruption strategies and steps regarding climate aid flows and natural resource management in the Philippines, and to further identify key actions that need to be taken to realize these recommendations. The results of this group work are provided in Annex 3.

Annex 1 – Agenda

Day ONE – Monday, 25 May 2015		
Introduction to Corruption & Climate Finance		
Time	Session & objectives	Speakers
13:30	Registration	
14:00	Welcome	<ul style="list-style-type: none"> • Claudia Buentjen, Principal Public Management Specialist and OIC, Technical Advisor (Governance), ADB • Dr. Bernd-Markus Liss, GIZ Philippines Principal Advisor Climate Program, Focal Point Anticorruption
14:15	Session 1: Introduction Introduction to U4 and corruption <ul style="list-style-type: none"> • Introduction to U4 • Participant introductions and expectations • Overview of workshop structure and goals • What is corruption? Basics of corruption and group exercise • Q & A 	<ul style="list-style-type: none"> • Aled Williams, U4: Introduction to U4 • Kendra Dupuy, U4: Basics of corruption • Moderation by Kendra Dupuy, U4
15:00	Coffee break	
15:15	Session 2: Trends and patterns in climate finance <ul style="list-style-type: none"> • Definitions, amounts, and mechanisms in climate finance flows – international and national levels • Sum up of high level event: Key take-away points on climate finance modalities in the Philippines, and importance of corruption and anti-corruption in climate finance flows and natural resource management, with reference to the Philippines context and the Asian region 	<ul style="list-style-type: none"> • Kendra Dupuy, U4: Key Terms & Global and Regional Scope of Climate Finance • Michael Rattinger, Climate Change Specialist, Climate Change Coordination & Disaster Risk Management Unit, Asian Development Bank • Muhammad Zakir Hossain Khan, head of Transparency International Bangladesh's Climate Governance Team: Corruption in the environmental and forestry sector • Moderation by Kendra Dupuy, U4
16:30	Session 3: Close for the day	<ul style="list-style-type: none"> • Kendra Dupuy and Aled Williams, U4 • GIZ and ADB representatives

	<ul style="list-style-type: none"> Sum up of the day Overview of day 2 	
17:00	Cocktail reception, hosted by ADB	
DAY TWO – Tuesday, 26 May 2015 Corruption Risks in Climate Finance and Natural Resource Management		
Time	Session & objectives	Speakers
08:30	Registration	
09:00	Session 4: Status of climate finance in the Philippines Review and summary of Day 1, overview of Day 2 Status of climate finance in Philippines <ul style="list-style-type: none"> What do you know? Group exercise to map existing knowledge of the architecture of climate finance flows to and in the Philippines Present group work Overview of international and national climate finance flows to, and in, the Philippines Corruption in the Philippines context 	<ul style="list-style-type: none"> Pebbles Sanchez, Senior Technical Staff, Climate Change Commission (for Joyceline A. Goco, Deputy Executive Director, Climate Change Commission) Kendra Dupuy, U4: Climate Finance Architecture in the Philippines Moderation by Aled Williams, U4
10:00	Coffee break	
10:15	Session 5: What do we know about corruption risks in climate finance and in natural resource management (NRM)? <ul style="list-style-type: none"> General state of knowledge of corruption risks in multilateral and national climate funds Corruption risks in REDD+ Overview of lessons learned from U4 work on corruption in natural resource management 	<ul style="list-style-type: none"> Aled Williams, U4: Corruption risks in NRM and in REDD+ Muhammad Zakir Hossain Khan, TI Bangladesh: Governance risks in multilateral climate funds Kendra Dupuy, U4: Corruption risks in national climate funds Moderation by Kendra Dupuy, U4
12:00	LUNCH	
13:00	Session 6: Group work Corruption risks and mitigation in the case of Indonesia's Reforestation Fund	Kendra Dupuy and Aled Williams, U4
14:00	Coffee break and group photo	
14:15	Session 7: Presentation of group work	Kendra Dupuy and Aled Williams, U4
15:30	Coffee break	
15:45	Session 8: Specific corruption risks in climate finance and natural resource management in the Philippines	<ul style="list-style-type: none"> Justine Nicole V. Torres (Ateneo School of Governance): Corruption Risks in Implementing REDD+ in the

	<ul style="list-style-type: none"> U4 REDD+ studies on corruption risks in implementing REDD+ in the Philippines Plenary discussion: other examples from the Philippines of corruption in climate finance and natural resource management 	<ul style="list-style-type: none"> Philippines response by DENR Grizelda Gerthie Mayo-Anda (ASoG): Corruption in the use of the Malampaya royalty fund Moderation by Aled Williams, U4
16:30	Session 9: Close for the day <ul style="list-style-type: none"> Sum up of the day Overview of day 2 	<ul style="list-style-type: none"> Kendra Dupuy and Aled Williams, U4 GIZ and ADB representatives
DAY THREE – Wednesday, 27 May 2015 Strategies to Mitigate Corruption in Climate Finance and Natural Resource Management		
Time	Session & objectives	Speakers
08:30	Registration	
09:00	Session 10: Summary and review of days 1 and 2, overview of day 3, and introduction to anti-corruption	<ul style="list-style-type: none"> Kendra Dupuy and Aled Williams, U4
09:30	Session 11: Anti-corruption measures in climate finance <ul style="list-style-type: none"> Transparency International reports on anti-corruption safeguards in multilateral climate funding initiatives, and of climate finance in 6 developing countries TI's 2011 report on corruption and climate change Overview of REDD safeguards and other transparency mechanisms in climate aid 	<ul style="list-style-type: none"> Muhammad Zakir Hossain Khan, TI Bangladesh Moderation by Kendra Dupuy, U4
10:30	Coffee break	
10:45	Session 12: International standards and best practices for aid flows, revenue transfers, and natural resource management <ul style="list-style-type: none"> Overview of international standards and best practices for transparency in aid flows: the role of open & big data Overview of best practices for anti-corruption in sub-national revenue transfers Overview of best practices for anti-corruption in natural resource management and REDD DENR Integrity program - addressing corruption risks in natural resources management in the Philippines 	<ul style="list-style-type: none"> Kendra Dupuy, U4: International standards and best practices for mitigating corruption in aid flows and sub-national revenue transfers Aled Williams, U4: Anti-corruption measures in natural resource management and REDD+ Daniel Nicer, Asec for Audit and AC Unit at DENR: Administrative Reforms and Anti-Corruption Moderation by Kendra Dupuy, U4
12:30	LUNCH	
13:30	Session 13: Mainstreaming anti-corruption into donor work & in national policies and programs for climate finance and natural resource	<ul style="list-style-type: none"> Heidi Mendoza, Commission on Audit: Auditing in the context of the Philippines: Citizens Participatory Audit of Solid

	<p>management</p> <ul style="list-style-type: none"> • How to mainstream and implement anti-corruption approaches and programs • Group work exercise and presentation: highlight existing knowledge about current good practices and existing anti-corruption measures and actors for climate finance mechanisms and natural resource management programs in the Philippines. What exists, what can be built on, and what are the gaps and challenges? 	<p>Waste Management</p> <ul style="list-style-type: none"> • Kendra Dupuy, U4: Mainstreaming anti-corruption into programs and policies • Moderation by Aled Williams, U4 • Group work and discussion
14:30	Coffee break	
14:45	<p>Session 14: The Way Forward</p> <p>Group work and discussion</p> <ul style="list-style-type: none"> • What key lessons have been learned during the workshop regarding corruption risks in climate aid flows and in natural resource management, and with reference to the Philippines context? • Develop key recommendations for anti-corruption strategies and steps regarding climate aid flows and natural resource management in the Philippines • Identify key actions that need to be taken to realize these recommendations • Develop a plan for how to carry out these actions– who will do what, when, and how 	<ul style="list-style-type: none"> • Moderation by Hon. Gerard A. Mosquera, Deputy Ombudsman for Luzon and Environment. Office of the Ombudsman, Philippines
15:45	<p>Session 15: Presentation of group work, and synthesis summary</p>	<ul style="list-style-type: none"> • Kendra Dupuy and Aled Williams, U4
16:30	<p>Session 16: Close of workshop</p> <ul style="list-style-type: none"> • Summary review of all three workshop days, and thanks from U4 • Final remarks from ADB, GIZ, government • Presentation of certificates • Evaluation 	<ul style="list-style-type: none"> • Kendra Dupuy and Aled Williams, U4 • GIZ and ADB representatives

Annex 2: Evaluation Summary

30 evaluations received

Please indicate your opinion (tick one box in each line):

(1 = strongly disagree / 2 = somewhat disagree / 3 = neither agree nor disagree / 4 = somewhat agree / 5 = strongly agree)

	Avg.
The organisation of the course/workshop was good (logistics, invitation/information, facilitation)	4.6
The content matched the announced objectives	4.5
The level of the course was appropriate for a person with my knowledge and experience	4.2
The course was relevant to my current work	4.2
There was a good level of interaction between presenters/experts and participants	4.6
There was a good level of interaction among participants	4.4
Presenters/experts were well prepared and had good command of the subject	4.7
The composition of participants was good (employer/workplace, sectors, positions)	4.2
The course/workshop provided me with new and useful information	4.5
I will be more confident in introducing AC or integrity measures in my work after taking this course/attending this workshop	4.3
I would recommend this course/workshop to a colleague	4.5

Annex 3 – Group Work Exercises

Session 1 Group Work: Is it corruption? Why or why not?

1. A flower shop owner raises his prices for flowers on Mother's Day.
2. A local staff member of a UN agency volunteers at an NGO that helps orphans in Chipata. She sometimes uses the UN office photocopier to make copies of flyers for an advocacy campaign of the NGO.
3. Country A has a problem with fake drugs in pharmacies. The drugs are produced by unlicensed drug manufacturers and disguised in packaging to pass as approved products.
4. A private pharmacy is located very close to the Provincial General Hospital. The pharmacy is owned by the Medical Superintendent in charge of the public hospital.
5. A recently retired public servant from the district water management authority is asked to provide information which assists a private sector firm to obtain a contract.
6. A parliamentarian pushes for a law benefitting private energy companies, while at the same time receiving considerable fees for consulting services for a large energy firm.
7. An international donor organization is supporting the Ministry of Education in improving education services in Eastern Province. A high-level Ministry official requests a brand new Range Rover with all extras for outreach activities. He is not really involved in these activities, but his good will is needed for a critical education project to succeed.
8. A teacher accepts a bag of mangos from a student.
9. A workshop facilitator offers to give candy to participants if 100% of the class contributes to class discussion.

Session 4 Group Work: What do you know?

Use your existing individual and group knowledge to map the climate finance architecture in the Philippines. Complete **only ONE** of the two options below. (This worksheet has TWO SIDES.)

1) Describe a project, program, or activity you have recently worked on that is related to climate change mitigation or adaptation.

Project name and goals:	
Who is involved with the project – actors and institutions?	
From where did the funding for the project come?	
Who is responsible for administering and distributing the project's funds?	
On what types of activities is/was the money spent?	
Is/was/will there (be) any monitoring of, and reporting on, the use of this funding? If so, who is responsible?	

2) Describe a funding source that you are familiar with that is used for climate change activities, programs, or projects.

What is the source of the funding? Is it bilateral public aid, multilateral aid, international climate fund, government money, or private money?	
Who is responsible for receiving, administering, distributing, and using the money?	
What is the purpose of the funding? Where (and to whom) does the funding go?	
Is there any monitoring of, and reporting on, the use of this funding? If so, who is responsible?	

Session 6 Group Work: Identifying Corruption Risks in Climate Finance Modalities: The Case of Indonesia's Reforestation (Slush) Fund

In 1989, the Indonesian government established the special, extra-budgetary Reforestation Fund, which earmarked funds for reforestation, land rehabilitation of degraded forest lands, and the development of plantations under the Forestry Department. The money for this fund came from a tax imposed on timber concessionaries, who paid an amount for every cubic metre of wood harvested from the country's forests. Between 1989 and 2009, the government collected approximately USD \$6 billion, "making it the single largest source of government revenues from Indonesia's commercial forestry sector" (Barr et al. 2010: 4).¹

According to Barr et al (2010), the implementation of the Reforestation Fund programs were undermined by financial mismanagement and poor governance. "During the Suharto era, the DR was administered as an off-budget fund by the Ministry of Forestry, which exercised a high degree of discretion over how the money was managed and to whom disbursements were made. Throughout the decade preceding the end of Suharto's New Order government in May 1998, the Ministry used the DR to promote industrial plantation development, allocating more than US \$1.0 billion in cash grants and discounted loans to commercial plantation companies" – many of whom were run by members and allies of the Suharto family. Firms receiving plantation subsidies engaged in a number of fraudulent practices, such as manipulating the Fund's allocation process so as to reduce the amount of capital they had to front for reforestation projects, overstating the net area to be replanted, marking up costs they expected to incur in establishing plantations, and using funds for purposes other than plantation development. Furthermore, "in the absence of effective mechanisms for oversight and accountability, large amounts of DR funds were...diverted for other uses [such as non-Fund related construction projects] and/or squandered on poorly managed plantations. Consequently, despite the significant public investment from Indonesia's Reforestation Fund, the overall productivity of the plantation areas developed has fallen well short of the Ministry of Forestry's targets. Moreover, the Ministry also disbursed at least US \$600 million to finance politically favored projects that had little to do with the DR's mandate of promoting reforestation and forest rehabilitation" – such as financing Indonesia's participation in the 1997 SEA games and funding a state aircraft company. The net effect of the Fund was the depletion of Indonesia's natural forest cover.

ASSIGNMENT

Your group has been sent to Indonesia to conduct an investigation into the misuse of the Reforestation Fund. Your mission is to establish how and why the Reforestation Fund was misused, and to provide recommendations about what steps could have been taken to avoid corruption in the use of the Fund.

- 1) Your evaluation: Select one of the corrupt behaviors described in the text: use of money to finance politically favored projects; loss of money to fraud by government and plantation companies; diversion of money for non-Fund related uses such as construction projects; or allocation of money to politically connected individuals. Map out the corruption risks – how and why did misuse of the Fund occur?
 - Who were the key actors involved in the specific corrupt behavior?

¹ Christopher Barr, Ahmad Dermawan, Herry Purnomo, and Heru Komarudin, 2010, "Financial Governance and Indonesia's Reforestation Fund During the Soeharto and Post-Soeharto Period, 1989-2009: A Political Economic Analysis of Lessons for REDD+". Indonesia: Center for International Forestry Research.

- What allowed this behavior to happen? What were the key vulnerabilities that facilitated the corrupt behaviors? Map the actors and chain of events and vulnerabilities.
- 2) Your recommendations: Provide 1 or 2 key recommendations regarding what could have been done to prevent the misuse of the Fund. Map backwards the chain of exact steps that would need to be taken to realize your recommendation(s), as well as the actors and resources that would need to be involved.

Session 13 Group Work: Mapping of Existing Practices, Programs, Initiatives, and Actors in Anti-Corruption

What do you know about existing anti-corruption measures & actors for climate finance and for natural resource management programs in the Philippines? What exists, and what can be built on? What are the remaining gaps and challenges? How can anti-corruption better be integrated into climate finance and natural resource management?

TRANSPARENCY INITIATIVES & ACTORS	NATIONAL LEVEL – INITIATIVES & ACTORS
<ul style="list-style-type: none"> • Climate expenditure tagging of CCC is good, but needs to be disseminated • EITI good, but should be scaled up • Seal of transparency on government websites good, but needs to be better understood by citizens and needs to be more awareness – disseminate information • DBM website – bottom up and grassroots participatory budgeting done by government offices, but lack of public awareness • Data are not open • Lots of information, but it has not been analyzed or made user friendly and less technical • Need to think through privacy issues – clarity on when and why certain information cannot be shared with the public • Need to monitor and accounts of funds that go directly to CSOs and beneficiaries and fall outside of national government • Expenditure tagging is good, but could burden LGUs 	<ul style="list-style-type: none"> • DENR integrity programs good, but need to disseminate to the local level • Need more awareness on particular issues • REDD+ safeguards good, but no clear governance body to adopt the safeguards and its currently ad-hoc • Key actors: Ombudsman, Congress committees • Statement of assets and liabilities and net worth of every government employee (done annually) – used by Ombudsman • Existing laws and policies like red tape act – but need assessment of implementation of these laws about efficacy and achievements • Need more human and financial resources for AC • Need some more stringent regulations for reporting by government • Make sure AC measures are implemented • Needs to be information sharing among agencies to avoid duplication • Need to strengthen inter-agency coordination at national and local levels

PARTICIPATION INITIATIVES & ACTORS	LOCAL LEVEL – INITIATIVES & ACTORS
<ul style="list-style-type: none"> • CoA participatory audits – need to localize and replicate • CSOs and regional development councils – government and CSOs • Multi-stakeholder planning and monitoring mechs in regional development councils – CSO participation: how independent are they? Are there processes for accreditation? Where do these CSOs come from? Is the participation ad-hoc and provided on demand? Accreditation can be very bureaucratic and prevent CSOs who can't comply • Low awareness in communities of participation, rights, when and why they should participate, need capacity • Same people are participating, majority and marginalized not participating • Need to raise awareness among the people to participate – provide them with info about CF, rights and expectations • Security and incentives for participation in AC measures 	<ul style="list-style-type: none"> • Piloting of expenditure tagging of CCC – but need to generate awareness of this effort • CSO monitoring of Malampaya funds – but it is ad-hoc and there is a lack of resources and people • Municipal or town councils – tasked with disbursement of own budgets • Politics – when admin changes a project is stopped • Limited choice of partners b/c projects operating in a particular area • Need capacity building of local groups • Multiple requirements for reporting expected from LGUs

Other gaps and challenges:

- Weak enforcement of existing laws due to poor funding
- Lack of citizen awareness
- Institutional issues – overlaps among institutions
- Lack of incentives to engender participation and interest
- Absence of FOI bill – tool to assist in getting information and curbing corruption (example TI Bangladesh)
- Lack of grievance mechanisms
- Absence of participatory planning mechanisms
- No dissemination of information to people on the ground – thus people don't know what they can do
- Climate finance isn't integrated into the existing systems of the P – no coordination, to focused monitoring of CF, and REDD plus not yet implemented

Session 14 Group Work: Identifying the Way Forward

Develop key recommendations for anti-corruption strategies and steps regarding climate aid flows and natural resource management in the Philippines. (Deter, prevent, educate)

- Enforce existing environmental laws, and punish those who violate the laws. (Deterrence)
- Enhance flow of info from national to local levels, esp. to poor local levels who might have low education levels. (Educate)
- Prevention – make new definition of, and clarify existing laws about, conflict of interest in climate finance projects – i.e. especially for politicians.
- Develop a robust system of accreditation for suppliers that work with CF project. Also, need to cross-government blacklist badly behaving companies.
- Improve coordination among national government agencies in climate finance management. Develop a special unit to do this (preventative).
- Need a mechanism for climate finance monitoring. Need to make info transparent, and make government agencies responsive.
- Establishing bodies for climate change action that are participatory and housed within existing government mechanisms. Coordinate existing funds.
- Mainstream AC in development planning and programming as regards climate finance, just as gender was mainstreamed. Utilize existing good governance & AC clusters and other existing institutions (not invent new structures).
- Need climate finance lens into efforts of good governance and AC.
- Assess what has been done re AC in climate finance.
- Improve coordination and participatory processes of multi-stakeholder governance over funds. Strengthen CCC in terms of institutional and technical and human resources capacity. Ensure their transparency and rules of operation regarding project selection, etc.
- Decision-making of project selection and monitoring needs to be decentralized.
- Raise awareness among LGUs of what climate change projects are.
- Undertake corruption risk assessments of climate finance projects.

Identify key actions that need to be taken to realize these recommendations. Who needs to do what, when, and how? Sense of a timeline – immediate, medium-term, long-term? What resources will be required to realize these actions?

- Government agencies such as DENR, LGUs, CoA, Ombudsman, Defense, Justice, Judges to better coordinate and have better dialogue – work together to prosecute cases. Need political will to accomplish this, as material resources already exist.
- Open data sources, local government agencies and LGUs conduct outreach programs to local communities to raise awareness about government efforts and efforts of others.
- Clarify and make laws about conflict of interest.
- Allocate money to properly monitor climate finance flows, and institutionalize robust monitoring system.
- Fund governance structure for all the climate money that comes into the Philippines, led by the CCC. This mechanism should be in place before the funds come in – set the rules first. Need to build capacity for this among CSOs and government.

Annex 4 – Key Resources on Climate Finance Transparency & Accountability

- 1) U4 publications on REDD+ Integrity: <http://www.u4.no/themes/redd-integrity/>
- 2) U4 Helpdesk answer on corruption risks and mitigation strategies in climate finance: <http://www.u4.no/publications/corruption-risks-and-mitigating-approaches-in-climate-finance/>
- 3) Transparency International assessments of multilateral climate funds and climate finance in six developing countries: http://www.transparency.org/topic/detail/climate_change
- 4) Transparency International, “Global Corruption Report 2011: Climate Change”: https://www.transparency.org/whatwedo/publication/global_corruption_report_climate_change
- 5) Transparency International’s online course on climate governance: <http://courses.transparency.org/>
- 6) World Resources Institute on monitoring climate finance in developing countries: <http://www.wri.org/publication/monitoring-climate-finance-developing-countries-challenges-and-next-steps>
- 7) UNDP report on tackling corruption risks in climate change: <http://www.undp.org/content/undp/en/home/librarypage/democratic-governance/anti-corruption/staying-on-track--tackling-corruption-risks-in-climate-change.html>
- 8) UN REDD Programme’s publications on ensuring transparent, equitable, and accountable management of REDD+ funds: http://www.un-redd.org/Transparent_Management_REDD_Funds/tabid/54009/Default.aspx
- 9) Global Witness report: “Safeguarding REDD+ Finance”: <https://www.globalwitness.org/sites/default/files/library/Safeguarding%20REDD%20-%20LTS%20report%20web%20sm.pdf>
- 10) Publish What You Fund report on climate finance transparency: http://www.publishwhatyoufund.org/files/Towards-Climate-Finance-Transparency_Final.pdf
- 11) The Transparency and Accountability Initiative publications on climate finance: <http://www.transparency-initiative.org/workstream/policy-innovations/climate-change>

Annex 5 – List of Participants

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