

Note to Rapporteur

When writing the long workshop report, please consider if the workshop responded to the below 14th IACC objectives and report on where you think appropriate.

Objectives:

- a) Produce strategies to overcome the effects of corruption on human security, climate governance, natural resources and energy markets and in the corporate world
- b) Propose strategies to overcome the stumbling blocks impeding effective multi stake holder engagement
- c) Find solutions to implementation challenges of anti-corruption instruments from a global to local level
- d) Showcase and facilitate effective partnership building and collective action
- e) Incorporate new actors and innovative strategies in the fight against corruption
- f) Map out and assess emerging trends and future scenarios in the fight against corruption
- g) Enrich the global debate by showcasing the experiences of the host country and the region.

The long report should be sent in Word Format (indicating the title and workshop name in the name of the file) to the IACC Team via email to iacc@transparency.org no later than **26 November 2010**. Please remember that the moderator should sign off on the report before it is submitted to the IACC team.

Many thanks,

IACC team

Long WORKSHOP REPORT FORM

Workshop 3.6: Opportunities and threats of REDD+ - Why we need an active anti-corruption community when 15-30 bn. US\$ might be invested to mitigate global warming.

Coordinator: Björn Hecht (GTZ)

Date and time of workshop: 13.11.2010, 9 to 11 am

Moderator: Bernd-Markus Liss (GTZ)

Rapporteur: Johanna Joerges (GTZ)

Panellists

- Tim Clairs, UNDP UN-REDD Programme, Senior Technical Advisor
- Aled Williams, U4 Anti-corruption Resource Centre, Coordinator of study 'REDD and Corruption'
- Grizelda 'Gerthi' Mayo-Anda, Environmental Lawyer, Philippines, Founder of the Environmental Legal Assistance Centre - ELAC

Summary (300 words)

According to the Stern review¹, deforestation accounts for approximately 20 per cent of world annual greenhouse gas emissions and is the largest source of emissions in the developing world. If current rates of deforestation in Brazil and Indonesia alone continue until 2012, they will wipe out nearly 80 per cent of the total emissions savings agreed under the Kyoto Protocol.

The international community under the UN Framework Convention on Climate Change (UNFCCC) is hence creating an incentive mechanism to reduce greenhouse gas emissions from deforestation and forest degradation. The so-called 'Reduction of Emissions from Deforestation and Forest Degradation plus' (REDD+)² mechanism will provide incentives for developing countries to protect, better manage and wisely use their forest resources and thus contribute to the global mitigation of climate change. It is implemented in a sequenced approach of a readiness phase, an implementation phase and a performance payment phase with substantial financial pledges expected by XXXX. For the readiness phase, the Global Environmental Facility (GEF) will expand its support to actions reducing deforestation and provide up to \$1 billion for the implementation of a dedicated Sustainable Forest Management/REDD+ Program throughout the period 2010–2014.

Yet, REDD+ is operating in a notoriously corrupt sector – the forest sector. Corruption in the forestry is known to facilitate large scale deforestation, to distort markets, to create insecurities for businesses and investment, resulting in lower employment and financial flows, and to threaten the livelihoods of forest dependent people. Thus, corruption in REDD+ would

¹ The Stern Review on the 'Economics of Climate Change' is a 700-page report released for the British government on October 30, 2006 by economist Nicholas Stern, chair of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics. The report discusses the effect of global warming on the world economy.

² The "+" is for conservation, Sustainable Forest Management and carbon stocks. I.e. REDD+ goes beyond deforestation and forest degradation, and includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in reducing emissions.

not only jeopardise the climate protection goal, it also would potentially increase bad governance by turning REDD+ into one more instrument to distribute power and money to a few, to undermine equity, justice and subsistence of local people. On the other hand REDD+ offers a unique opportunity to improve governance in the forest sector, providing benefits for the climate, for local people and biodiversity conservation alike.

At the IACC, we wanted to understand, what we can do to achieve both: avoid corruption under REDD+ and harness the potential of REDD+ as an opportunity to fight corruption in the forest sector. The workshop discussed the question with whom we can join forces and what can be our contribution? Thus the workshop sought to bring together expertise from the forest, the climate and the anticorruption community to reach a common understanding of REDD+ within the audience, provide an overview on corruption risks and how they have been addressed so far, identify further corruption risks areas and possible fields of future action and cooperation.

Summary of presentations (300 words per panellist)

Tim Clairs provided an overview of REDD+ and where it stands. He explained the sequenced approach of countries preparing national REDD+ strategies, developing a REDD+ reference scenario (that determines the level of emissions that would have taken place without the REDD+ activities), and designing a monitoring system which will allow for performance based payments. The 'Forest Carbon Partnership Facility' (FCPF) of the World Bank, the 'Forest Investment Program' (FIP) of several regional development banks³ and the UN-REDD Program support REDD+ readiness and investment activities in 48 countries across Africa, Asia-Pacific and Latin America mainly through capacity development. He emphasised good governance mechanisms under REDD+ including free prior informed consent, capacity building, and transparent, equitable, and accountable management of REDD+ payments.

Aled Williams discussed the findings of a study on governance and corruption challenges in REDD+ that U4 is currently undertaking based on literature review and field research in Kenya, DRC, Tanzania and the Philippines. He highlighted that REDD+ countries score low on governance indicators and that governance matters to get a development dividend from REDD+. Typical entry-points for corruption in the forest sector include: interest groups bribe public officials to manipulate design and implementation of land use plans or land tenure rights, logging companies manipulate the tender of concessions, loggers bribe forestry officials to harvest without legal permits, to speed-up the issuance of such permits or to obtain logging permits for protected areas. Logging concessionaires pay bribes so that over-harvesting is not monitored and the transport of illegal logged timber is not sanctioned. With regard to REDD+ potential specific corruption risks are: bribing of national politicians to undermine the establishment of a national REDD+ mechanism by agricultural or timber conglomerates, bribing to promote fraudulent REDD+ schemes or to skew national baseline data by project developers, extraction of rents from REDD+ revenues by public officials, politicians or organised crime, double counting or fraudulent accounting, bribery to ignore violation of conservation laws, bribery to overstate avoided emissions or additionality of the project, intentional increases of emissions in lead-up to implementation by project host to benefit from higher credits. At the sub-national level, timber conglomerates may bribe sub-national politicians and public officials to opt out of REDD+ implementation, or weaken REDD+ policies in their area, and the local administration may extract rents from environmental service schemes aimed at benefiting local communities. He reminded that

³ FIP is an implemented joint partnership of the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank Group.

these are potential risks as REDD+ is very new and we don't have robust empirical data of corruption yet.

Looking at remedies, Aled stressed the need for tailored strategies that are based on the specific national circumstances while making use of existing knowledge on corruption risks and safeguards.

Gerthie Mayo-Anda contributed first-hand experiences of drafting a national REDD+ strategy from the Philippines. The Philippines' strategy is being drafted through a participatory multi-stakeholder process and civil society (lead by the Philippine Environmental Legal Assistance Center, ELAC) plays an important role in the process.⁴ Gerthie Mayo-Anda also contributes the case study of the Philippines for the U4 study.

With regard to the REDD+ strategy she reported on the challenges of conducting a meaningful multi-stakeholder consultation process in the Philippines. This time consuming process requires visiting key stakeholders on a one-by-one basis, identifying like-minded partners in the different institutions and bringing the views together. In the Philippines – as in other countries – overlapping institutions with conflicting priorities are involved in strategy development and implementation of REDD+ projects. Land tenure poses a particular problem because while there is state ownership over all natural resources this is counterbalanced by laws and policies on indigenous peoples. This will affect the question of carbon rights and benefits from REDD+. Presently, so-called 'carbon cowboys' are approaching local communities in the Philippines to buy land and forest rights from them for a price much below the value. Often they use festive occasions and alcohol to obtain profitable agreements. Regarding corruption risks in REDD+, in the Philippines good laws are in place but oversight and law enforcement is poor. It is thus crucial to strengthen accountability at all levels. Again, local ownership of REDD+ projects needs to be promoted through stakeholder participation for strategy development, implementation and oversight. Benefit-sharing schemes among local government units and communities will be a corner-stone for making REDD+ work, give local communities a meaningful role to play and ultimately protect livelihoods of forest dependent communities.

She further highlighted that REDD+ should not be marked as money but as a performance-based incentive, which can positively influence forest management efforts. To prevent corruption adaptation of access to information and transparency norms and other creative approaches are needed. Civil society will play a critical role and capacity development and information provision on all levels is necessary. She reminded that building institutional capacity of existing bodies is preferable over creating new institutions as this poses a risk of nepotism and rivalry.

Some 70 discussants from government, civil society, research institutions and donor agencies then shared their experiences and concerns. **Estelle Fach** from UNDP wrapped up the discussion and highlighted that there is already progress as governance concerns are high on the agenda of REDD+ preparation.

Main Outputs (200 words, narrative form)

There is increasing knowledge on corruption and REDD+. Kishor and Damania's work on 'Crime and Justice in the Garden of Eden. Improving Governance and Reducing Corruption in the Forestry Sector' of 2007 still provides valuable findings for the forest sector, the U4 study will be published in 2011, UNDP released a study on 'Staying on Track: Tackling Corruption Risks in Climate Change' in November of this year, the 'Center for International Forestry

⁴ Support for the development of the Philippines' national REDD+ strategy is provided inter-alia by the German government through GTZ.

Research' (CIFOR) recently published its report on 'Financial governance and Indonesia's Reforestation Fund during the Soeharto and post-Soeharto periods, 1989–2009: a political economic analysis of lessons for REDD', TI launched a 'Manual: An analysis of corruption in the forestry sector', and UNODC is preparing an analysis of REDD and governance.

The first experiences of countries preparing REDD+ as provided by Gerthie Maya-Ando underlines the need for transparency, participation and accountability to prevent corruption. Participants from **Indonesia** added their national experiences and emphasised the need to cooperate with law enforcement agencies and institutions responsible for public sector reform. The public administration reform task force in Indonesia includes participation of the anticorruption commission (KPK) and the REDD+ trust fund. REDD+ has been raised to the level of governance reform and programs have been set up to train judges on specific knowledge of forest/REDD+ to enable them to tackle related corruption cases.

Participants also identified challenges:

- Many REDD+ countries have weak governance structures with high levels of corruption, i.e. anti-corruption capacity is low
- REDD+ has an ambitious timeframe that conflicts with the fact that governance reforms in the forestry take a long time and depend on developments of the political economy and the wider governance context
- REDD+ runs the risk of addressing governance questions that might be outside the influence of a programme designed for the mitigation of climate change
- REDD+ addresses different layers of government and can learn from anticorruption tools in decentralisation

Recommendations, Follow-up Actions (200 words narrative form)

Knowledge sharing: the knowledge on anticorruption and REDD+ that is currently created through the above mentioned studies as well as first experiences with REDD+ needs to be managed, shared and applied.

Building alliances: it is vital to further build and sustain networks and alliances amongst the forest, climate and anticorruption community. On country level multi-stakeholder processes and task forces including anticorruption agents and local communities/indigenous people's representatives need to be promoted

Mainstream anticorruption into national REDD+ strategies: the present development of REDD+ strategies offers a window of opportunity to integrate anticorruption tools into the strategies. Anticorruption principles such as transparent tender, oversight and law enforcement, or complaints and whistle blowing systems need to be applied. However, they should be tailored to the national context.

Anticorruption capacity development: Capacity development for REDD+ stakeholders at all levels should include awareness on corruption risks and anticorruption tools.

Ownership and tenure rights: Land tenure and forest rights will be a particularly import area for anticorruption approaches to safeguard against 'carbon cowboys' and other corrupt interest that betray forest dependent communities of their potential benefits from REDD+.

Highlights (200 words please include interesting quotes)

- Corruption can turn REDD+ into one more instrument to distribute power and money

to a few, to undermine equity and justice and subsistence of local people.

- Some REDD+ readiness activities address anticorruption such as free prior informed consent and the demand for transparent, equitable, accountable management of REDD+ payments.
- There is concern among civil society that private sector will benefit from REDD+ money instead of communities.
- REDD+ must not be marketed as money but an opportunity for sound forest management.
- Training on REDD+ and corruption in forestry for judges in Indonesia is a good example for bridging anticorruption and REDD+.
- Good corruption prevention system should be a precondition to implement REDD+.
- We need to work together, we need to cooperate – UNREDD has the global perspective and want to link to national level.
- Anticorruption strategies and approaches for REDD+ must be adapted to the national context.
- To sustain the momentum for bringing the anticorruption lens in the national REDD+ strategies, the delegation from the Philippines will meet today to decide on concrete agenda on how to move forward.

Signed and date submitted
