Short Session Report: Global Solutions

Session Title: Preventing the risks of corruption in REDD+ Financing
Date & Time: 8th November 2012, 09:00-11:30
Report prepared by: Dr. D. Andrew Wardell and Mr. Ahmad Dermawan, Director and Researcher, Forests and Governance Programme, Centre for International Forestry Research (CIFOR)

Experts:

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Name: Mr. Davyth Stewart
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Moderated by: Dr. D. Andrew Wardell, Director, Forests and Governance Programme, CIFOR

Session coordinated by: Mr. Ahmad Dermawan, Researcher, Forests and Governance Programme, CIFOR

Main Issues Covered (500 words or more, narrative form)

Many countries are now formulating national REDD+ policies and regulations and conducting demonstration activities in countries with some of the poorest scroes on established governance indicators. REDD+ readiness is frequently

based on adapting existing forestry regulatory frameworks, so there are risks that past weaknesses in financial governance may continue. Although REDD+ financing derived from carbon markets remains largely hypothetical to date, the emergence of a compliance market could eventually lead to substantial flows of funding. In the interim many donors have committed to support REDD+. Despite large gaps between funding pledges, funds committed to dedicated climate change funds and actual disbursements, there is a critical need to adopt multiple anti-corruption measures to monitor report and validate the use of such funds in anticipation of future forest carbon markets. This will also ensure greater transparency and accountability in the use of public sector REDD+ readiness funds.

REDD+ involves large sums of public funding and, potentially even larger private sector investments. The panel will draw, initially, on earlier anti-corruption efforts in five countries – Kenya, Malaysia, Ecuador, Peru and Indonesia – to identify the risks of corruption in REDD+ financing based on past, and on-going initiatives to combat corruption in the forestry sector. The panel will identify a number of ways to promote greater transparency and accountability in the forest and other sectors as well as specific lessons learned from publicly-managed forest funds. Detailed explorations of these issues have been scarce to date and potential new policy and regulatory approaches are still being tested and developed. The panel will subsequently present more specific ideas on the measures needed i. to strengthen institutional and simplify regulatory frameworks, to improve accountability, transparency and law enforcement and to target rent-seeking and patronage networks, and ii. to ensure robust, efficient and accountable procedures for REDD+ financial flows,. The topics to be addressed will include identifying loopholes that could open new opportunities for corruption to occur during REDD+ readiness and implementation stages, from policy setting, implementation, securing concessions, performance measurement, payment for emission reductions, and distribution of payments to the ultimate beneficiaries. The session will help identify the roles of key actors inside and outside the forestry sector to combat corruption, and how international cooperation can help to tackle transnational crimes and corruption in the forestry sector. It is recognized that the corrupt gains and vested interest groups trying to maintain the *status quo* in several countries will not make the transition an easy one but there are grounds for cautious optimism.

Main Outcomes/Outputs

Six presentations were made based on case studies from Kenya, Malaysia, Ecuador, Peru, Indonesia, Uganda and Interpol's global Environmental Crime Programme. This was followed by a plenary Q & A session, and a summing up by the Moderator (see highlights below).The participants expressed their great satisfaction with a very rich and enriching panel of informative case studies.

A number of questions were raised regarding the importance of both periodic independent monitoring and regular project-based 'rolling audits'. Additional lessons learned in Indonesia regarding the Supreme Audit Agency, public access to reports, and the national and regional Anti-Corruption Courts were

provided to the representative from the Democratic Republic of Congo. The critical role of intelligence-led police investigations was highlighted by the Malaysian Anti-Corruption Commission, particularly with regard to cross-border operations. It was recognized that public access to contract documents remains at an embryonic stage with regard to REDD+ given the nature of this new and emerging market. Similarly, only a small number of cases involving the freezing of assets and/or recovery of assets or cash have been made in the forestry sector. The panel recognized the continuing need to address the global problem of illegal logging whilst recognizing the importance of the domestic timber trade in many countries.

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

The panel agreed to the following:

i. Prepare the long IACC panel report by 14th November 2012

ii. Develop one of the presentations into an article for publication in a Special Issue on Corruption in Natural Resource Management of an international peer-reviewed journal under preparation by CIFOR and the Australian National University

iii. Develop the other presentations into a collection of 'policy papers' for publication as a CIFOR Working Paper

iv. Explore new forms of collaboration between the participating institutions on the panel on themes related to corruption in REDD+ and REDD+ financing

v. Additional bilateral and multilateral initiatives with countries participating in REDD+ in Latin America, Sub-Saharan Africa, and the Asia-Pacific region

Highlights (200 words please include interesting quotes)

The panel highlighted the following points:

i. Several anti-corruption initiatives in the forest sector pre-date REDD+. Important to see current efforts as part of a continuum to address often deeply-embedded governance challenges in the sector.
ii. The institutional architecture associated with REDD+ is complex and requires a better understanding of multi-level governance at community, local and national government as well as global levels.
iii. By assigning a new value to forests (carbon), REDD+ has opened up a suite of new claims and new contests associated with governing access to, and use of forested lands. These new conflicts have added another layer to many long-standing contests.
iv. The critical importance of improving access to information has been enhanced through the increased 'voice' of civil society organisations and the growing role of social media. Much progress has been made but the critical issue of ensuring the credibility of information remains a key challenge.
v. To be effective REDD+ needs to be integrated as part of broader planning approaches at the landscape scale given the multiple competing claims to land based resources in the mining, agriculture and bioenergy sectors.
vi. New anti-corruption initiatives will help in addressing the risks associated with the potential future REDD+ financing.

Key Insights Recommended to be included in the IACC Declaration

The 'Preventing the risks of corruption in REDD+ financing' panel highlighted three key areas where the risks of corruption are particularly acute, viz.

i. Ensuring greater transparency in licensing processes associated with issuing REDD+ concessions and/or allocating forested lands under REDD+ schemes

ii. Developing rigorous and independent Measurement, Reporting and Verification (MRV) procedures to monitor changes in carbon pools associated with deforestation and forest degradation <u>and</u> MRV of financial flows associated with future REDD+ financing

iii. Defining and developing transparent and accountable governance arrangements for REDD+ benefit sharing that ensures inclusion of forest dependent communities and adequate grievance mechanisms

iv. Maintaining independent oversight and investigative mechanisms for REDD+.

Rapporteur's name and date submitted

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