



## REDD Integrity: An evidence based approach to anti-corruption in REDD+

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## Abstract

Schemes for Reducing Emissions from Deforestation and Forest Degradation (REDD+) have emerged as a means to address deforestation trends in developing countries and related emissions of forest carbon. Governance and corruption challenges facing REDD+ are widely acknowledged to be daunting both in their scale and severity. Learning lessons from empirical studies on corruption, anti-corruption and early REDD+ activities is important for minimising corruption risks in future REDD+ implementation. This U4 Issue paper draws together findings and suggestions for anti-corruption policy and practice from U4's three year *REDD Integrity* project. We find that addressing corruption in REDD+ requires a broad approach to accountability and not one merely focused on protecting REDD+ financing. There are often few legal mechanisms for external monitoring of community elites engaging with REDD+, and more attention needs to be placed on developing a cadre of REDD+ programme staff with anti-corruption expertise. Clearer procedures for managing forest carbon funds and distributing them to relevant rights holders will be vital to reduce many corruption risks.

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## About the REDD Integrity Project

This U4 Issue paper forms part of a three-year project entitled "REDD Integrity." Funded by the Norwegian Ministry of Environment via Norad, the project provides research and analysis on governance and corruption risks for REDD+ at national level and derives policy implications for development practice. The country case studies examine the ways in which corruption and poor governance in the forestry sector affect the development of REDD+. Existing corruption poses risks to REDD+ goals, while the financial resources associated with REDD+ may create additional opportunities for corrupt activity. Through this project, U4 is considering the importance of land tenure for REDD+, the integrity of benefit-sharing mechanisms, the role of the private sector, and the strength of anti-corruption and governance policies being supported by development agencies.

## Introduction

Schemes for Reducing Emissions from Deforestation and Forest Degradation (REDD+) have emerged over the course of the last several years as a means to address deforestation trends in developing countries and related emissions of forest carbon into the atmosphere. REDD+ is an umbrella term for local, sub-national, national and global activities that aim to reduce emissions from deforestation, forest degradation, and unsustainable forest management, and that also enhance forest carbon stocks (Angelsen, 2009). While REDD+ refers to specific forest conservation projects meeting particular governance criteria in developing countries, it also refers to either the national or international policy, legal and regulatory frameworks that intend to make these projects feasible. REDD+ entails a phased approach, moving from an initial “readiness” mode where emphasis is placed on policy assessments and strategy adoption, through to a second phase focused on enacting policies and enforcing measures. Finally, a third phase intends to quantify forest carbon changes compared to initial reference levels as a basis for financial transfers (Angelsen, 2009).

Governance and corruption challenges facing REDD+ in the years ahead are widely acknowledged to be daunting both in their scale and severity (Mustalahti and Rakotonarivo, 2014; Angelsen 2013; Kashwan and Holahan, 2014; Dermawan et al, 2011). Corrupt activities may affect REDD+ in different ways, making it less effective or equitable. As REDD+ readiness activities have proceeded around the globe, initial concerns about corruption and poor governance have led to the generation of substantial empirical evidence and the collection of practical insights into REDD+ governance from academic studies, media and NGO reports, donor-supported corruption risk assessments and capacity building efforts, and through the operation of REDD+ pilot projects.

The majority of REDD+ financing to date comes from public donor sources (Norman and Nakhoda, 2014). The focus of this Issue paper is therefore particularly on REDD+ readiness activities financed from public sources and channelled through bilateral country agreements or via the multilateral aid system.<sup>1</sup> Although the global architecture for forest and climate finance is complex and consists of both public and private sources, REDD+ is likely to continue to rely on public funding for the foreseeable future.<sup>2</sup> A main reason indicated for the slower-than-expected pace of REDD+ readiness activities to date has been the lack of projects generated that meet established aid funding criteria (*Development Today*, September 2013).<sup>3</sup> This means aid earmarked for particular purposes or actually spent in the readiness phase of REDD+ has been relatively modest in scale compared to the overall amounts pledged.<sup>4</sup> At the same time, and perhaps *because* only modest amounts of financing have reached pilot countries to date, only a few incidents of misuse of funds linked to REDD+ have surfaced over the past three years (Norad, 2014).<sup>5</sup>

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<sup>1</sup> An example of private forest and climate financing is the forest carbon offset market.

<sup>2</sup> REDD+ investments can represent only a small proportion of total forest and climate financing in particular countries. For instance, Brown and Peskett (2012) identify five main strands of public climate financing to Indonesia, only some of which are linked to REDD+.

<sup>3</sup> Angelsen (2013) reports a personal conversation with a development practitioner noting “you simply cannot imagine how hard it is to spend money on REDD+”.

<sup>4</sup> We can distinguish between money pledged, money earmarked for particular purposes such as climate funds, and money actually spent. For instance, since 2008 a total of NOK 10.3 billion has been disbursed via the Norwegian International Climate and Forest Initiative (NICFI), for example, while NOK 19.8 billion has been pledged but not spent (Norad, 2014).

<sup>5</sup> This lack of corruption scandals may also indicate that development of governance safeguards and fiduciary risk measures has been taken seriously by practitioners within public donor institutions. Still, isolated and small-scale misuses of project funds have been uncovered, for instance, through the use of an external audit in Tanzania (Aftenposten, February 2013). Empirical evidence of continuing corrupt practices outside REDD+ projects but within REDD+ pilot countries’ forest sectors is much more substantial. See, for instance, Mayo-Anda et al, 2014.

The main part of public aid financing for REDD+ has yet to flow.<sup>6</sup> Pressures to disburse increased amounts of aid and to show results from REDD+ projects are likely to increase in the years ahead, and as a result, corruption risks are expected to heighten because of basic principal-agent challenges. A principal-agent problem arises because an increase in funding and projects reduces the likelihood that donors and others will be able to carefully screen each project and monitor them once underway, creating the opportunity for a divergence of interests between donors and aid recipients (Anglesen 2013). That is, while there is a common interest between the principle (donor) and agent (aid recipient) in the transfer of REDD+ money, there is a risk of asymmetric interest in both how the money is used as well as in policy reforms linked to REDD+ financing. While donors want reforms, the recipient may not (otherwise the reforms would have been implemented already). An overarching risk for donors is that aid disbursement pressures could overtake the pace of governance reforms required to address corruption in REDD+ implementation.

Learning lessons from empirical studies on corruption, anti-corruption strategies and early REDD+ activities is important for minimising corruption risks in future REDD+ implementation. To contribute to such lesson-learning, this U4 Issue paper draws together main findings and suggestions for anti-corruption policy and practice from U4's three year *REDD Integrity* project. It draws evidence from case studies of early REDD+ work from an anti-corruption perspective in the DRC, Indonesia, Kenya, the Philippines, Tanzania and Vietnam, as well as from several thematically-focused literature reviews on various corruption risks in REDD+. We cover four interlinked areas of corruption risk and corresponding strands of anti-corruption approaches in: (i) supporting broad accountability mechanisms for REDD+, (ii) the promotion of equitable benefit-sharing for REDD+, (iii) securing carbon rights for indigenous communities, and (iv) promoting private sector engagement with REDD+ schemes. The final section outlines a suggested anti-corruption checklist for REDD+ programme managers.

## A note on method

This Issue paper is based on several other U4 publications, including country studies of the political economy of REDD+ and corruption in six countries in Central and Eastern Africa (the DRC, Kenya, Tanzania) and South East Asia (Indonesia, the Philippines, Vietnam).<sup>7</sup> All six country studies are to be published separately and contain notes on the precise methodology followed. These studies were all based on a political economy research protocol aimed at exploring the political, economic and social processes of corrupt practices linked to REDD+, and involved interviews with key stakeholders at national and subnational levels. In addition to country-case based analysis, we draw on two desk reviews of literature on forest carbon rights and corruption, and on benefit-sharing mechanisms and corruption (Downs, 2015; Dupuy, 2014).

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<sup>6</sup> Some critics argue REDD+ should not be counted as official development assistance because the large amounts of funding required may undermine other aid objectives. See: [www.aidwatch.org.au/campaigns/where-is-your-aid-money-going/climate-aid/](http://www.aidwatch.org.au/campaigns/where-is-your-aid-money-going/climate-aid/)

<sup>7</sup> For these studies, see the U4 REDD Integrity webpage at: <http://www.u4.no/themes/redd-integrity/>

# 1. Supporting broad accountability mechanisms for REDD+

REDD+ schemes raise some familiar and some new challenges when it comes to corruption risks. Though all aid interventions carry some degree of corruption risk, the forest sector and countries where REDD+ pilot activities are conducted rank poorly on formal quantitative governance indicators, such as the World Bank's Control of Corruption indicator (Bofin et al, 2011). Moreover, accounts of deforestation based on primary research, investigations and legal trials highlight how illicit and sometimes illegal arrangements between companies and public authorities, such as bribe payments and conflicts of interests, have contributed to destructive and short-term decision making, particularly in terms of providing access and ownership rights to those involved in logging operations, and other activities that take place in forested areas, such as mining (Standing, 2012). At the same time, and along with these existing risks of corruption that are present in the contexts where REDD+ activities are playing out, REDD+ holds the potential to generate new incentives for corruption (Standing, 2012). An emerging consensus is that addressing corruption in REDD+ requires both targeted anti-corruption responses and broader approaches to accountability that go beyond protecting REDD+ financing from fiduciary or programmatic risks.

## 1.1 Broad areas of corruption risk for REDD+

Many have pointed out that REDD+ is being promoted in countries where corruption has been, or continues to be, a pivotal factor in the political economy of forest use and deforestation. There is substantial evidence that forms of corruption undermine the effectiveness of state agencies in regulating the forest sector, and that this can occur from the very top levels of government down to the local level (Ascher, 1999; Burgess et al, 2011; Williams, 2003; Global Witness 2011). Corruption has been raised as a reason why illegal logging continues in many parts of the world, and why environmental and socially damaging activities by mining, agriculture and timber companies operating in tropical forest regions continue with impunity.

There are three main areas where REDD+ is thought to intersect with new corruption risks:

- First, if there is sufficient finance for REDD+, it will enhance the value of forest land thereby strengthening existing incentives for political and business elites to secure undue access to forest resources;
- Second, since REDD+ is ultimately intended to result in performance-based payments, various types of data need to be gathered to determine payment levels. In the new and complex field of measuring forest carbon (an intangible commodity) opportunities to manipulate this data in order to increase REDD+ payments could present themselves;
- Third, REDD+ payments are meant to be shared among various actors that play a role in forest carbon conservation (the state, firms, land owners, but also charities, indigenous communities and community based organizations). Corruption could be used to capture REDD+ revenues, thereby skewing the intended sharing of financial benefits from REDD+ projects.

Following on from these identified main risks, early work (Bofin et al, 2011) has pointed to the need to focus in particular on (i) anti-corruption and equitable benefit-sharing for REDD+, (ii) how to secure rights to carbon from an anti-corruption perspective, and (iii) how to meet anti-corruption goals



while engaging with the private sector on REDD+. These three specialist areas are discussed in more detail in the sections below, but first we turn to the overarching topic of promoting broad accountability for addressing corruption in REDD+.

## 1.2 Promoting broad accountability for addressing corruption in REDD+

REDD+ is not primarily a “governance intervention” akin, for example, to institutional support to the judiciary, a supreme audit body or other public watchdogs that can play an anti-corruption role. Neither is it a direct anti-corruption intervention aimed at establishing an anti-corruption agency or access-to-information legal provisions. At the same time, recognition that governance conditions and corruption risks will affect REDD+ implementation has led to the establishment of several “safeguards” intended to promote effective governance of forest resources and ensure equitable distribution of REDD+ benefits. The UN-REDD Programme notes that three of seven REDD+ safeguards relate to governance: (i) transparent and effective national forest governance structures, (ii) respect for the knowledge and rights of Indigenous Peoples and members of local communities, (iii) full and effective participation of relevant stakeholders, including, in particular, Indigenous Peoples and local communities (UN-REDD, 2010).

Though the development of governance safeguards for REDD+ is a significant achievement, it is recognized that the safeguards, in turn, depend on broader national governance reforms and accountability initiatives. It is challenging to imagine how transparent national forest governance can be achieved, for example, without some level of access-to-information legislation. Likewise, it is difficult to conceive of full and effective participation among all REDD+ stakeholders in states where governance conditions approach electoral or non-electoral authoritarianism. What first are described as “safeguards” can thus easily be viewed as objectives that may, or may not, be achieved.<sup>8</sup> A criticism of the performance-based approach that REDD+ is eventually aimed to entail is that the lure of REDD+ financing may encourage only superficial and narrow governance and accountability reforms, rather than the broader changes required to underpin REDD+ safeguards.

How can donors supporting REDD+ address this overarching risk of narrow and superficial governance reforms? A strategic response would be to ensure REDD+ activities are, on the one hand, coordinated in tandem with other broad forest sector interventions (such as the EU’s Forest Law Enforcement Governance and Trade process, implementation of professional forest certification standards, and compliance processes linked to the Convention on International Trade in Endangered Species of Wild Fauna and Flora) and, on the other hand, general governance interventions (such as support to the enactment of national access-to-information and whistle-blower protection legislation). This can be coupled with support for credible anti-corruption agencies with enforcement powers that enjoy popular support, such as Indonesia’s Corruption Eradication Commission (the *Komisi Pemberantasan Korupsi*, KPK), and support to civil society, community-based, and media organizations that play a role in transmitting corruption concerns to public bodies with an anti-corruption mandate.<sup>9</sup> While there is a risk of REDD+ contributing to narrow governance approaches, it has also been recognized (Standing, 2012) that it has the potential, if done well, to have positive impacts on corruption prevalence, mainly through increasing data on forest resources and their use,

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<sup>8</sup> Standing and Gachanja (2014) describe the application of REDD+ safeguards in Kenya as aspirational and difficult to operationalise because, while the need to improve participation in REDD+ is often stated, there is little consideration of what inhibits it.

<sup>9</sup> Core considerations in supporting civil society groups to play a REDD+ watchdog role are, first, whether they are sufficiently independent of REDD+ funding and activities to provide a critical perspective, and, second, whether avenues for critical concerns to be brought into official policy exist and would have anti-corruption effects. This begs another question: to what extent are national parliaments involved in debating REDD+ activities and could this role be further enhanced, possibly through organizations such as the Global Organization of Parliamentarians against Corruption (GOPAC)?

contributing to better organization among civil society actors, and raising the profile of indigenous communities in resource conflicts. The reality in many REDD+ country contexts, however, is that appropriate political, institutional, legal and societal conditions for mitigating corruption still either do not exist or exist only to a limited extent. The challenge for REDD+ donors is to ensure their activities contribute to (or at least do not hinder) movement in a positive direction on all these fronts.<sup>10</sup>

Practically, working to ensure good dialogue and cooperation between REDD+ programme managers and anti-corruption and democratic governance advisors within donor agencies, and commissioning studies that view REDD+ within the wider political economy of sector governance in a particular locale are likely to be beneficial actions. Although some of the above is already being done, more attention could be placed on developing a cadre of REDD+ programme staff with anti-corruption and democratic governance expertise. Diagnostic tools such as corruption risk assessments (see: Williams, 2014) are already available for REDD+, as are “theory of change” methodologies (see: Johnson, 2012) that allow staff to check assumptions about the overall governance and accountability environment in which a REDD+ project takes place.<sup>11</sup> The push to implement REDD+ in country settings where general governance conditions are difficult and dynamic, however, means that a continued, iterative focus on corruption risk assessment and management is required on the part of programme staff (Williams, 2014).

#### **Box 1. Using technology for reporting corruption in REDD+**

Transparency International (TI) Kenya is developing an online system that members of the public can use to report instances of corruption in REDD+ projects. These reports are then to be investigated further by the organisation, working with other NGOs and government departments. The new project is similar to a broader effort in Kenya known as the Integrated Public Complaints Referral Mechanism, launched in 2012. This is a partnership between TI-Kenya and various government agencies, including the Ethics and Anti-Corruption Commission, the Kenya National Commission on Human Rights, the Commission on Administrative Justice, the National Cohesion and Integration Commission, and the National Anti-Corruption Campaign Steering Committee. The mechanism for reporting instances of REDD+ related corruption proposed by TI allows people to complete online forms or send in information via mobile phones.

See: <http://www.tikenya.org/index.php/report-corruption-case>

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<sup>10</sup> Countries piloting REDD+ are at various stages of forest sector reform and donors should be sensitive to how REDD+ can complement, for instance, ongoing reforms for democratic decentralization of forest governance.

<sup>11</sup> There is a tendency among some bilateral donor staff to assume corruption risks are “dealt with” because of agreements with multilateral agencies or implementing partners. Such assumptions may be self-defeating from an anti-corruption perspective, since corruption in REDD+ would still need to be dealt with on some level by the bilateral donor involved. Moreover, assuming a strong anti-corruption potential on the part of multilateral agencies could lead bilateral donors to overlook promising domestic accountability mechanisms in REDD+ pilot or implementing countries, such as incorporating a role for supreme audit bodies, as pointed out by Dermawan and Sinaga (2015).

## 2. Anti-corruption and equitable benefit-sharing for REDD+

Benefit-sharing is critical for the successful implementation of REDD+, given that REDD+ hinges on providing forest users with positive monetary and non-monetary incentives that both motivate behavioural change regarding forest use and help offset the costs associated with implementation.<sup>12</sup> Emphasis has been placed on transferring financial benefits to forest users in order to provide them with more lucrative income-earning opportunities than those gained by felling trees.<sup>13</sup> Yet in order for monetary incentives to have any effect on forest users' behaviours, benefit-sharing must be equitable. Financial benefits must be distributed in sufficient amounts to the right people, both to compensate them for the income lost from forest resources and to provide them with higher income-earning opportunities. Implementing equitable REDD+ benefit-sharing will be a challenge, given that REDD+ is implemented in countries where corruption is widespread and that corruption skews the distribution of benefits. What are the risks to equitable financial benefit-sharing, and what strategies can be adopted to mitigate these risks?

### 2.1 Overview of REDD+ benefit-sharing mechanisms

REDD+ benefit-sharing entails the transfer of funds from the international arena to forested countries and the sharing of those funds between actors in recipient countries. Money flows to governments or other actors like non-governmental organizations (NGOs) in REDD+ countries either through inter-governmental transfers (currently the dominant funding source) or via flows of money from private actors or global carbon markets. After entering a recipient country, funds are distributed vertically and/or horizontally to the actors who have an impact on forest resources. Vertical distribution entails the allocation of funds from international actors (foreign aid donors, carbon markets, or private actors like NGOs) directly to REDD+ country national-level governments, local-level governments, REDD+ projects, and/or beneficiaries. In horizontal distribution, community-level institutions redistribute forest-derived revenues to local stakeholders. Funds can be delivered up-front via input payments to enable individuals to carry out certain actions, or they can instead be paid after the fact to reward certain behaviours.

### 2.2 Corruption risks in REDD+ benefit sharing mechanisms (BSMs)

Corruption can occur in REDD+ BSMs in four ways: by influencing the design process; through BSM design flaws; through revenue management; and through the manipulation of data used to determine payments.

- First, corruption can influence the actual design of BSMs, such as when “vested interests...influenc[e] the design of REDD+ policies and institutions to maintain flaws and opportunities for benefiting later by legal, semi-legal, or corrupt means”.<sup>14</sup> BSM features that are particularly susceptible to grand corruption during the design process include the type of

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<sup>12</sup> It is argued by some practitioners that REDD+ goals can be achieved without resolving inequities in benefit distribution. For instance, decreasing subsidies for cattle ranching driving deforestation could lead to a reduction in forest carbon emissions without resolving inequitable benefit-sharing within REDD+. Such arguments do not weaken the logic for pursuing equity in REDD+ benefit-sharing, however, but merely indicate how challenging this often is in practice.

<sup>13</sup> In this paper, benefit-sharing refers exclusively to financial benefit-sharing.

<sup>14</sup> Dermawan et al (2011).

BSM chosen for a country or local area; setting baseline emissions levels; the creation of measurement, reporting, and verification (MRV) mechanisms; the operating rules for how revenues should be used and who should manage the funds; and the designation of BSM beneficiaries.

- Second, corruption can occur due to design flaws that are not the result of corruption during the design phase. The general operating rules, as well as the accountability and transparency mechanisms included in a BSM may not be as clear, realistic, or well-designed as intended. Information about revenue flows and uses may not flow as freely and openly between actors as hoped for, and BSMs may not provide sufficient checks and balances on actors involved with revenue management when deeper power relations conflict with the roles assigned to actors in a BSM.
- Third, corruption can occur in revenue management. The greater the number of transfer points and/or intermediaries such as different government departments in a revenue flow chain, the higher the number of opportunities for leakage. This is particularly so when there is little transparency and accountability in the flow of revenues between different actors and governance levels. Power asymmetries also facilitate revenue mismanagement, such as when national or local level political elites use forestry revenues for patronage purposes because local communities and ordinary citizens lack the power to hold politicians to account.
- Fourth, emissions data can be manipulated through bribery and grand corruption. Emissions data is particularly important in output (performance) based BSMs, wherein the receipt of benefits depends on achieving a verified level of emissions. Fraud in the collation, reporting, and verification of data that determines financial rewards could result in benefits being rewarded to projects that have not taken place or that were as not as successful as claimed.<sup>15</sup>

### 2.3 Anti-corruption strategies for REDD+ BSMs

Several steps can be taken to mitigate corruption risks in REDD+ BSMs. These include making appropriate BSM design choices; supporting meaningful participatory management of BSMs as well as independent monitoring and evaluation of them; ensuring transparency and accountability in all facets of BSM revenue management; and including sufficiently robust sanction mechanisms to punish corrupt behaviour.

BSMs designed to limit opportunities for corruption – such as a national trust fund that sits outside of the government and is governed by an independent board – are good candidates for highly corrupt contexts. An input-based BSM will be better placed in a context where measurement, reporting, and verification (MRV) capacity is weak. Clear rules regarding revenue management must be created, and BSM designers should map out the relevant actors, institutions, and power relationships at play in order to illuminate potential corruption risks in a BSM. A distributional equation can reduce corruption in the calculation of benefits and ensure distributional equity.

Meaningful participation mechanisms that allow for input into decision-making processes regarding the selection of a BSM and the creation of its rules, as well as in how revenues are used and monitored, can both help to prevent the establishment of BSMs that might create opportunities for corruption and also increase transparency and accountability within a BSM.

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<sup>15</sup> Anecdotal evidence is emerging that there is a high risk of inequitable benefit-sharing associated with so-called «nested approaches» to REDD+. One practitioner reports nested projects in the DRC and Peru have seen project developers attempt to acquire a disproportionate amount of rights to emission reductions.

Independent monitoring of decision-making, data collection and verification, and revenue distributions and usage – such as by civil society organizations – as well as public dissemination of information can reduce opportunities for corruption. Moreover, timely public distribution as well as direct transfer of benefits to individuals can help to reduce revenue leakages, as can rigorous checks and balances on the authorities involved in revenue management, such as requiring a certain number of signatories to access a communally-owned BSM bank account.

### Box 2. Transparent and equitable carbon revenue sharing in the DRC

The Mai Ndombe REDD+ project is the first REDD+ project in the DRC and protects 300,000 hectares of tropical rainforest. Wildlife Works Carbon, a private company that operates the project, plans to mirror its approach in Kenya and place 50% of the project's profits from carbon credit sales into the Wildlife Works Carbon Trust. Locational carbon committees – composed of elected community representatives – will determine appropriate environmental and social community projects to be funded by the Trust Fund. Funds will then go directly to community-based organizations that oversee project implementation. Wildlife Works further plans to create a system whereby it can publicly post all carbon credit sales from each quarter on community noticeboards; this will include information about the calculation of revenue sharing with community landowner groups.

See: Forence Bernard et al (2014).

## 3. Securing carbon rights from an anti-corruption perspective

Another critical component of successful REDD+ is the clear allocation of forest carbon rights.<sup>16</sup> Forest carbon rights both assign responsibilities for forest resources and determine benefit-sharing under REDD+. There are a number of corruption risks associated with attaining, maintaining or transferring forest carbon rights, whether such rights are held centrally by governments or locally by forest communities. How can donors minimize these risks?

### 3.1 Overview of current approaches to assigning forest carbon rights

Carbon rights are a specific set of legal rights that ‘describe the right to exploit the carbon benefits of an activity... its emission reduction or sequestration potential’ (Streck, 2009).<sup>17</sup> Few countries have established legal systems for forest carbon rights, with Mexico and Guatemala as exceptions (Rights and Resources Initiative, 2014). Forest carbon rights are likely to evolve from existing rights and legal systems in REDD+ countries and in many cases, regulations already exist that could provide a legal basis for REDD+ (Rights and Resources Initiative, 2014). This means that existing land tenure, which determines factors such as ownership, excludability and the right to use different resources at different

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<sup>16</sup> Assigning forest carbon rights is not necessary for all REDD+ activities, for example removing subsidies for cattle ranching. However, clarifying carbon rights is a key governance concern, particularly with respect to indigenous rights and REDD+.

<sup>17</sup> The term “carbon rights” is interpreted in various ways in the literature and by REDD+ practitioners. In this paper, we adopt a broad understanding, recognising that carbon rights are likely to evolve differently in various existing legal systems. For further discussion of carbon rights and REDD+ see: Karsenty et al (2012).

times, provides a likely basis for both the ownership and use of forest carbon rights.<sup>18</sup> Existing tenure rights will also be influenced by the implementation of those carbon rights.

Given that forest carbon rights in many countries tend to resemble existing patterns of forest rights, in many parts of the world, forest carbon rights systems are likely to be based on state ownership. This means that states retain the right to benefit from (either by sale of carbon or through carbon funds) any emissions savings. The state may implement activities, for example by improving national park systems to benefit from carbon emissions savings. More commonly, the state may award licenses to other actors—companies or NGOs—who will gain the right to benefit from any REDD+ activities they implement in that area. Finally, states may implement policies to change the behaviour of other actors and claim the carbon benefit. In such instances, BSMs will be needed to offset opportunity costs for other rights holders.

There is a strong push internationally towards securing forest carbon rights for forest communities. Assigning forest carbon rights to customary communities, through titling, is linked to broader land tenure reform, and appears a necessary step to ensure community rights to informed consent or effective participation are protected (Rights and Resources Initiative, 2014; Sunderlin et al., 2014). In some countries, customary rights may be the dominant form of forest carbon rights, (e.g. in Papua New Guinea or Ghana), in others, customary or community rights may only apply in specific regions (e.g. Nepal or Peru).

If forest carbon rights are assigned to communities, REDD+ implementation will need to identify and legally recognize specific customary authority. It must further clarify (where possible) what the specific customary rights may be (for example, who has access to what sort of forest product, at what time). In addition to this, systems will be needed to ensure that those customary owners directly benefit (either via cash or in-kind payments).

### **Box 3. Clarifying rights to reduce resource conflicts and corruption?**

In the Philippines, resource conflicts appear to be where many corrupt practices begin, particularly with regard to the titling and use of forest land. Land tenure remains tenuous for Indigenous Peoples and even at its earliest stages of implementation, REDD+ brings this to the fore. Despite laws and instruments that allow for secure forest land tenure on paper, the process for securing tenure in practice can be difficult. Bribery and conflicts of interest reportedly plague the preparation of land and cadastral surveys, leading to conflicting land claims. Local officials argue corruption could be avoided if communities and claimants were given adequate assistance to enable them to gain just title to their lands.

See: <http://www.u4.no/publications/the-political-economy-of-corruption-and-redd-lessons-from-the-philippines-pilot-sites/>

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<sup>18</sup> Existing land tenure arrangements in many forest areas remain highly contentious, particularly the distinction between legal tenure and de facto or customary tenure practices. REDD+ activities are therefore likely to face considerable challenges in resolving such tensions and successfully clarifying carbon rights.

### 3.2 Corruption risks in forest carbon rights allocation

As many forest carbon rights regimes will be modelled off existing forest rights, some corruption risks will be similar to other forest uses. For example, the risks of bribes being paid to government officials to award licenses for REDD+ projects may be similar to the bribes associated with licenses for logging concessions. But the unproven profitability of REDD+ intrinsically limits this risk and there is also little expectation that corruption associated with REDD+ licensing will have any effect on broader land-use plans. Other corruption risks are as follows:

- Once funds have been allocated to different actors (including customary rights holders) there are risks of corruption and embezzlement in the actual distribution of funds between different agencies and to local communities (these risks were discussed above, see BSMs);
- When forest carbon rights are assigned to communities, there are additional risks associated with distributing money (or in kind payments) to those rights holders, be they individuals or communities. These risks increase with scale. Other factors such as remoteness, literacy levels and access to banking infrastructure may also increase the risks;
- There are general risks of corruption and fraud when identifying customary forest rights holders. This is because unclear or fluid customary ownership of land may make identification of full customary rights holders difficult and costly. There are incentives and opportunities for individuals to fraudulently claim to be a customary rights holder or to claim to represent those customary rights holders (ODI, 2007);
- There are also risks of embezzlement and the corrupt use of proceeds of any REDD+ project, as seen in countries where communities receive direct payments for other forest products. These risks are exacerbated by geographic and communication remoteness: when local communities have little idea of how much money is being transferred, when and how it is being used, and little capacity to prosecute any abuses. There are often few legal mechanisms for external agents to monitor activities of community elites;
- Finally, there are also risks when forest carbon rights are transferred between actors. So-called 'carbon cowboys' have been reported in many countries to fraudulently or corruptly acquire the carbon rights of communities (Lang, 2012).

### 3.3 Anti-corruption approaches in assigning forest carbon rights

Some key corruption risk factors may only be evident once the detailed regulations surrounding forest carbon rights and REDD+ are formalized. Procedurally this will mean there is a need for donors to support wide consultation with in-country participants in forming REDD+ regulations. This will reduce the potential for capture in the decision-making surrounding how forest carbon rights are allocated.

If carbon rights are assigned to states, anti-corruption efforts should focus on procedures for benefit distribution, particularly for communities whose existing rights may not be legally recognized. Knowledge gaps continue to exist about how such rights will be affected by any specific REDD+ intervention. Donors need to be aware of the risk of capture of decision-making and how that may result in a failure to recognize customary rights, and failure to include such rights holders in any distribution mechanism. Extensive study of how REDD+ interventions affect a wide variety of stakeholders is still necessary. Furthermore, donors need to encourage governments to identify and make use of such studies to ensure that no capture exists.

Clear procedures for managing forest carbon funds and distributing them to relevant rights holders will be vital to reduce many corruption risks. Traditional anti-corruption tools—such as ensuring carbon funds are kept separate from other funds (to protect them from co-mingling and establish conditions for performance-linkage) and are publically reported—will be necessary.

Donors will need to ensure there is sufficient funding to support the administration aspects of legalizing community ownership and maintaining carbon rights to communities, as well as the logistics of transferring funds to those communities. This is particularly the case when carbon ownership is complicated (such as when customary practices which determine inheritance and user rights are varied and boundaries between customary lands are fluid) or communities are very remote.

Clear management of carbon funds must be accompanied by education campaigns, such as the US State Department's Widening Informed Stakeholder Engagement for REDD+ (WISE REDD+) surrounding carbon pricing for community groups and civil society. These campaigns need to provide sustained and independent information for communities and civil society who are currently or potentially engaged in REDD+ projects. Without strong education campaigns, limited understanding about carbon will mean that many communities are unable to hold government or developers to account. This will increase opportunities for corruption.

Finally, there are policy challenges to transferring rights between actors, particularly from communities to developers. Donors and REDD+ project proponents will need to ensure procedures are in place to support the informed decision making of those community rights-holders. This could be accompanied by efforts to inform buyers of carbon credits about the security and legality of credits when they are subject to such a transfer.

## 4. Anti-corruption while promoting private sector engagement with REDD+

Although involvement of the private sector in national REDD+ activities has to date been limited, it is set to play a key future role. An overarching intention is that the public aid finance used to establish institutional and legal frameworks for REDD+ activities leads in time to the creation of an international market where forest carbon credits are bought and sold. The aim is to gradually minimize pressures on the public purse in donor countries, while continuing to incentivize forest protection in REDD+ implementing countries through a market mechanism. An early challenge identified for REDD+ has been how to attract responsible private sector actors and investments, while deterring unscrupulous actors and “carbon cowboys”, all in a sector and in countries where nepotism, conflicts of interest, bribery and the blurring of public-private interests are rife.

### 4.1 Corruption risks for private sector engagement with REDD+

The risks of corruption in REDD+ activities involving the private sector to some degree touch on many of the risks already identified in the sections above on benefit-sharing and assigning carbon rights:

- Private actors or firms may seek to illegitimately acquire rights to forests, land or carbon in order to subsequently benefit from REDD+ financing. This can be done by deceiving or bribing communities into handing over rights or agreeing to share them, possibly through collusion with community elites. This can be done in spite of moratoria on assigning new forest carbon rights by bribing relevant public officials;



- Once rights have been allocated, private sector actors could seek to embezzle REDD+ financing rather than pursue agreed benefit-sharing protocols, a risk likely to be enhanced where such protocols are unclear or not widely known;
- Private sector actors may seek to unduly capture REDD+ financing through a combination of carbon emission data manipulation and bribery aimed at monitoring agencies and officials;
- Private sector actors involved in industries that compete for land with REDD+ projects (e.g. mining, logging, palm oil) could seek to unduly influence public policy to undermine support for REDD+, for instance through making illegal financial contributions to particular politicians or political parties. Alternatively, private sector actors may seek to unduly influence national REDD+ policies on, for instance, benefit-sharing to ensure subsequent capture of REDD+ financing.

## 4.2 Anti-corruption approaches for private sector engagement with REDD+

Approaches to minimize the risk of private sector involvement in corruption related to REDD+ should recognize that private sector actors hold the potential both to drive governance improvements and to be among the worst corruption offenders in a particular context. A core goal should be to encourage responsible private sector engagement while denying space for unscrupulous actors to engage with REDD+ projects. Possible areas of anti-corruption activities can be divided into two broad segments: first, activities that directly relate to REDD+ projects and, second, activities that are only indirectly related to REDD+ but may nonetheless curtail opportunities for unscrupulous private sector engagement in REDD+.

Activities likely to directly curtail opportunities for corruption involving private sector actors in REDD+ overlap with many of the anti-corruption actions already described above. Ensuring an appropriate design based on broad consultations for benefit-sharing arrangements could, for instance, reduce the risk of REDD+ policy capture by particular business interests. Similarly, creating broadly agreed measurement, reporting, and verification (MRV) mechanisms for REDD+ projects could reduce the space for bribery aimed at skewing benefit-sharing towards private sector actors. Such clear rules and regulations are likely to increase business certainty and make REDD+ a less attractive target for corrupt businesspeople.

Activities only indirectly related to REDD+ projects, but which may prove crucial to curtail unscrupulous private sector behaviours with regard to REDD+ are potentially many, ranging from institutional and legal measures to promote a responsible investment climate, to procurement reforms and party political finance rules. The broad nature of such activities is a reason why addressing corruption risks in REDD+ should involve a range of initiatives, programmatic approaches and collaboration within donor agencies, but also among donors and programme partners in REDD+ pilot and implementing countries. An example from Indonesia of such an indirect activity is the development of its “one map” policy (see box 4) which responded to private sector concerns regarding business certainty.

**Box 4. Indonesia's "one map policy" and reducing uncertainty in REDD+**

In Indonesia, the corporate sector had raised concerns about the lack of a single map of the country including all natural resources. It was argued that the availability of one map that everyone could refer to would increase business certainty and reduce resource conflicts. The idea to pursue a national "one map policy" emerged during a cabinet meeting, when officials from the Presidential Working Unit for Supervision and Management of Development (UKP4) presented differences between maps from the Ministry of Environment and Ministry of Forestry. Integrating the various maps used by different ministries and agencies in Indonesia to create a single map is a large undertaking and an important task in reducing uncertainties in REDD+ that present corruption risks.

See: <http://www.esri.com/news/arcnews/spring12articles/indonesia-nsdi-one-map-for-the-nation.html>

## 5. An anti-corruption checklist for REDD+ programme managers

We have outlined above main corruption risks and anti-corruption approaches related to these risks in four issue areas that are crucial to the success of REDD+. Applying anti-corruption lessons from empirical research back into programme design and management is nonetheless a demanding task facing REDD+ programme managers. How can development practitioners be sure they are being reflective of the empirical evidence and adapting their approaches to include anti-corruption mitigation measures? And how can forest sector specialists engage with amorphous concepts such as "governance" and "accountability" via what are essentially "narrow" forest and climate projects? What are the entry-points for introducing corruption mitigation measures, and how can the effectiveness of these measures be monitored over time?

Though contexts vary and the specific anti-corruption issues in each REDD+ project and country will differ, we nonetheless suggest that asking basic questions can offer a starting point for evaluating the anti-corruption dimensions of REDD+ projects. It is essential that REDD+ programme managers coordinate and collaborate closely with colleagues working not only on anti-corruption and democratic governance, but also the areas of judicial reform, public administrative reform, support to civil society and the media, support to an improved business climate, as well as support to specific accountability institutions such as supreme audit institutions and anti-corruption agencies. Even with such cross-thematic collaboration, there is a risk that anti-corruption reforms and strategies become façade initiatives that make little impact on corruption prevalence in specific locales. It is for this reason that developing "theories of change" for REDD+ activities from an anti-corruption perspective can be useful (Williams, 2014). Such approaches offer a means of recording programmatic assumptions and evaluating their accuracy against actual performance.

The following is a basic checklist for REDD+ programme managers to consider when conducting a "theory of change" planning exercise, or otherwise in designing and evaluating anti-corruption aspects of particular REDD+ projects. For ease of reference, the checklist is divided into global, national and subnational level issues and actions, although we encourage readers to consider how issues at the various levels relate to one another.

## Global level

Actor/s	Checklist Question/s	Follow-up Action/s
<b>Bilateral and multilateral donors, global civil society organizations, global parliamentarian organizations</b>	Are anti-corruption approaches for REDD+ coordinated in tandem with other broad forest governance interventions with global reach e.g. FLEGT?	If no coordination, practitioners and policy-makers focusing on REDD+ and other forest governance interventions could pool resources and collaborate on refining and coordinating anti-corruption approaches.
<b>Bilateral and multilateral donors, global civil society organizations, global parliamentarian organizations</b>	Are anti-corruption approaches for REDD+ linked to broad national governance and accountability reform processes e.g. access-to-information law-making?	If no linkage, REDD+ practitioners and policymakers could consider their “theory of change” for anti-corruption goals in collaboration with colleagues working on broad accountability and governance initiatives in specific contexts.

## National level

Actor/s	Checklist Question/s	Follow-up Action/s
<b>Anti-corruption agency; executive branch of government; national REDD+ authority; national REDD+ multi-stakeholder group</b>	Is there an anti-corruption strategy for REDD+ nationally?  How will the strategy be monitored and by whom? Does the strategy identify specific corruption risks?	If no formal strategy, one could be developed with donor support; If strategy development has stalled, follow-up with the anti-corruption agency and other donors will be required; If there is a strategy but no monitoring plan, one could be developed; If corruption risks identified are generic rather than specific, further analysis could be done to produce a greater level of detail.
<b>Supreme audit agency, bilateral and multilateral donors</b>	Who will audit REDD+ nationally?; What types of audits (internal, external, performance, forensic) will be conducted?; Will they be discussed in parliament?	If it is clear who will audit, production of quality audits may depend on further capacity building; If it is unclear who will audit, this can be clarified via donors and the supreme audit agency.
<b>Legislative branch</b>	Does national legislation provide for whistle-blower protection?	If there is protection, does it provide practical safeguards for different categories of REDD+ stakeholders?; If there is no legal protection, what is the status of its implementation and how can this status be improved?
<b>Legislative branch</b>	What is the status of access-to-information legislation?	If there is legislation, to what extent is it actively used and applied in practice in relation to the forest sector?; If there is no legislation, what is the current status and how could it be improved?

<b>Legislative branch</b>	What is the status of national legislation regarding corruption? Are applicable laws linked to REDD+ regulations and policies?	If there is legislation, but this is not reflected in REDD+ policies, further policy work could integrate, for instance, the full gamut of corruption offences into REDD+ strategy and policy documents.
<b>Ministry of forestry or department of natural resources; anti-corruption agency; national law enforcement agencies</b>	What is the status of compliance with illegal logging regulations or any forest sector moratoria? Do forest wardens have an enforcement mandate and are they sufficiently resourced to fulfil any mandate? What measures are in place to prevent petty bribery involving local forest officials?	If there are clear illegal logging regulations or there is a specific forest sector moratorium, to what degree is it enforced in practice and what are the main loopholes?; If enforcement is the main challenge, what additional capacity building and resources can be made available to forest law enforcement agencies?; If local forest officials are captured by corrupt interests, what types of monitoring regimes and sanctions can be put in place to encourage improvements?
<b>NGOs, bilateral and multilateral donors</b>	Is the most prominent national NGO on anti-corruption working on REDD+?; Do REDD-focused NGOs have an anti-corruption approach? Are there potential conflicts of interest between NGOs implementing REDD+ activities and those who focus on REDD+ in an anti-corruption watchdog role?	If not, they could be encouraged to work in this area; If they do, are their efforts well-focused given known corruption risks? Could additional capacity building be provided? If there is a potential for conflicts of interest between NGOs engaged in REDD+ activities and those who perform an anti-corruption watchdog role, specific mitigation measures could be introduced.

**Subnational level**

Actor/s	Checklist Question/s	Follow-up Action/s
<b>Provincial and/or district authorities; subnational REDD+ multi-stakeholder bodies</b>	Is there an anti-corruption strategy for REDD+ at local administrative level? How will the strategy be monitored and by whom? Does the strategy identify specific corruption risks?	If there is no strategy, one could be developed that takes into account specific corruption risks within the locale; If there is a strategy, but it is not being monitored, could a multi-stakeholder group be formed to do so? If corruption risks identified are generic rather than specific, further analysis could be done to produce a greater level of detail.
<b>Local REDD+ stakeholders, provincial and/or district authorities; REDD+ donors</b>	To what degree is there awareness among local stakeholders of REDD+ anti-corruption strategies and monitoring regimes? How is such awareness measured?	If there is no or little awareness of the importance of anti-corruption for REDD+, educational campaigns could be organized; If there is awareness, but no measurement of change over time, donors could support establishment of a baseline and monitoring system

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Schemes for Reducing Emissions from Deforestation and Forest Degradation (REDD+) have emerged as a means to address deforestation trends in developing countries and related emissions of forest carbon. Governance and corruption challenges facing REDD+ are widely acknowledged to be daunting both in their scale and severity. Learning lessons from empirical studies on corruption, anti-corruption and early REDD+ activities is important for minimising corruption risks in future REDD+ implementation. This U4 Issue paper draws together findings and suggestions for anti-corruption policy and practice from U4's three year REDD Integrity project. We find that addressing corruption in REDD+ requires a broad approach to accountability and not one merely focused on protecting REDD+ financing. There are often few legal mechanisms for external monitoring of community elites engaging with REDD+, and more attention needs to be placed on developing a cadre of REDD+ programme staff with anti-corruption expertise. Clearer procedures for managing forest carbon funds and distributing them to relevant rights holders will be vital to reduce many corruption risks.