2nd Symposium on Supranational Responses to Corruption:

Integrity in Climate Finance & Action

London, 9-10 May 2024

KNOWLEDGE REPORT

Executive Summary

The 2nd Symposium on Supranational Responses to Corruption: Integrity in Climate Finance and Action, held on May 9-10, 2024, highlighted the intersection of two global challenges - **climate change and corruption**. Hosted by the World Bank, the Green Climate Fund ("GCF"), and Transparency International at the London School of Economics and Political Sciences with support from several academic and policy institutions, the Symposium underscored the **urgent need for robust integrity mechanisms to safeguard climate finance from corruption and other integrity failures**.

Climate finance, essential for executing mitigation and adaptation strategies and projects regarding climate change, **is projected to reach trillions of U.S. dollars by 2030**. However, the need to rapidly deploy these funds clashes with the call for transparency, accountability, and anti-corruption safeguards, aimed at reducing risks of misuse, greenwashing, and inefficiency. Corruption in this context undermines global climate objectives and disproportionately affects communities vulnerable to climate change.

While corruption and poor integrity practices are not unique to the climate space, **the global scale, high value, and urgent nature of projects addressing the climate change crisis** render these types of risks particularly acute and dangerous. Addressing these risks requires **robust and coordinated responses from supranational actors**, who have direct authority to implement effective anti-corruption measures even – or especially - when national authorities may be unable to do so.

This Report summarizes the 16 papers presented during the Symposium and the insights shared by the participants at the event. It underscores the **critical role of supranational actors** – specifically intergovernmental organizations, international aid agencies, corporations, and private donors - in mitigating integrity risks and ensuring accountability in climate finance. It examines both *integrity risks* and *corruption risks* in climate finance.

While these are interrelated and sometimes used interchangeably, integrity risks are broader and extend to issues of lack of transparency and accountability in finance delivery.

Key Integrity Challenges in Climate Finance

The Symposium discussed the increasing complexity and fragmentation of climate finance, which amplifies risks of corruption and governance failures. Contributions from diverse public, private, and voluntary sectors create overlapping accountability gaps and vulnerabilities. Key challenges identified include **corruption in high-risk sectors** such as forestry, energy, construction, and mining, which are frequently plagued by fraud, bribery, and collusion, exacerbated by weak regulatory oversight. The **Voluntary Carbon Market ("VCM")** was also object of concern for participants in the Symposium, particularly as the lack of standardized methodologies and accountability in VCM projects has enabled greenwashing, inflated emissions reductions, and financial misappropriation. Another risk involves **project-level failures**, with insufficient oversight during planning and implementation stages resulting in financial losses and missed climate targets. Connected to these challenges, increasing litigation against misleading environmental and climate claims demonstrates the legal and reputational vulnerabilities faced by entities involved in climate finance.

The Symposium identified systemic vulnerabilities contributing to these risks, which were categorized into three areas:

- **Integrity-Related Issues:** Weak ethical foundations, flawed contracting processes, and inadequate monitoring and financial management.
- **Accountability Gaps:** Insufficient stakeholder engagement, inadequate whistleblower protections, and ineffective judicial mechanisms.
- **Transparency Deficits:** Lack of disclosure regarding conflicts of interest, lobbying activities, and financial flows.

These weaknesses, present at institutional, national, and international levels, require a coordinated and integrated approach to restore trust in climate finance mechanisms.

Supranational Responses

The Report highlights the **critical role of supranational actors in addressing these challenges through collaborative efforts and robust anti-corruption measures**. These actors can establish universal integrity standards, foster cross-border collaboration, and provide technical assistance and capacity building. However, existing mechanisms often operate in silos and lack climate-specific considerations, hindering collective efforts to address corruption effectively. Supranational responses that were discussed in the context of the Symposium include:

1. **Strengthening International Coordination**
   Supranational frameworks, such as the United Nations Framework Convention on Climate Change ("UNFCCC"), United Nations Convention Against Corruption ("UNCAC"), and United Nations Convention against Transnational Organized Crime ("UNTOC"), should align efforts to address the intersection of climate change, corruption, and organized crime. Also, incorporating integrity considerations into United Nations Intergovernmental Panel on Climate Change ("IPCC") assessments can focus attention on high-risk sectors like renewable energy, deforestation, and waste management. Furthermore, it is important to bring together regional and global intergovernmental organizations, including international financial institutions ("IFIs") and the European Union, to agree on a progressive and coordinated incorporation of integrity safeguards into climate policies and financial assistance to countries.

2. **Enhancing the Role of the UNFCCC COP**
   The UNFCCC Conference of the Parties ("UNFCCC COP") should include integrity risks as a core agenda item, and request the integration of anti-corruption measures into Nationally Determined Contributions ("NDCs") and Biennial Transparency Reports.

3. **Integrating Oversight Mechanisms in MDBs**
   Multilateral Development Banks ("MDBs") should strengthen collaboration between integrity management and accountability units, develop integrity due diligence frameworks for climate finance projects, and leverage external tools to enhance assessments.

4. **Improving Transparency in Beneficial Ownership**
   Supranational actors should promote the global adoption of beneficial ownership registries that can prevent illicit financial flows and enhance investor confidence, and should require the disclosure of beneficial owners in all its transactions.

5. **Engaging the Private Sector**
   Private actors should adopt strong governance standards, whistleblowing mechanisms, and integrity-driven board oversight, as well as consider implementing or following the integrity exclusion mechanisms of other organizations.

6. **Involving Private Donors**
   Private donors should incorporate integrity safeguards into their grant making and contracting processes, including by performing integrity due diligence regarding their prospective grantees and by requesting the grantees to propose integrity safeguards in their funding requests.

7. **Safeguarding the Voluntary Carbon Market**
   Verification and certification in VCMs are vulnerable to integrity risks. Standardized project rating frameworks, national carbon registries, and improved VCM oversight mechanisms are vital to ensure accountability and reduce greenwashing.

8. **Recovering the Loss and Repairing the Damage**
   Mechanisms should be implemented for recovering climate funds lost due to corruption and related integrity failures, and incorporating damage reparation principles into recovery processes and fund allocation.

Looking Ahead

The Symposium underscored that addressing integrity risks in climate finance is not just a financial and moral imperative but also an existential one. Without transparency, accountability, and recovery, the effectiveness of climate finance is undermined, jeopardizing the global transition to a low-carbon economy.

While funders have been primarily focused on mobilizing the quantity of climate finance, equal attention must be given to the quality of its execution. Ensuring that funds are employed as intended—without diversion or misuse—is vital not only for the achievement of climate objectives but also for the credibility of ongoing efforts to further increase climate funding. Governance failures and diversion of funds risk undermining future funding commitments and derailing progress at a time when urgency is paramount.

The Symposium marked a starting point for a key dialogue on how to align climate and anti-corruption frameworks to support the achievement of the global climate goals. The responses that supranational actors might be able to offer and that are outlined in this Report provide a roadmap for a high-integrity climate financing system, capable of meeting the urgency of the climate crisis while maintaining high standards of accountability. Further research and continued dialogue between stakeholders remain much needed to enhance collaborations and strategies for a creative, efficient, and coordinated evolution of integrity and anti-corruption policies in the climate domain.