

# PROTECTING CLIMATE FINANCE

PROGRESS UPDATE ON THE CLIMATE INVESTMENT FUNDS'  
ANTI-CORRUPTION POLICIES AND PRACTICES

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Authors: Lisa Elges and Gareth Sweeney  
Editor: Gareth Sweeney

Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of December 2016. Nevertheless, Transparency International cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

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# EXECUTIVE SUMMARY

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## INTRODUCTION

In 2014, Transparency International<sup>1</sup> published its first Anti-corruption Assessment of the Climate Investment Funds.<sup>2</sup> The assessment reviewed the Funds' governance designs and their transparency, accountability, and integrity policies and procedures with a view to identifying and promoting best practices for the effective governance of climate finance. The initial assessment recognised a number of best practices exhibited by the Funds, including their commitment to transparency, accountability and participation. It also identified areas for improvement, including the need for an ethics policy, better disclosure of key policies and contracts, and coordinated stakeholder engagement.

This Progress Report reviews the steps taken by the Climate Investment Funds to respond to TI's 2014 recommendations. The review was conducted by a desk study which assessed documentation and decisions taken between the 12<sup>th</sup> and 15<sup>th</sup> Joint Clean Technology Fund-Strategic Climate Fund Trust Fund Committee meetings (June 2014-June 2016).<sup>3</sup> The review was further supported by engaging with the Climate Investment Funds Administration Unit for comments based on the desk study findings, as well as respective multilateral development banks (as relevant). Overall, the review tracked progress against three categories: sufficient progress, medium progress, and no/little progress, as defined in the attached methodology. The Progress Report also recognises that the future direction of the Climate Investment Funds is under consideration,<sup>4</sup> and therefore the application of outstanding recommendations may be affected accordingly.

## MAIN FINDINGS

The Climate Investment Funds' Trust Fund Committees and Administrative Unit have continued to strengthen Fund-level policies and practices related to transparency, accountability and participation. The Funds have demonstrated best practices around civil society participation at global Committee meetings, as well as the development of a Stakeholder Advisory Network for climate finance. The Administrative Unit is continually receptive to civil society feedback and works toward improving access and input by all stakeholders at country level. The Funds' Transparency and Accountability webpage also outlines the policies of the Funds' and Implementing Entities on access to information, anti-corruption and integrity, and the Funds' complaints mechanism. Other significant advances include the alignment of information disclosure policies to comply with the World Bank Access to Information Policy, the appointment of a Senior Risk Management Officer, annual reporting on the potential misuse of funds through a new risk dashboard, and the adoption of a Code of Conduct for Trust Fund Committee Members and Observers.

Among the suggested recommendations for further strengthening performance in these areas, the Funds may wish to demonstrate the effectiveness of anti-corruption safeguards through their monitoring, reporting and evaluation efforts. While the application of an Enterprise Risk Management (ERM) dashboard will improve the evaluation of corruption risk, and while efforts are underway to harmonise standards for national-level stakeholder engagement, downstream accountability continues to be a

concern. Also, the Funds should strive to disclose their Financial Procedures Agreements and ensure that their Trust Fund Committee meetings are webcast.

## PROGRESS UPDATE ON KEY 2014 RECOMMENDATIONS

### TRANSPARENCY

#### ↑ SUFFICIENT PROGRESS

- Project datasets have been published on the International Aid Transparency Initiative (IATI) site in accordance with IATI standards.
- The Funds have created a webpage which explains its policies and provides direct links to the access to information policies of the Funds and to each of their Implementing Entities.

#### → NO/LITTLE PROGRESS

- Webcasting of the Funds' meetings has still not been formally considered.
- Implementing Entities are not required to report periodically on the use of their disclosure policies in Funds-related projects.
- The Funds' Financial Procedures Agreements are not publicly disclosed or accessible.

### ACCOUNTABILITY AND INTEGRITY

#### ↑ SUFFICIENT PROGRESS

- The Trust Funds' Committees adopted a revised Code of Conduct in March 2016, setting out a zero-tolerance corruption policy within the Funds.
- An Enterprise Risk Management dashboard has been developed and a Senior Risk Management Officer is in place to oversee implementation through the Fund's annual reports.
- The Funds are developing a Stakeholder Advisory Network "to advance the engagement of the broader non-state stakeholders ... at the country, regional and global level".<sup>5</sup>

#### ↗ MEDIUM PROGRESS

- In 2017, the Senior Risk Manager will undertake a review of the Implementing Entities' policies and practices related to the Funds' programmes' and projects' exposure to fraud risk.
- The Funds continue to host multiple learning events and would benefit from dedicated training sessions to promote integrity for individuals working for the Funds at all levels.

#### → NO/LITTLE PROGRESS

- The Funds do not require that anti-corruption and integrity are monitored and evaluated via progress reports and project evaluations.

- The Trust Fund Committees do not have a formal appeal procedure to respond to requests that Fund decisions be explained, reviewed or revoked.
- The new Code of Conduct misses a process for complaints, and is unclear on how a finding of non-compliance within the Funds may be reached and on what sanctions may be applied.

## NEW ASSESSMENT FINDINGS

Transparency	Performance
<p><b>Indicator: Access to information policies of Implementing Entities</b></p> <p>The Funds are bound by the World Bank’s access to information policy and rely on the information disclosure policies of their Implementing Entities for project and programme implementation. The Funds have created a bespoke Transparency and Accountability webpage which provides direct links to these policies.</p>	<p><b>STRONG</b></p>
Accountability and integrity	
<p><b>Indicator: Anti-money laundering policies and programmes of Implementing Entities</b></p> <p>The Funds are bound by the World Bank’s anti-money laundering policies and procedures and rely on the same policies as their Implementing Entities for project and programme implementation. The Funds would benefit by communicating these policies on its Transparency and Accountability webpage and publicly reporting on the overall record of the effectiveness of anti-money laundering safeguards.</p>	<p><b>STRONG</b></p>
<p><b>Indicator: Procurement safeguards</b></p> <p>The Funds are bound by the World Bank’s procurement policies and procedures and rely on the same policies as their Implementing Entities for project and programme implementation. The Funds would benefit by communicating these policies on its Transparency and Accountability webpage and publicly reporting on the overall record of the effectiveness of its procurement safeguards.</p>	<p><b>STRONG</b></p>

## NEW RECOMMENDATIONS

The following recommendations are put forward for the consideration of the Climate Investment Funds Trust Fund Committees:

### Transparency

- Consider webcasting Committee meetings.
- Clarify reasons for holding executive sessions closed to Observer participation.
- Take steps to ensure that the anti-money laundering and procurement policies and procedures of the Implementing Entities are accessible through their Transparency and accountability webpages.
- Take steps, as far as legally permissible, to ensure that the Financial Procedures Agreements concluded between the Funds' Trustee and the Implementing Entities are publicly available on the Funds' website and that project- or programme-related contracts concluded between the Implementing Entities and their executing entities or other subcontractors are easily accessible through the project information pages on the Climate Investment Funds' website.

### Accountability and integrity

- Take steps to ensure that all Committee members sign a Declaration of Office binding them to the Code of Conduct and to the Funds' zero tolerance of corruption. The Committees should develop procedures for handling alleged violations of the Code, including prompt resolution of complaints, a process for investigations, decision-making roles, communications and the rights of individuals concerned, possible sanctions, and a method for dealing with frivolous allegations. These procedures may involve the establishment of an ethics committee to review and manage cases of potential/actual conflicts of interest, a public registry where members will need to disclose any particular interests, and the removal of any right to receive gifts, or at a minimum a stricter gift policy setting value thresholds and requiring that each gift be noted in a gift registry.
- Adopt a formal appeals procedure to respond to requests that Fund decisions be explained, reviewed or revoked.
- Take steps to ensure that the effectiveness of fiduciary safeguards, including anti-corruption, access to information, procurement and anti-money laundering, are monitored, reported and evaluated in the course of project and programme formulations and implementation; finalise agreements between the Senior Risk Manager and the multilateral development banks in order to establish the proper assessment and appropriate response
- Consider revising the terms of the Financial Procedures Agreement to include repayment conditions for misused or abused funds on account of corruption or fraud as a financial incentive to ensure downstream accountability in climate financing.
- Revise the Agreement to specify that Implementing Entities should impose anti-corruption obligations on their executing entities or subcontractors, or clarify that the policies of the Implementing Entities already require that such obligations be imposed in their contracts with executing entities, grantees, borrowers or other beneficiaries.

# ANNEX: SUBSTANTIVE ASSESSMENT

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## BACKGROUND

In 2014, Transparency International (TI) published its Anti-corruption Assessment of the Climate Investment Funds.<sup>6</sup> The assessment was one of five assessments that Transparency International conducted alongside the Adaptation Fund, the Least Developed Countries and Strategic Climate Change Funds, the Forest Carbon Partnership Facility and the UN REDD (Reduced Emissions from Deforestation and Forest Degradation) Programme. The assessments reviewed the Funds' governance design and transparency, and accountability and integrity policies and procedures with a view to identifying and promoting best practices for effective governance of climate finance. The Climate Investment Funds assessment recognised a number of best practices, including its fiduciary, access to information and public participation policies. It also recommended actions where the Funds' policies and practices could be strengthened.<sup>7</sup>

## METHODOLOGY

This Progress Update is a follow-up assessment to Transparency International's 2014 report. It aims to track the Fund's progress in responding to Transparency International's recommendations in that report. Its purpose is to both recognise best practice and draw attention to key policies and practices which the Climate Investment Funds Trust Fund Committees may consider strengthening. The Update also includes an assessment and rating of three new indicators regarding the Fund's access to information, anti-money laundering, and procurement safeguards policies and practices. These fiduciary standards are incorporated in this report to ensure a wider view of the overall anti-corruption and integrity fitness of the Funds.

The methodology used for assessing and rating the new indicators is the same as applied in the 2014 report. Performance ratings were assessed as **green/strong** (signalling Fund-wide implementation of sufficient policy), **orange/average** (demonstrating that policies and practices exist but that improvements are needed) and **red/weak** (indicating policies lacking and insufficient practices).

The methodology applied to assess progress is similar. Progress is measured against three indicators to explain the rationale to action and inaction in response to Transparency International's 2014 recommendations: sufficient, medium and no/little progress as indicated in the table below.



Progress indicator	Progress mark
<p>Sufficient progress: Practice by the Fund's Secretariat has significantly improved; the governing body has taken a decision to request the Secretariat improve its work performance or has taken a policy decision with regard to the recommendation.</p>	<p>↑ SUFFICIENT PROGRESS</p>
<p>Medium progress: Practice by the Fund's Secretariat has improved in certain areas but needs to be strengthened to be consistent and coherent; the governing body has reviewed policy and working papers but has not taken a decision on policy or requested the Secretariat improve its work performance.</p>	<p>↗ MEDIUM PROGRESS</p>
<p>No/little progress: Some action may have been initiated but much more needs to be done to address the recommendations.</p>	<p>→ NO/LITTLE PROGRESS</p>

The Update was prepared based on a desk review of Committee decisions and Administrative Unit actions demonstrated in reports, information documents and website updates up to December 2016. In addition, a draft version of the present report was submitted to the Administrative Unit for review and comment. This publication incorporates the responses.

# ASSESSMENT TABLE

## TRANSPARENCY

### TRANSPARENCY REPORTING

Question: IATI commitments	Progress
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Have the Clean Technology Fund and Strategic Climate Fund Trust Fund Committees followed through on their commitment to improve transparency by reporting according to IATI standards?


 **SUFFICIENT PROGRESS**

<b>TI Review</b>	<p>The Climate Investment Funds have joined the IATI, and 49 national project datasets covering data from 20 countries, last updated in May 2016, have been published on the IATI site in accordance with IATI standards. This is very much welcomed. However, the data is limited to quarterly commitments and appears to show all projects as ‘completed’ for disbursements to projects that are still active.</p>
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### EXECUTIVE DECISION-MAKING TRANSPARENCY

Question: Transparency of Board and Committee meetings	Progress
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Have the Clean Technology Fund and Strategic Climate Fund Trust Fund Committees provided clear explanations for decisions not to disclose Fund-related information and for holding “executive” sessions which are closed to observer participation? Have the Committees considered webcasting Committee meetings in order to facilitate the participation of as large a number of stakeholders as possible?

 **NO/LITTLE PROGRESS**

<b>TI Review</b>	<p>Although the issue of whether executive sessions should continue to be closed unless the co-chairs decide otherwise was raised at the Climate Investment Funds Joint Committee meeting in November 2015, there was no outcome and so the same rules of procedure continue to apply.</p> <p>Observers formally identified webcasting as a good means of increasing stakeholder engagement as early as 2010, yet this has still not been formally considered. As the World Bank already has the technology in place to facilitate this at minimum cost, Transparency International continues to recommend it as a simple and important means of increasing transparency and accessibility.</p>
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## ACCESS TO INFORMATION POLICIES

Question: Information disclosure policies

Progress

Have the Clean Technology Fund and Strategic Climate Fund Trust Fund Committees clarified that the World Bank Access to Information Policy applies to the Funds? Is this prominently referenced on the Funds' website?

  
**SUFFICIENT  
PROGRESS**

**TI  
Review**

The Climate Investment Funds website now makes clear under its “Transparency and Accountability” section<sup>9</sup> that all documents or information provided for submission to the Clean Technology Fund and Strategic Climate Fund Trust Fund Committees are made publicly available “in accordance with the World Bank’s policy on Access to Information”,<sup>9</sup> pursuant to the Climate Investment Funds’ Revised Note on Disclosure of Documents Prepared for Purposes of the Climate Investment Funds of 12 March 2014.<sup>10</sup>

New Question: Access to information policies of Implementing Entities

**RATING**

Do the Funds require that Implementing Entities have information disclosure policies, that those policies be accessible on the Fund’s website, and that the effective implementation of those policies is monitored, reported and evaluated?

**STRONG**

**TI  
Review**

The Trust Fund Committees do not require that multilateral development banks or their contractors have access to information policies. However, the Funds were established on the basis that the policies of the Implementing Entities should apply. All of the multilateral developing banks which serve as the Implementing Entities do have such policies in place and there are direct links to these policies on the Climate Investment Funds’ website.

Although there is no general requirement among the multilateral development banks that contractors or loan/grant recipients also have similar standards of information disclosure in Climate Investment Funds projects, there is no fixed model. Individual multilateral development banks may include specific provisions on a project-by-project basis.<sup>11</sup>

In addition to their contractual obligations to report to the Funds,<sup>12</sup> the banks provide information on the use of their access to information policy through their annual reports.<sup>13</sup> However, it is difficult to assess the effectiveness of these policies as far as they have been applied to the Climate Investment Funds. More information on these policies and practices would be helpful as downstream accountability and transparency mechanisms are important to ensuring the integrity of climate finance projects. Such mechanisms help stakeholders identify problems, including incidences of fraud and corruption, and function as an early warning system. TI recommends that, at a minimum, the effectiveness of access to information policies be monitored, reported and evaluated as an integral component of project and programme implementation.

## TRANSPARENCY OF ANTI-CORRUPTION CONTRACTUAL TERMS

Question: Disclosure of contracts

Progress

Have the Clean Technology Fund and Strategic Climate Fund Trust Fund Committees taken steps to ensure the public disclosure of (1) the contracts (finance agreements) between the Trust Funds and the multilateral development banks and (2) the contracts between the multilateral development banks and their first-tier borrowers, grantees or other clients in Climate Investment Funds projects (allowing for redactions to protect confidential information)?



NO/LITTLE  
PROGRESS

### TI Review


The contractual arrangement between the Climate Investment Funds and multilateral development banks is governed by Financial Procedures Agreements signed between the banks and the Trustee. These contracts could not be found on the websites of the Climate Investment Funds, the Trustee or the multilateral development banks. As the terms of these agreements define the legal obligations of the banks in relation to the Funds, including integrity and default issues, they should be publicly disclosed. The Trust Fund Committees should take action to disclose these contracts on the Fund's website, following the best practices established by the Global Environment Facility.

The contracts between the multilateral development banks and their first-tier public sector contractors (project implementers and executing entities) are normally disclosed. However, they are often embedded in project information housed on websites. However, contracts with private sector actors may not be disclosed to protect confidential information. For example, the Inter-American Development Bank's Access to Information Policy<sup>14</sup> provides that descriptions for all Climate Investment Funds-funded projects are published on its website, including that legal agreements are published on the Bank's website (unless the borrowers or beneficiaries object).<sup>15</sup> While the Bank "does not disclose legal documentation and agreements related to its financial operations [with private entities] due to their commercial nature", it confirms that its contracts with private sector operations include key anti-corruption provisions.<sup>16</sup> In the case of the African Development Bank, credit agreements are only made available upon request. Private sector operations are classified as "strictly confidential" and, as such, credit agreements will not be disclosed unless permission is given by the client.<sup>17</sup> All contracts are subject to the Bank's General Conditions Applicable to Loan, Guarantee, and Grant Agreements of the African Development Bank and African Development Fund, which prohibits corrupt or fraudulent practice and allows the African Development Bank to suspend the right of the borrower to request and receive disbursements.<sup>18</sup>

To simplify and facilitate better access to information on contracts, TI recommends that the Climate Investment Funds ensure that the Financial Procedures Agreements are published and are made openly accessible on the Climate Investment Funds website. Project- or programme-related contracts concluded between the Implementing Entities and their executing entities or other subcontractors should be easily accessible through the respective project information pages on the Climate Investment Funds' website.

## ACCOUNTABILITY AND INTEGRITY


### ANTI-CORRUPTION RULES AND EFFECTIVENESS

Question	Progress
	<p>Have the Clean Technology Fund and Strategic Climate Fund Trust Fund Committees taken steps to adopt a code of conduct or ethics and a conflict of interest policy applicable to Committee Members and any sub-committees? If so, have the Trust Fund Committees taken steps to adopt an appropriate accountability process for the Committees where individual Members behave unethically or have conflicts of interest? If so, have the Trust Fund Committees established an independent, impartial body to ensure oversight of the Committees?</p> 
<b>TI Review</b>	<p>The Funds adopted a revised Code of Conduct in March 2016 that acts as a zero-tolerance corruption policy within the Funds; it applies to Trust Fund Committee and Sub-Committee members, observers and technical experts.<sup>19</sup> The Code covers the need for independence, protection of confidential information, and the disclosure of real or perceived conflicts of interest. It requires that Committee members provide assurances in writing to the Administrative Unit, as well as to “consult the Contact Point about any of the following potential conflicts of interest and the required remedial or mitigating measures or otherwise”.<sup>20</sup></p> <p>However, the compliance and enforcement rules of the Code are relatively weak, as set out by Transparency International in its comments on the draft.<sup>21</sup> There remains no standalone complaints procedure at the Committee level allowing for complaints by third parties alleging corruption or unethical behaviour by Committee members. Rather, the Code provides for the creation of a “Contact Point” within the Trust Fund Committee who may be notified of possible non-compliance with the Code to review remedial and mitigating measures with the relevant parties. This leaves the independent function of the Contact Point questionable. Also, the Code is unclear as to how a finding of non-compliance may be reached and by whom. It simply provides that that Committee members “would be expected to resign” in identified cases of conflict of interest or other failure to “comply with the provisions of the present Code in a visible, significant and undisputable manner”, meaning that resignation is voluntary and not imposed.</p> <p>Transparency International recommends that the Funds require that covered persons sign a Declaration of Office which binds them to the Code. The Funds should also develop procedures for handling alleged violations of the Code, including promptly dealing with complaints, a process for investigations, decision-making roles, communications and the rights of individuals concerned, possible sanctions, and a process for dealing with frivolous allegations. Establishing an ethics committee and public registry fo interests would support the review and management of potential/actual conflicts of interest situations.</p>

New question: Anti-money laundering	Rating
<p>Do the Funds have in place an anti-money laundering policy and/or programme covering its own operations? Do the Funds require that their Implementing Entities have anti-money laundering policies in place in order to receive funding? And does the Fund provide guidance in that regard?<sup>22</sup></p>	<p><b>STRONG</b></p>
<p><b>TI Review</b></p>	<p>The Climate Investment Funds' Administrative Unit and Trustee are governed by the World Bank, which has developed anti-money laundering/ Counter-Financing of Terrorism policies and programmes. The Funds do not impose any requirements on their Implementing Entities to adopt and implement anti-money laundering policies and programmes. Rather, the Climate Investment Funds approach is to rely on the policies and procedures of the Implementing Entities: the World Bank Group,<sup>23</sup> the European Bank for Reconstruction and Development, the Asian Development Bank,<sup>24</sup> the Inter-American Development Bank,<sup>25</sup> and the African Development Bank<sup>26</sup> have all adopted proactive anti-money laundering responses.</p> <p>The Financial Procedure Agreement concluded between the Implementing Entities and the Trust Funds requires that Trust Fund money be spent only for its intended purposes. This implies but does not specify that money laundering constitutes a breach of contract. This contrasts with the explicit prohibition against terrorism financing in the agreements.<sup>27</sup></p> <p>In sum, on the policy level, adequate anti-money laundering controls appear to be in place. However, greater transparency and clarity regarding the implications of such policies and programmes would be helpful to inform stakeholders. TI recommends that the Trust Fund Committee request the Climate Investment Funds Administration Unit include on its Transparency and Accountability webpage descriptions and appropriate links to such information from the World Bank and the other multilateral development banks, following its approach regarding access to information and anti-corruption policies.</p>

New question: Procurement safeguards	Rating
Does the Fund have in place a policy to safeguard against corruption in procurement at Fund-level operations? Does the Fund require that its Implementing Agencies have procurement safeguards in place? Does the Fund provide guidance to the said organisations regarding the scope and minimum standards as to what such policies should include? <sup>28</sup>	<b>STRONG</b>

<b>TI Review</b>	<p>The Climate Investment Funds do not appear to formally require that Implementing Agencies have in place safeguards against corruption in procurement, or provide advice in this regard, as the Climate Investment Funds defer to the respective policies of multilateral development banks in relation to safeguards against corruption in procurement, which share “harmonised definitions” of corrupt and fraudulent practices in procurement.<sup>29</sup> In each case, the Implementing Agencies do have policies in place that address corruption risks in procurement. Notably, the World Bank adopted a new procurement framework<sup>30</sup> and regulations for projects, coming into effect after 1 July 2016, with evaluation criteria<sup>31</sup> that fully address fraud and corruption, as well as improved methods for complaint resolution.</p> <p>The Funds would benefit by communicating those policies on its Transparency and Accountability webpage and publicly reporting on the overall record of the effectiveness of its procurement safeguards.</p>
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Question: Effectiveness of anti-corruption complaints mechanisms of Implementing Entities	Progress
Have the Trust Fund Committees taken steps to ensure that Implementing Entities have adopted and enforce adequate policies and procedures, and to demonstrate their effectiveness in implementing anti-corruption complaints mechanisms, whistleblower protection, investigatory functions, and sanctions to prevent, mitigate and correct corruption, fraud and other unethical behaviour?	 <b>MEDIUM PROGRESS</b>

<b>TI review</b>	<p>The Climate Investment Funds continue to rely on the accountability frameworks of the respective multilateral development banks to address any allegations of misuse of funds and to apply their respective processes for investigations. The Funds’ website clearly links to the relevant offices and grievance procedures of the respective multilateral development banks, and each website sets out the reporting or grievance mechanism as well as the whistleblower protection policy.<sup>32</sup></p> <p>However, the Clean Technology and Strategic Climate Fund Trust Funds still do not require that anti-corruption and integrity are monitored and evaluated via project evaluations and progress reports. As such, it is difficult to assess the effectiveness of the integrity functions and how well the banks actively inform local stakeholders of existing communications and complaints processes. For example, the Inter-American Development Bank’s Independent Consultation and Investigation Mechanism is mandated to “promote awareness of the Mechanism via workshops, distribution of materials and use of social media”, but would benefit from a systematic process to inform local stakeholders. Likewise, the African Development Bank reports to use proactive measures including risk assessments and</p>
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sensitisation programmes to deter corruption, but could do more to make these programmes visible.<sup>33</sup>

Nonetheless, two significant developments in risk management have taken place within the Funds: the finalisation of an Enterprise Risk Management (ERM) dashboard,<sup>34</sup> and the appointment of a Senior Risk Management Officer<sup>35</sup> to oversee implementation through annual reviews.<sup>36</sup> In 2017, the Senior Risk Manager is to undertake a review of the multilateral development banks' policies and practices related to Climate Investment Funds programmes' and projects' exposure to fraud risk. According to the Administrative Unit, he will also "seek to implement a process within the Administrative Unit to monitor media reports of potential instances of fraud related to Climate Investment Funds programs and projects, and to follow up with the corresponding multilateral development bank(s) where appropriate".

In terms of reporting on complaints received and resolved to date, according to the Senior Risk Manager, there are no known cases of corruption. The Funds do not require that the multilateral development banks report such information. However, they do make public statistics on complaints received and the outcomes of investigation related to all funds in annual reports (although this is rarely disaggregated by country, sector, funding source and project).<sup>37</sup> In that context, the Funds' initial risk management categorisation says that "recognizing that each multilateral development bank has robust procedures in place to mitigate misuse of funds, multilateral development bank reporting on actual misuse of funds to the Committee may not be timely" and that "a systematic, common framework for reporting such incidences is not in place for the Clean Technology Fund".<sup>38</sup>

This illustrates a clear acknowledgement of risk and protection, and Transparency International encourages the finalisation of agreements between the Senior Risk Manager and the multilateral development banks in order to finalise the proper assessment and appropriate response.

## APPEALS

Question: Appeals procedure

Progress

Have the Clean Technology Fund and Strategic Climate Fund Trust Funds developed and adopted a formal appeals procedure to respond to requests that Fund decisions be explained, reviewed or revoked?



**NO/LITTLE  
PROGRESS**

**TI  
review**

The Climate Investment Funds Trust Fund Committee have not adopted a formal appeal procedure. Instead, the Administrative Unit has explained that the Trust Fund Committees' decision-making is by consensus "with the presence and contribution of observers and are disclosed in a timely manner" and "for the decisions related to approval of projects and programs, the observers have the opportunity to provide comments."<sup>39</sup> These procedures limit the possibility for appeals. While feasible, these procedures do not rule out the possibility that stakeholders "not in the room" may wish to file an objection, and appeal to request explanations for decisions taken. Permitting such requests amounts to a minimum accountability provision which TI continues to encourage the Funds to adopt.



## SANCTIONS

Question: Sanctions

Progress

Have the Clean Technology Fund and Strategic Climate Fund Trust Funds clarified that their Financial Procedures Agreements with Implementing Entities ensure anti-corruption obligations and provide for sanctions which may be imposed for a breach of those obligations? Do such sanctions include the repayment of funds when money is misused or abused on account of corruption or fraud? Do the Agreements also require that the Implementing Entities impose the same or similar obligations and sanctions on their subcontractors or executing entities?




### TI review

The Financial Procedures Agreements are not disclosed. However, according to available information, the Climate Investment Funds are clear that in the case where a multilateral development bank does not comply with its responsibilities in the use of Climate Investment Funds, “there is a procedure in place to suspend any further commitment and/or cash transfer of Climate Investment Funds Trust Funds to the multilateral development bank until such time as the multilateral development bank has taken appropriate measures”.<sup>40</sup> This does not include a requirement that climate funds lost to corruption should be repaid to the Funds. As TI consistently recommends, such a repayment condition provides a financial incentive to ensure downstream accountability in climate financing. In this regard, the Climate Investment Funds may wish to take guidance from the Accreditation Master Agreement of the Green Climate Fund, which sets out that money lost on account of corruption may be reclaimed by the Fund.


In addition, the Climate Investment Funds Trust Fund Agreements do not appear to specify that Implementing Entities should impose anti-corruption obligations on their executing entities or subcontractors. Rather, the policies of the Implementing Entities apply in that regard: whether or not anti-corruption obligations exist for downstream contractors depends on the specific policies of the multilateral development banks.

While it is appreciated that the multilateral development banks do impose such obligations, as well as policies and procedures to apply sanctions and other remedial measures, making this information clearer on the Funds’ Transparency and Accountability webpage would greatly enhance the accountability assurances of the Funds.

## INTEGRITY TRAINING

Question	Progress
<p>Do the Trust Funds enable, promote or provide integrity training for individuals working for the Funds at all levels? Is information publicly available regarding training received, its content and reach?</p>	<p> <b>MEDIUM PROGRESS</b></p>
<p><b>TI review</b></p>	<p>The Climate Investment Funds website makes all learning event information publicly available.<sup>41</sup> By May 2016, the Climate Investment Funds website listed 29 “Learning Events” and five Partnership Forums (under review) under the Knowledge and Results section, which often address related issues, although there have been no dedicated training sessions to enable, promote or provide integrity for individuals working for the Funds at all levels. Similarly, Scaling-up Renewable Energy Program, the Forest Investment Program and the Pilot Program for Climate Resilience pilot country meetings in 2015-2016 have addressed climate governance and stakeholder engagement issues, but there has been no specific focus on integrity training.</p> <p>The Administrative Unit also provides orientation to Trust Fund members on various issues relating to the Code of Conduct, including integrity. Administrative Unit staff attend World Bank training sessions on integrity, and multilateral development banks have different training modules on integrity for their staff.<sup>42</sup></p> <p>The Implementing Entities share a joint commitment to preventing corruption and promoting integrity policies individually and cooperatively in providing technical assistance and support.<sup>43</sup> However, what this entails with regard to Climate Investment Funds projects is not readily communicated through the Climate Investment Funds’ website.</p>

## CIVIL SOCIETY CONSULTATION AND PARTICIPATION

Question	Progress
<p>Have the Clean Technology Fund and Strategic Climate Fund Trust Funds formalised a framework which enables citizens and stakeholders to participate in project consultations and monitoring and evaluation processes following project approval?</p>	
<p>This framework includes efforts to improve awareness among wider stakeholders of the Funds to increase the ability of the public and affected stakeholders to meaningfully engage in consultations. Importantly, this includes improving the capacity of Implementing Entities to ensure that the specialised needs of different stakeholders are taken into account. This could include, for example, clear and mandatory guidance for multilateral development banks and national governments regarding stakeholder consultations at the national level throughout the project cycle.</p>	
<p><b>TI Review</b></p>	<p>The Climate Investment Funds still do not have a formalised framework for national-level stakeholder consultation.</p> <p>In May 2015, the Administrative Unit presented measures to enhance national-level stakeholder engagement in the planning and implementation of investment plans and projects,<sup>44</sup> relying on its implementing entities and working with country systems. In 2017, the Administrative Unit plans to advance stakeholder engagement in conducting stakeholder mapping, fostering peer-to-peer support and preparing “suggestions on how to harmonize the principles for stakeholder engagement across Climate Investment Funds programs”.<sup>45</sup></p> <p>The Administrative Unit has initiated a new Stakeholder Advisory Network<sup>46</sup> that would seek “to advance the engagement of the broader non-state stakeholders in the Climate Investment Funds at the country, regional and global level”. This would be organised initially through a five-person Central Coordinating Committee<sup>47</sup> of current/former Climate Investment Funds observers with “modest resources and technical support” from the Administrative Unit for the first three years. Although the new Network is intended to develop its own action plan, activities could include “knowledge creation, partnership, networking, capacity building and information and experience sharing, provision of resources includes research and information materials, advocacy strengthening, coalition building, monitoring, evaluation, and engagement.” However, current plans do not address mandatory guidance for Multilateral Development Banks and national governments regarding stakeholder consultations at the national level throughout the project cycle. This has not been taken up separately by the Climate Investment Funds.</p> <p>Finally, the Administrative Unit is now in the process of testing a Climate Investment Funds Comments Application, which will serve as an “online collaboration platform which allows access to (a) up-to-date project level data, information and analytics on Climate Investment Funds-funded projects and programs; (b) input relevant project data including key milestones, project financials and results; and (c) share information in real time”. This is expected to replace the previous “online approval by mail” process used by the Administrative Unit.</p>



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<sup>1</sup> Transparency International in collaboration with the Stockholm Environment Institute conducted desk research and interviews for five anti-corruption assessments of multilateral climate funds including the Climate Investment Funds, the Adaptation Fund, the Forest Carbon Partnership Facility and the UN REDD Programme. All reports were published by TI in 2014.

<sup>2</sup> [www.transparency.org/whatwedo/publication/protecting\\_climate\\_finance\\_climate\\_investment\\_funds](http://www.transparency.org/whatwedo/publication/protecting_climate_finance_climate_investment_funds).

<sup>3</sup> [www.cif.climateinvestmentfunds.org/about/committee-meetings/joint](http://www.cif.climateinvestmentfunds.org/about/committee-meetings/joint).

<sup>4</sup> See, for example, Climate Policy Initiative, A Gap Analysis of the Climate Finance Landscape and the Role of the Climate Investment Funds, May 2016, [www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/joint\\_ctf-scf\\_tfc\\_16\\_inf\\_5\\_cpi\\_cif\\_gap\\_analysis.pdf](http://www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/joint_ctf-scf_tfc_16_inf_5_cpi_cif_gap_analysis.pdf).

<sup>5</sup> Concept Note to Establish Stakeholders Advisory Network (SAN), JOINT CTF-SCF/TFC.15/Inf.4, 28 October 2015.

<sup>6</sup> [http://www.transparency.org/whatwedo/publication/protecting\\_climate\\_finance\\_climate\\_investment\\_funds](http://www.transparency.org/whatwedo/publication/protecting_climate_finance_climate_investment_funds).

<sup>7</sup> Transparency International submitted its 2014 Assessment to the GEF Least Developed Countries Fund/Special Climate Change Fund Council at its 17th meeting in October 2014. The report was discussed at the meeting and the Council requested the Secretariat to send a response to Transparency International. That response was provided as an information document at the Council's 18th meeting [www.thegef.org/sites/default/files/council-meeting-documents/Joint\\_Summary\\_of\\_the\\_Chairs\\_-\\_17th\\_LDCF\\_SCCF\\_Council%2C\\_October\\_30th\\_0\\_4.pdf](http://www.thegef.org/sites/default/files/council-meeting-documents/Joint_Summary_of_the_Chairs_-_17th_LDCF_SCCF_Council%2C_October_30th_0_4.pdf); [www.thegef.org/sites/default/files/council-meeting-documents/GEF.LDCF\\_SCCF\\_18.Inf\\_04%2C\\_GEF\\_Secretariat\\_Response\\_to\\_Transparency\\_International%2C\\_5-29-15\\_4.pdf](http://www.thegef.org/sites/default/files/council-meeting-documents/GEF.LDCF_SCCF_18.Inf_04%2C_GEF_Secretariat_Response_to_Transparency_International%2C_5-29-15_4.pdf).

<sup>8</sup> [www.cif.climateinvestmentfunds.org/about/transparency-accountability](http://www.cif.climateinvestmentfunds.org/about/transparency-accountability).

<sup>9</sup> [www.cif.climateinvestmentfunds.org/about/transparency-accountability](http://www.cif.climateinvestmentfunds.org/about/transparency-accountability). World Bank Policy on Access to Information, [www.worldbank.org/en/access-to-information/overview](http://www.worldbank.org/en/access-to-information/overview).

<sup>10</sup> Revised Note on Disclosure of Documents Prepared for purposes of the Climate Investment Funds, [www.cif.climateinvestmentfunds.org/sites/default/files/Approval\\_by\\_mail\\_Revised\\_Note\\_on\\_Disclosure\\_of\\_Documents\\_Prepared\\_for\\_purposes\\_of\\_the\\_Climate\\_Investment\\_Funds.pdf](http://www.cif.climateinvestmentfunds.org/sites/default/files/Approval_by_mail_Revised_Note_on_Disclosure_of_Documents_Prepared_for_purposes_of_the_Climate_Investment_Funds.pdf).

<sup>11</sup> For example, Inter-American Development Bank response to Transparency International questionnaire, 6 June 2016.

<sup>12</sup> While there is no reporting requirement under the Financial Procedures Agreement that clearly refers to integrity and anti-corruption reporting, the Financial Procedures Agreement requires that "the Implementing Entity shall be responsible for ... reporting to the Clean Technology Fund Trust Fund Committee on its activities in accordance with the terms of this Agreement and the Clean Technology Fund Governance Framework Document", which could include additional information to the Climate Investment Funds stakeholders on a case-by-case basis and to the extent that it does not breach any confidentiality agreements. Appendix A: Financial Procedures Agreement between African Development Bank and the International Bank for Reconstruction and Development, as Trustee of the Trust Fund for the Clean Technology Fund, 2010, Section 5.2, at [www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Status%20of%20Involvement%20of%20the%20Bank%20in%20the%20Climate%20Investment%20Funds%20%28Climate%20Investment%20Fundss%29%20-%2009%2009%202010%5B1%5D.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Status%20of%20Involvement%20of%20the%20Bank%20in%20the%20Climate%20Investment%20Funds%20%28Climate%20Investment%20Fundss%29%20-%2009%2009%202010%5B1%5D.pdf).

<sup>13</sup> Administrative Unit response to Transparency International questionnaire, 21 July 2016. See, for example, [www.iadb.org/document.cfm?id=40227371](http://www.iadb.org/document.cfm?id=40227371).

<sup>14</sup> <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35167427>.

<sup>15</sup> See [www.iadb.org/en/projects/projects,1229.html](http://www.iadb.org/en/projects/projects,1229.html).

<sup>16</sup> Inter-American Development Bank response to Transparency International questionnaire, 6 June 2016. Practices prohibited by the Inter-American Development Bank in connection with the activities it finances, including coercive practice, collusive practice, corrupt practice, fraudulent practice, and obstructive practice.

<sup>17</sup> African Development Bank response to Transparency International questionnaire, 3 September 2016.

<sup>18</sup> [www.afdb.org/fileadmin/uploads/afdb/Documents/Legal-Documents/General%20Conditions%202009.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Legal-Documents/General%20Conditions%202009.pdf).

<sup>19</sup> [www.cif.climateinvestmentfunds.org/modules/file/icons/application-pdf.png](http://www.cif.climateinvestmentfunds.org/modules/file/icons/application-pdf.png).

<sup>20</sup> *Id.*

<sup>21</sup> [www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/code\\_of\\_conduct\\_-\\_comments\\_from\\_ti.pdf](http://www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/code_of_conduct_-_comments_from_ti.pdf).

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<sup>22</sup> This criterion was not assessed in the 2014 assessments. However, given the importance of this concern and the recent development of the Green Climate Fund to pursue such policies and programme, the criterion is now being brought within the scope of Transparency International's progress updates.

<sup>23</sup> <http://documents.worldbank.org/curated/en/502341468179035132/The-World-Bank-Group-s-response-to-illicit-financial-flows-a-stocktaking>.

<sup>24</sup> [www.adb.org/documents/office-anticorruption-and-integrity-annual-report-2014](http://www.adb.org/documents/office-anticorruption-and-integrity-annual-report-2014).

<sup>25</sup> [www.iadb.org/en/projects/project-description-title,1303.html?id=RG-T2224](http://www.iadb.org/en/projects/project-description-title,1303.html?id=RG-T2224).

<sup>26</sup> [www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/10000012-EN-STRATEGY-FOR-THE-PREVENTION-OF-MONEY-LAUNDERING\\_01.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/10000012-EN-STRATEGY-FOR-THE-PREVENTION-OF-MONEY-LAUNDERING_01.pdf).

<sup>27</sup> [www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Status%20of%20Involve-ment%20of%20the%20Bank%20in%20the%20Climate%20Investment%20Funds%20%28Climate%20Investment%20Funds%29%20-%2009%2009%2010%5B1%5D.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Status%20of%20Involve-ment%20of%20the%20Bank%20in%20the%20Climate%20Investment%20Funds%20%28Climate%20Investment%20Funds%29%20-%2009%2009%2010%5B1%5D.pdf).

<sup>28</sup> This criterion was not assessed in the 2014 assessments. However, given the high risks of corruption in the procurement of goods and services, the criterion is now being brought within the scope of TI's progress updates.

<sup>29</sup> [www.afdb.org/fileadmin/uploads/afdb/Documents/Procurement/Project-related-Procurement/Review\\_of\\_African\\_Development\\_Bank%20Procurement\\_Policy\\_Procedures\\_and\\_Processes\\_-\\_Policy\\_Framework\\_Paper.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Procurement/Project-related-Procurement/Review_of_African_Development_Bank%20Procurement_Policy_Procedures_and_Processes_-_Policy_Framework_Paper.pdf) (para 9); See African Development Bank, [www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Procurement\\_policy\\_for\\_bank\\_group\\_funded\\_operations.pdf](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Procurement_policy_for_bank_group_funded_operations.pdf) (paras 6-7); Inter-American Development Bank [www.iadb.org/en/projects/project-procurement,8148.html](http://www.iadb.org/en/projects/project-procurement,8148.html), <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35225030> (section 12a); European Bank for Reconstruction and Development, [www.ebrd.com/image/1395237753067.png](http://www.ebrd.com/image/1395237753067.png) (para.3).

<sup>30</sup> [www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework](http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework).

<sup>31</sup> <http://pubdocs.worldbank.org/en/201591478724669006/Guidance-Evaluation-Criteria-FINAL.pdf>

<sup>32</sup> [www.cif.climateinvestmentfunds.org/about/transparency-accountability](http://www.cif.climateinvestmentfunds.org/about/transparency-accountability).

<sup>33</sup> [www.afdb.org/en/about-us/organisational-structure/integrity-and-anti-corruption/integrity-and-anti-corruption-strategy/](http://www.afdb.org/en/about-us/organisational-structure/integrity-and-anti-corruption/integrity-and-anti-corruption-strategy/).

<sup>34</sup> [www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf\\_scf\\_15\\_6\\_risk\\_report\\_final\\_version.pdf](http://www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/ctf_scf_15_6_risk_report_final_version.pdf). The ERM dashboard crucially lists "misuse of funds" as a Tier 1 operational risk. The first report of the Senior Risk Manager acknowledges that the likelihood and impact, and therefore the risk level, of the misuse of funds is currently "unknown" and notes that the "Administrative Unit will inquire regarding the nature of the controls and reporting mechanisms for mitigating and monitoring this risk when the non-disclosure agreements or other information-sharing arrangements with the multilateral development banks are in place".

<sup>35</sup> [www.cif.climateinvestmentfunds.org/people/peter-gentles](http://www.cif.climateinvestmentfunds.org/people/peter-gentles).

<sup>36</sup> The "Duties and Responsibilities of a Senior Risk Management Officer" states that the Senior Risk Management Officer will "prepare and present annual reports and mid-term updates focused on risk management related issues and progress in addressing such issues. The annual reports should document and present observations on the implementation of the ERM framework, should track remediation progress, and may include recommendations and suggested action plans."

<sup>37</sup> For example, [www.iadb.org/document.cfm?id=40227371](http://www.iadb.org/document.cfm?id=40227371).

<sup>38</sup> "Develop a reporting protocol to report to the Committee on misuse of funds identified by any multilateral development bank. If a multilateral development bank concludes there was misuse of Clean Technology Fund funds, the multilateral development bank will consult with the Clean Technology Fund Committee on next steps. The Committee may recommend any appropriate additional actions", [www.cif.climateinvestmentfunds.org/sites/default/files/Climate\\_Investment\\_Funds\\_ERM\\_Program\\_Aug%2018,%202013\\_0.pdf](http://www.cif.climateinvestmentfunds.org/sites/default/files/Climate_Investment_Funds_ERM_Program_Aug%2018,%202013_0.pdf) (p. 11).

<sup>39</sup> Administrative Unit response to Transparency International questionnaire, 21 July 2016.

<sup>40</sup> Administrative Unit response to Transparency International questionnaire, 21 July 2016.

<sup>41</sup> See [www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/joint\\_ctf-scf\\_16\\_5\\_evaluation\\_and\\_learning\\_special\\_initiative\\_business\\_plan\\_final.pdf](http://www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/joint_ctf-scf_16_5_evaluation_and_learning_special_initiative_business_plan_final.pdf).

<sup>42</sup> Administrative Unit response to Transparency International questionnaire, 21 July 2016.

<sup>43</sup> [www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/30716700-EN-UNIFORM-FRAMEWORK-FOR-COMBATTING-FRAUD-V6.PDF](http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/30716700-EN-UNIFORM-FRAMEWORK-FOR-COMBATTING-FRAUD-V6.PDF).

<sup>44</sup> This was a part of the Joint Clean Technology Fund-Strategic Climate Fund Trust Fund Committee's Action Plan (Clean Technology Fund-Strategic Climate Fund/TFC.12/9) in response to the Independent Evaluation of the Climate Investment Funds (Clean Technology Fund-Strategic Climate Fund/TFC.12/3).

<sup>45</sup> [www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/workprogram\\_se\\_initial\\_document.pdf](http://www.cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/workprogram_se_initial_document.pdf).

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<sup>46</sup> Concept Note to Establish Stakeholders Advisory Network, Joint Clean Technology Fund-Strategic Climate Fund/TFC.15/Inf.4, 28 October 2015.

<sup>47</sup> The CCP would be “made up of five representatives with two from the CSOs (one from developing and another one from developed countries), two Private Sector (one from developing and another one from developed countries) and (1) from Indigenous Peoples.”

Transparency International  
International Secretariat  
Alt-Moabit 96, 10559 Berlin, Germany

Phone: +49 30 34 38 200  
Fax: +49 30 34 70 39 12

[ti@transparency.org](mailto:ti@transparency.org)  
[www.transparency.org](http://www.transparency.org)

[blog.transparency.org](http://blog.transparency.org)  
[facebook.com/transparencyinternational](https://www.facebook.com/transparencyinternational)  
[twitter.com/anticorruption](https://twitter.com/anticorruption)