

Corruption and REDD+

Identifying risks amid complexity



Photo: World Resources

Corruption and other factors can influence deforestation in contradictory ways. For the purpose of country-level implementation of REDD+, donors should focus particularly on three corruption risk areas: land grabbing and tenure rights, fraud in monitoring, evaluation and reporting, and elite capture of REDD+ revenues.



Forests (LEAF) project, aiming to build capacity and identify best practice in responding to REDD-related corruption.

Corruption, REDD+ and the political economy of forest use and deforestation

It has been argued that corruption has been neglected in policy debates surrounding REDD+ and is not adequately considered by those responsible for its implementation. The situation is now changing; a growing literature exists on REDD+ and corruption, which is influencing policy debates and increasingly the design and implementation of REDD+ preparation plans (RPPs). It is one theme that has motivated international actors to adopt 'REDD Safeguards' in the Cancun Agreement, which reassert the need for transparency, rule of law and the need for Prior Informed Consent for indigenous forest communities. In conjunction with UNEP and the Norwegian government, Interpol has also recently launched the Law Enforcement Assistance for

Many have pointed out that REDD+ is being promoted and funded in countries where corruption has been, or continues to be, a pivotal factor in the political economy of forest use and deforestation. 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, mining and agriculture. There is also substantial evidence on how forms of corruption undermine the effectiveness of state agencies in regulating the forest sector. This occurs from the very top levels of governments down to the more local level. Corruption has been raised

as an important reason why illegal logging continues to thrive in many parts of the world, and why environmental and socially damaging activities by mining, agriculture and timber companies operating in tropical forest regions are allowed to exist with impunity.

Corruption can also play an important role in determining who benefits from forests and how forest-related revenues are used. In many countries, state forest revenue management lacks adequate transparency and has been marred by embezzlement by senior officials and political and business elites. As described by the Center for International Forestry Research (CIFOR), around USD 600 million was stolen from Indonesia's 'reforestation fund' during the mid 1990s (Barr et al: 2010). There are also examples of how the allocation of forestland has been integral to the formation and consolidation of political power; Burgess et al (2011) have used historical satellite images of forest cover changes in Indonesia to show that deforestation tends to increase in the run up to regional and local elections. Here, the allocation of forest land is an important source of clientelism and vote buying, as well as party political financing.

But could corruption in the forest sector be an overstated problem? Ascher (1999) argues corruption can be an 'easy explanation' by NGOs or communities for resource destruction, which on closer examination often belies the vast difficulties facing governments in managing forests sustainably and to the satisfaction of all stakeholders. Indeed, in his acclaimed study *Deforesting the Earth*, Williams (2003) argues that key drivers of deforestation – the expansion of agriculture, population growth, national logging policies, the growth of mining, poorly designed aid projects and also corruption – form part of a 'multi-layered cake of causes'. The relationship between all these factors and deforestation can work in a contradictory way. Corruption, for example, can be an important explanation for deforestation, but also a factor that may impede deforestation: by perturbing investments or creating inefficiencies in logging operations. Although tackling corruption is one important task in many contexts to improve forest management, it may not be the most salient issue, and reducing corruption may not necessarily lead to more sustainable and equitable forest use.

The relationship between corruption and REDD+

Despite this complexity many believe eliminating or reducing forms of corruption will be important for the success of REDD+. A negative prognosis is that unless there are tremendous improvements in governance, REDD+ will fail to have a meaningful impact in countries where corruption is endemic. Yet corruption is not only considered a threat to REDD+. There is also the potential for REDD+ to create new incentives for corruption. In the existing literature there are a number of 'corruption risks' that have been identified in the implementation of REDD+ in countries. We can divide these into three themes:

1. Land grabbing and tenure rights

The most complex and worrying aspect seems to be the potential of REDD+ to further stimulate fraudulent 'land

grabbing'. REDD+ – if there is sufficient finance available – will enhance the value of land, thereby contributing to incentives for political and business elites to secure ownership and control of forests. This may lead to forced evictions or restrictive control of the activities of forest dependent communities, which in turn may lead to conflict and economic and social marginalization. Already there are reports that foreign investors and speculators have used illicit means to acquire land rights (or 'carbon rights') in Liberia and Papua New Guinea in anticipation of the revenues from REDD+. Examples are summarized in a recent report by Global Witness (2011) and by NGOs and community based organisations forming the 'No-REDD' movement.¹

This aspect of corruption is a heightened concern in many countries where land rights are ill defined and the right to forests and forests resources for indigenous people and rural populations is insecure. This is the case in many if not the majority of REDD+ implementing countries.²

This role of REDD+ in terms of forest tenure needs to be recognized in wider context: conflict over forests and land rights has been an important feature for many developing countries for decades. It is an issue that is complicated by shifts in government policy, such as expanding conservation areas or promoting agriculture. In practice it can be a highly subjective and politically contested task to distinguish between legitimate yet difficult decisions governments make on access to forest resources and land tenure rights, and corrupt decision-making that is aimed at benefiting those in positions of power.

Moreover, some analysts have predicted REDD+ will lead to a 'recentralization' of forest governance. Decentralization of forest management has gained ground in many parts of the world partly as a presumed antidote to elite-level corruption that was thought to stem from highly centralized, but unaccountable, forest governance. The shift back to centralization may therefore see a return to old ways. At the same time, decentralization has not always been implemented effectively and in many cases has created new opportunities for localized corruption and elite capture (Ribot et al: 2006). In sum, if REDD+ does have an influence on the nature and structure of forest governance, the resulting implications for corruption will be complex and difficult to predict; it may mean countries or regions experience a shift from one type of corruption problem to another.

2. Fraud and conflicts of interest in REDD+ monitoring, reporting and evaluation

Corruption in the implementation of REDD+ is linked to fraud in the collation and interpretation of data that will determine financial rewards. REDD+ generates incentives for dishonest measurements and reporting on reforestation achievements, avoided deforestation and good forest stewardship. Funds may be paid for projects that have not taken place, that have not been as successful as claimed, for achievements that would have occurred anyway (the problem of 'additionality'), or are reversed after payments have been made (the problem of 'permanence'). It is also possible that beneficiaries of REDD+ payments may attempt to exert undue influence or offer illicit financial payments to agencies responsible for

data production and analysis. The profits in doing so may be substantial.

This situation is compounded by conflicts of interests that will likely develop with REDD+ implementation. State agencies, companies and possibly communities that will be direct beneficiaries of REDD+ payments may have an influence or active role in collating and verifying data used to determine payments. Verification is intended to be independent, but there are examples where third party verifiers in carbon markets and forest certification schemes have been found to lack integrity and independence.

There may also be influence placed on agencies responsible for data collation to favor a positive interpretation caused by the need to show that REDD+ is working. Related to this is the enormous challenge of agreeing on the 'reference scenario': the predicted rate of deforestation that would occur without REDD+ projects. There is an incentive to exaggerate the rate of deforestation to ensure increased opportunities for REDD+ payments. This is a problem raised in Guyana. Yet it may be extremely difficult to know where to draw the line between deliberate errors designed to enrich individuals, and errors due to genuine mistakes, incompetence and lack of expertise.

3. Embezzlement and elite capture of REDD+ revenues

A final concern lies in the management of REDD+ revenues. In order to be viable, REDD+ benefits have to be adequately and fairly distributed. Without this benefit sharing it will be extremely difficult to gain support for REDD+ activities among key sections of society – local communities may not be committed to reducing logging and deforestation if they are excluded. The same may be true for companies.

How revenues will be managed through REDD+ remains uncertain; payments for REDD+ achievements could be diffuse, going to the state, companies, land owners as well as international NGOs, community based organizations and charities. These revenue streams may be vulnerable to theft, meaning REDD+ becomes a vehicle for the enrichment of a minority of powerful interests, be this on a national or more localized community level. This process may involve illegal accounting practices and embezzlement, but it may also be achieved legally through unfair contracts on benefit sharing agreements for communities. In certain REDD+ pilot projects, it has been revealed that investors and foreign companies have deceived and coerced communities into signing extremely unfair deals in terms of how revenues from REDD+ will be shared. What represents a fair share of profits is not easy to decide, and it may be difficult to determine what is equitable and just, in comparison to what is unfair and 'corrupt'.

REDD+ as a positive force for forest governance change?

Considering the three risks described above, we can appreciate why many analysts argue corruption is a

threat to the success of REDD+ and that it may have perverse outcomes. Yet REDD+ could have a positive impact on forest governance. It may work to bring greater focus to issues of land tenure, and could become a catalyst to securing better land rights for communities. Despite the inherent risks in the integrity of monitoring and evaluation of REDD+ achievements, REDD+ is already increasing the abundance and depth of scientific data on forest management and use, which may have a general positive impact on forest governance. To this we can add the potential for REDD+ to foster and maintain multi-stakeholder participation in forest management. This could also have an anti-corruption spin-off, although CIFOR have questioned the extent of involvement of civil society and raise concern that this aspect of REDD+ is being 'fast tracked'.

It is also possible that a highly corrupt forest sector will lose out to REDD+ funding over time, and that good forest stewardship will be rewarded and incentivized by REDD+ funds, be this through market, donor or philanthropic channels. High levels of corruption and perhaps more importantly 'scandal', may have the consequence of warding-off REDD+ financing. This may be more likely if REDD+ is financed through a market mechanism where some companies paying for REDD+ achievements, or buying carbon credits, are concerned about the negative implications of being linked to corruption. The extent companies are susceptible to these pressures is unclear and this effect may be weakened where there is no direct link between carbon credits and the location where these were generated. Donors may be less risk averse, preferring to maintain a working relationship with authorities in poor governance contexts in the hope that they will be able to exert influence over time.

To what extent REDD+ financing, or the lack of it in some countries, acts as an incentive for better forest management will be influenced by a range of factors. A key consideration is the relative importance of REDD+ funds for a country and the scale of investments and funding that is available from other sources, including commercial logging, agriculture, mining, and other streams of foreign aid. Again, CIFOR in Indonesia note that REDD+ funding is small in comparison to investments from mining and timber companies, making it difficult for the international development community to attach anti-corruption conditionalities to REDD+ funding.³ Because of this, we may find REDD+ becomes important in the political economy of forestry in some countries, but generates relatively little funding in others.

In sum, there are a range of different scenarios for understanding the relationship between corruption and REDD+ in different societies. Corruption in implementing countries could act as a barrier to getting REDD+ off the ground, being a stubborn feature of the political economy of forest use. Conversely, REDD+ may also work to stimulate addressing problems of corruption, if the issue is put on the REDD+ agenda at an early stage. In some countries and contexts we may find REDD+ generating new forms of corruption, such as fraud in carbon accounting or land grabbing. These may become systemic problems that threaten the integrity of the entire initiative. Likewise there may be continuing problems of corruption in the implementation of REDD+.



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but these may represent isolated difficulties and overall REDD+ will manage to be sustainable and effective. It is highly unlikely that we will find a country where forms of corruption linked to REDD+ are non-existent, and we should expect that on a country level REDD+ may have positive and negative outcomes on different forms and manifestations of corruption depending on awareness and actions taken by those engaged in the REDD+ process.

Conclusion

The relationship between corruption and REDD+ raises some difficult, albeit familiar, challenges for development policy and practice. There are advances in responding to corruption, including forest-related corruption, in many developing countries that plan to implement REDD+. Responding to the governance challenges posed by REDD+ requires building on existing efforts and continuing with ongoing reforms of laws and legal institutions. Yet there are awkward questions, requiring more analysis and discussion, about how corruption relating to REDD+ will be detected, avoided and responded to. Part of the problem is that corruption may exist in remote locations, and victims may not articulate issues as 'corruption'. Though transparency is important, it is well established that simply increasing information flows is a tenuous route to addressing corruption. The key is how information is made available, how people are able to comprehend and use this information and, critically, what accountability is in place. In most REDD+ implementing countries citizens do not have a legal right to information, so responding to corruption will require that fundamental political, environmental and economic rights are justiciable, including for the most vulnerable.

Donors supporting REDD+ face difficulties in mitigating or responding to corruption. A strictly zero-tolerance approach is infeasible given that some forms of corruption will be evident in all countries. Avoiding corruption problems is also morally and politically problematic. NGOs, environmental organizations, and research institutes, play an important role in raising the alarm and confronting governments and the donor community, but they too face risks of overly simplifying issues and giving too much emphasis to scandals that may distort analysis as much as it advances it. NGOs are also vulnerable to corruption, which muddles the assumption that strong NGOs can play the role of 'watchdogs'; WWF Tanzania was recently investigated for alleged embezzlement of Norwegian funding intended to strengthen civil society's engagement in REDD+ activities.⁴ Of course, NGOs are not the only actors that may detect and publicize forms of corruption. It is important to consider too how whistleblowing and grievance mechanisms can be strengthened at a national and international level. Interpol's recent LEAF project should play an important role in improving these aspects.⁵

Studies of corruption, as well as related policy discourses, need to be nuanced with recognition that defining it generates disagreement between and among academics and practitioners. Distinguishing between something that is corrupt or just bad is a grey area. Moreover, the term is used and abused as part of the politically contested process of influencing how forests are used and for what end. Yet it remains a vital concept because it focuses attention on issues of the abuse of power in the political economy of forests.

Further reading

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Notes

1. See: <http://nored.makenoise.org>
2. See, for example: Corbera et al (2011)
3. Dermawan et al (2011)
4. AlertNet (2 Mar 2012) Corruption allegations hit WWF programmes in Tanzania: <http://www.trust.org/alertnet/news/corruption-allegations-hit-wwf-programmes-in-tanzania>
5. Interpol Project Leaf: <http://www.interpol.int/Crime-areas/Environmental-crime/Projects/Project-LEAF>