

Policy Brief

Water Integrity as an Opportunity - The Relationship between Climate Change Finance and the Water Sector



Published by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

WIN Water
Integrity
Network
Fighting corruption in water worldwide

Published by:
Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

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Acknowledgements:
The author and the editors would like to thank the anonymous interviewees for their helpful insights, questions and comments.

Design and layout:
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Photo credits:
Supratim Bhattacharjee, participant of the WIN photography competition 2019. Title: Sinking Sundarbans. September 20, 2017. (Cover)

URL links:
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On behalf of
German Federal Ministry for Economic Cooperation and Development (BMZ)
Division 400: Sectoral and thematic policies, governance, democracy and rule of law
Division 413: Water, urban development, mobility
Bonn

GIZ and WIN are responsible for the content of this publication.

Bonn/Eschborn August 2019

Executive Summary

This policy brief provides an overview of challenges and opportunities concerning corruption in the water sector in the context of climate change finance. It addresses policy makers and practitioners from both sectors. The policy brief was drafted based on a literature review and interviews with experts from international and civil society organisations as well as implementing entities.

Global climate change finance flows are expected to increase over the next few years in response to climate change. Both the impacts of climate change, as well as corruption are disproportionately borne by vulnerable communities. As these funds will be channelled through relatively untested funding sources, existing corruption risks in climate change finance need to be better understood.

Although there is limited experience with implementing multilateral, regional or national climate change finance in the water sector, the following aspects should be considered:

- As a part of climate finance is invested in the water sector, new stakeholders will become involved in the water sector.
- Lack of participation of vulnerable communities and civil society poses risks for climate governance and corruption.
- Large scale-infrastructure projects are especially prone to corruption and integrity risks. This applies in particular to the procurement stage. Other significant risk areas include reporting and monitoring in project implementation.
- Experts remain convinced that the involvement of private sector actors in public sector projects

remains highly necessary but also increases corruption risks.

To promote greater responsibility and accountability in climate finance, this policy brief makes a number of recommendations:

- In the context of multilateral climate funds, national designated authorities and accredited entities should improve their respective capacities in order to strengthen integrity and address specific corruption risks. A zero-tolerance approach and targeted climate finance readiness support can positively affect projects related to the water sector.
- Strengthening participation of vulnerable communities and civil society in prioritization, planning and implementation of projects could reinforce their role concerning oversight.
- The climate finance architecture in many countries, as well as globally, is still under development. This provides an opportunity to consider some of the best practices and to undertake early measures to curb corruption and strengthen integrity.
- Development partners are encouraged to continue demanding high standards of accountability and transparency from their partners and support capacity building, e.g. through South-South learning on integrity approaches.
- Both climate change finance and the water sector can draw on different tools, approaches and experiences concerning the prevention of corruption. Thus, both can benefit from each other's expertise.

1 Introduction

In 2018, the Intergovernmental Panel on Climate Change (IPCC, 2018) determined that the impact of human activity on climate has already caused approximately 1.0°C of global warming above pre-industrial levels, and will likely lead to an additional increase of 1.5°C between 2030 and 2052. The consequences for water resources, and the resulting impact on vulnerable communities, are expected to be severe. Water is a fundamental resource with direct social, environmental, political and economic impact and according to UN Water (2010), the effects of climate change will be magnified for low-income communities already vulnerable to threats to water security.

Climate finance

In order to address climate change, Parties to the United Nations Framework Convention on Climate Change (UNFCCC), reached the landmark Paris Agreement in 2015 to intensify actions and investments towards a sustainable low carbon future. In order to meet the needs of developing countries, Parties to UNFCCC informally agreed to jointly mobilize US\$ 100 billion dollars a year by 2020 (UNFCCC, 2010).

The precise share of funds allocated to the water sector in current and prospective global climate finance is not discernible. Concerning multilateral climate finance, the Multilateral Development Banks (MDBs) spent US\$ 4.7 billion or 10.8% of their total climate portfolio on water and waste-water systems in 2018 (MDBs 2019). Between 2006 and 2017, multilateral and bilateral climate funds invested a total of US\$ 1.6 billion in water-related projects (Hedger and Patel, 2018). The Green Climate Fund (GCF) is the biggest contributor to water related projects in climate finance, with a large average project size of around US\$ 39 million, as well as a large overall share of US\$ 500 million (Figure 1).

Cost of corruption in climate finance

While global efforts to find 'new and additional finance' to address climate change have intensi-

What is water integrity?

Water integrity refers to honest, transparent, accountable, and inclusive decision-making by water stakeholders, aiming for equity and sustainability in water management.

Source: Water Integrity Network

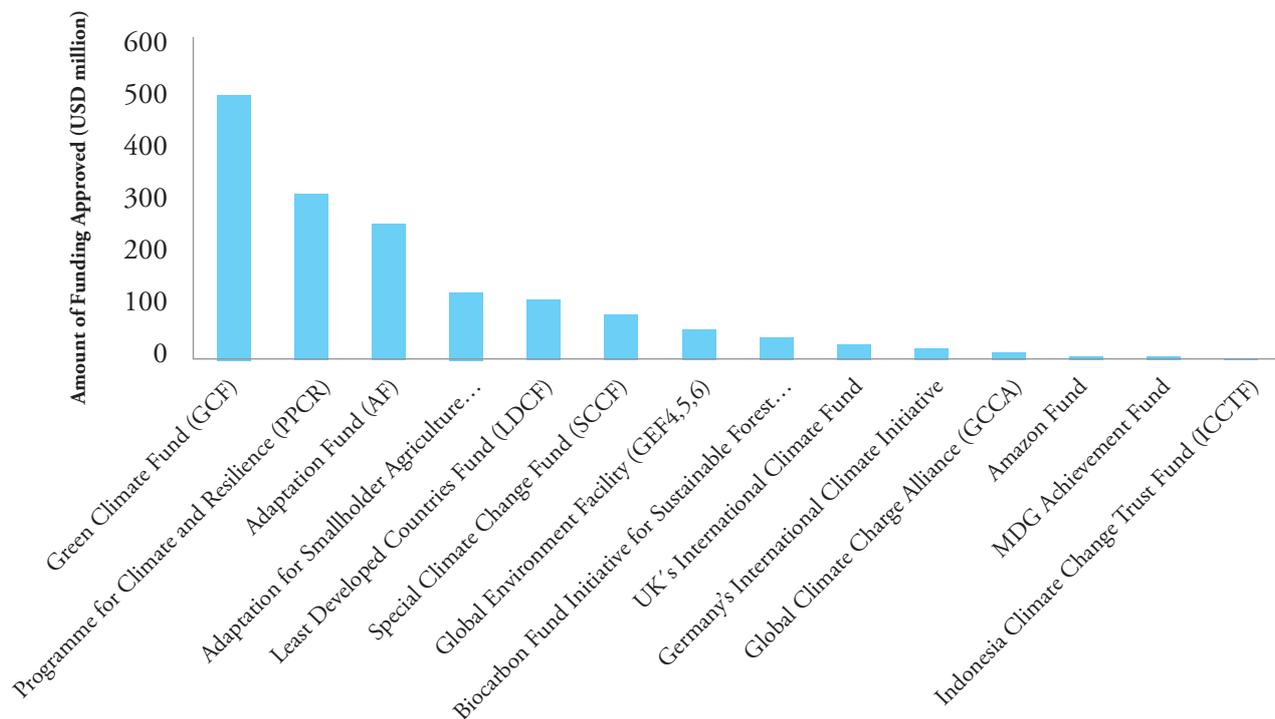
What is corruption?

According to Transparency International, corruption is "the abuse of entrusted power for private gain". Corruption can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.

Source: Transparency International

fied, these financial resources remain vulnerable to corruption risks. According to a report by the Water Integrity Network (WIN) 10-20% of development finance and an estimated 20-40% of water sector finance is lost to corruption every year (WIN, 2016 and Stålgren, 2006). In Bangladesh's Barguna district for example climate funds were used to build a school meant to function as a cyclone shelter in turbulent weather (Transparency International, 2019). The building however remains unused as the fishing community lives on the opposite riverbank and is unable to row across during storms. Claims have been made that government officials deliberately built the shelter close to their houses, for own convenience and as part of mutual power dynamics. In another example, in 2015 six officials of the state-owned Geothermal Development Company (GDC) in Kenya awarded a contract worth US\$ 19.5 million to a contractor that had previously provided similar services for as low as US\$230,000. At the time the GDC was being reviewed for accreditation by the GCF (Transparency International, 2019). Furthermore, at the level of multilateral finance, the handling of complaints concerning suspected corruption and other prohibited practices illustrate the integrity risks associated with climate finance. For example, in its latest Annual Report, the Independent Integrity Unit (IIU) of the GCF

Figure 1 Water related funding approved by climate Funds (2006-2017)



Based on: Hedger, M. and Patel, S. (2018) Millions being delivered for the water sector but billions are needed. London: Climate Funds Update. <https://climatefundsupdate.org/2018/02/27/millions-beingdelivered-for-the-water-sector-but-billions-are-needed/>

declared that in 2018 it received 4 reports of wrongdoing that included fraud, corruption, conflict of interest and retaliation against whistle-blowers as well as 10 specific acts of misconduct as provided in GCF policies on ethics and conflicts of interest (IIU, 2018).

From the perspective of climate finance, addressing corrupt practices in the water sector is beneficial for at least two sets of reasons. Practically speaking, if indeed US\$ 100 billion every year are mobilized for multilateral climate finance with a 13% share allotted to water projects, then roughly US\$ 1-2 billion

will be lost to corruption in water projects alone. Simply from the perspective of project effectiveness and efficiency, and in view of the global goal to 'leave no one behind' also within the water sector, this is unacceptable. The even more compelling argument, however, is that broadly speaking corruption has the highest impact on those most vulnerable to the effects of climate change. There is a strong overlap in areas that score high on the corruption perception index and those that are vulnerable to effects of climate change (UNDP, 2010). In other words, areas that need climate finance are also at risk of corruption in climate finance.

2 Climate finance and architecture

Climate finance, although on the rise, remains modest compared to current needs (UNEP, 2016). In order to meet the demands of the expanding climate finance sector, a complex and ever-evolving institutional infrastructure has developed internationally.

Climate Finance Actors

Global climate finance flows are complex and need to be understood to guard against corruption and integrity risks. Broadly speaking, climate finance can be considered to encompass private sector or public sector finance. According to Bird et al. (2017), the architecture of public sector climate finance consists of multilateral climate funds, bilateral climate initiatives or development assistance institutions, and regional or national funds.

Multilateral climate finance initiatives allow for greater voice and representation of developing country governments in decision-making, as well as better tracking and monitoring of funds. Major multilateral climate finance actors include:

- GCF – the GCF is the most recent climate fund. It is an operating entity of the Financial Mechanism of the UNFCCC. In its initial resource mobilization period, contributors pledged US\$ 10.3 billion to the GCF, of which the Board has approved projects worth US\$ 5.0 billion. The GCF is expected to become the largest multilateral fund, and mobilize and engage increasingly with private sector actors. The GCF provides, by far, the largest amount of funding to water related projects (Figure 1).
- Adaptation Fund (AF) – the AF was established in 2009. Its total financial contributions have been around US\$ 619 million, with approximately US\$ 237 million transferred to projects.
- Global Environment Facility (GEF) – established in 1991, the GEF is also an operating entity of the Financial Mechanism of the UNFCCC and other multilateral environmental agreements, and supports projects beyond climate change. According to the GEF report to the UNFCCC, as of June 30, 2018, the GEF

has provided support worth more than US\$ 5.6 billion for mitigation, and cumulative US\$ 1.6 billion for adaptation.

- Climate Investment Funds (CIFs) – the CIFs were established in 2008 with US\$ 8 billion in support from 14 donor countries to scale up mitigation and adaptation action in developing and middle-income countries.
- MDBs – separately, the MDBs have been a major vehicle for climate finance, through their core lending and operations or with regional or thematic initiatives. The climate portfolio of MDBs is large, with climate finance commitments of US\$ 43.1 billion made in 2018 alone (MDBs, 2019).

At the bilateral level, many development agencies have set up bilateral climate funds. Key initiatives include: Germany's International Climate Initiative, UK's International Climate Fund, the Global Climate Partnership Fund (managed by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and KfW, and supported by the governments of Germany, the UK and Denmark), and Norway's International Forest Climate Initiative. There is less clarity and consistency in reporting in bilateral finance, but it is estimated that US\$ 16 billion have been channeled through bilateral agencies from 2015 to 2016 (Oliver et al., 2018).

Finally, several developing countries have established domestic channels for climate finance with various sources (including: international, domestic budgets, or private sector), with varying scope. Examples include funds established in Indonesia, Brazil, Bangladesh, Benin, Cambodia, Ethiopia, Guyana, the Maldives, Mali, Mexico, the Philippines, Rwanda, and South Africa (Bird et al., 2017).

Some trends in climate finance

With regard to integrity, multilateral funds are the most pertinent of all global climate finance flows due to their size and relative ease of tracking. Some current emerging trends in global climate finance,

as can be witnessed with the still evolving GCF, include:

- **Country ownership and country needs.** Despite country ownership being part of the GCF's mandate, there is no universally accepted or applicable definition of country ownership in the climate finance landscape (GCF 2017). The operationalization of country ownership at the country level can determine the degree to which vulnerable communities are included (or excluded) in climate finance.
- **Direct access.** While traditionally finance was accessed through MDBs and large international entities, the emphasis is shifting to direct access – another important dimension of the GCF mandate. In the GCF Accredited Entities (AEs) are responsible for proposal, design, delivery, management, implementation, supervision, and evaluation of activities financed by the GCF. To support direct access, the GCF should continue to prioritize national or regional entities – these AEs are known as Direct Access Entities (DAEs) – for accreditation, so that they can become vehicles of climate finance (see Governing Instrument for the GCF: UNFCCC, 2011). AEs (whether international or DAEs) are responsible for upholding standards related to integrity, as projects are implemented by these AEs or through executing entities.
- **Balance between adaptation and mitigation.** Traditionally, the share of climate finance directed towards adaptation needs of developing countries is disproportionately low in global climate finance. To better address this gap, the

GCF aims to deliver a balance between adaptation and mitigation allocations in its portfolio, and also ensure that at least 50 percent of adaptation funding goes to particularly vulnerable countries, including Least Developed Countries (LDCs), Small-Island Developing States (SIDS), and African States (see Governing Instrument for the GCF: UNFCCC, 2011). In the GCF portfolio, water-related projects have featured under both mitigation, for instance, hydropower projects, and adaptation, for instance projects on improvement of water supply in Kiribati and Comoros. Roughly 13% of the GCF portfolio relates to water security. As the share of adaptation projects further increases, it is likely that the allocation to water-related projects will increase as well.

In general, the standards for transparency are regarded as uniformly strong across multilateral climate finance agencies. According to a review of AF, GEF, GCF and CIFs by Transparency International (2017a) all funds have zero tolerance, clear ethics and conflict of interest rules, strong financial standards, emphasis on complaint-handling mechanisms, strong sanctions of corrupt behaviour, stakeholder participation in governing body meetings, support country-level stakeholder engagement, and a commitment toward transparency. The report further recommends the implementation of best practices such as providing access to decision-making and information (legal agreements, audit reports, policies etc.). Yet, as climate finance develops and assumes its full scope in the coming years, there are many aspects that remain to be taken into consideration for the water sector.

3 Considerations for the water sector, and potential risks

Implications of the rise of multilateral climate finance

Multilateral climate finance is expected to increase rapidly in the short and medium term. This bodes well for transparency, as multilateral climate finance is easier to track and monitor compared to private or domestic finance (Oliver et al., 2018). This expected trajectory of international climate finance however has implications for integrity in the water sector. To begin with, evidence and experience from the implementation of multilateral climate finance in the water sector is still limited. However, the GCF plans to further increase its activities (Hedger and Patel, 2018). Many already designed and approved GCF projects are yet to be implemented. As previously mentioned, the GCF Independent Integrity Unit has received complaints of suspected wrongdoing concerning its current portfolio. The majority of these cases were still under investigation or assessment at the time of publication of the annual report (IIU 2018). As the implementation of GCF projects begins, experience and evidence on integrity in the water sector is likely to become available only in the medium term. It should be noted that MDBs are also expected to increase their climate investments, which would be delivered according to their prevalent fiduciary standards.

As the international climate finance architecture develops and reaches its full scale, it remains to be seen what implications this will have on the number and diversity of actors in the water sector. Concerning the growth of multilateral climate finance on adaptation, actor diversity is likely to remain similar, while the number of actors is likely to expand substantially. While there is an additional emphasis in current climate finance discourse on the inclusion of private sector actors, the traditional actors are likely to remain and play a strong role, including: national governments, accredited / implementing entities, executing entities, civil society, and private sector. The pool of government actors is expanding; ministries of finance and other government departments are taking an interest in climate finance, which is seen as an encouraging trend to support the mainstreaming of climate concerns in national development strategies. Further, the number of DAEs under the GCF are likely to increase. According to

data reported on the GCF website in May 2019, 217 entities are seeking accreditation. In theory, any AE can propose a project in any impact area, as long as the project is within the size and risk category for which the AE was accredited. Even if not all entities are accredited, the sheer number of entities formally able to propose water sector projects is likely to increase. As a result, there will be a large number of new actors acting as vehicles of international climate finance in developing countries, of which many will implement water sector projects. The rise in the number of actors implementing water related projects implies that additional efforts will be required for tracking, monitoring and ensuring integrity in the sector.

Finally, as mentioned above, the standards established by multilateral climate finance institutions are perceived as strong (Transparency International, 2017a). Nevertheless, AE / DAEs remain responsible for GCF project cycles – right from concept note to conclusion, including monitoring, due diligence, risk assessment, and compliance with these standards. It is likely that many AEs and DAEs will undertake more and bigger projects, with higher risks, which may result in the shifting of accountability to national entities. As a pipeline of water projects is built under the GCF and other multilateral funds, more experience and information on how these projects are undertaken will help to refine and fine-tune approaches towards integrity.

Broad integrity risks in climate finance applicable to water sector

Along with the developing multilateral climate finance institutions, a large share of climate finance is invested domestically, and some of it is invested bilaterally. Due to inconsistent monitoring and reporting of this finance, trends and expectations in this area are not as clear as those concerning multilateral finance. However, it is reasonable to expect that some of this climate finance will increase, and will be applied to climate adaptation and mitigation efforts in the water sector. Stakeholders interviewed for this policy brief agreed that the general risks of integrity and corruption in climate finance will also apply or be mirrored when climate finance is used for water projects. Although the risks are inter-rela-

ted, some specific points of risk identified by experts include:

1. Involvement of communities and civil society

Although direct access is emphasised in developing climate finance architecture, it is operationalised in different ways across countries. All multilateral climate funds support country-level stakeholder engagement to some extent. For instance, the CIFs include a long-term special support programme for the engagement of indigenous peoples, including a Dedicated Grant Mechanism for Indigenous Peoples and Local Communities to support their role in climate projects and to strengthen country ownership. In the GCF, guidance for stakeholder consultation and engagement is provided under the environmental and social management system, and environmental and social safeguards, Environmental and Social Policy, Gender Policy and Indigenous Peoples Policy of GCF. While there is guidance available for stakeholder engagement to develop national climate strategies, and for engagement with climate funds, the specifics of such processes are not codified, and are left up to national processes instead (aligning with broad principles of country ownership). Therefore, stakeholder engagement is organized in different ways in countries, and is recognized generally as a challenge for meaningful participation of vulnerable communities and civil society.

As water sector projects are developed, approved and implemented, there remains a risk that vulnerable communities and civil societies are not able to participate. This can create a major risk related to transparency, accountability and participation in water projects. Especially for the water sector, this risk is relevant also to project selection. It is possible that the processes for screening and selecting climate

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“Community led adaptation processes are the most effective. We know of cases where local communities have undertaken [a project activity] in a cost-effective manner. If you give communities the right incentives, they can manage the process. After all, water projects are often life saving for them.”

Staff of Civil Society Organization

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projects will not have sufficient experience or representation of water sector stakeholders. This risk is further compounded because water sector projects often have direct impact on vulnerable communities; the suitability, viability and sustainability of such projects also depends on communities. Agua Zarca Hydropower Project is a case of a large-scale project, that also pertains to dimensions of community inclusion (point 1, above). The proposed hydropower plant in Honduras was opposed by the local indigenous Lenca community for the livelihood, spiritual, cultural and traditional values of the Gualcarque river. Staff of the local agency were investigated for crimes, including corruption and murder. After strong clashes, including the death of demonstrators, and the murder of indigenous leader Berta Cáceres, the project financiers withdrew their funding. The project was initially supported by two GCF entities, among others: Central American Bank for Economic Integration, and International Finance Corporation (IUCN, 2018).

Cases such as those of Barguna, Bangladesh and Kenya (described above) highlight the importance of consulting with vulnerable communities in a meaningful, transparent and participatory way, especially for water projects. Better capacity among communities may also assist with the selection of projects and ensure that double-reporting to development partners does not occur.

2. Implementation, procurement and monitoring

Large-scale infrastructure projects are generally vulnerable to risks of bribery and nepotism. Corrupt practices concerning the award of contracts remain equally challenging for the water sector, where in-

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“One thing to push for in climate finance for water sector is the participation of civil society at all levels and all stages. There is usually some consultation at the beginning [of projects] and then it disappears. It is not strong enough during implementation.”

Staff of Civil Society Organization

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infrastructure projects such as hydropower, irrigation pipelines, and water storage facilities can be affected. During the drafting of this brief, Kenya's Finance Minister was arrested on charges of corruption, related to the award of a contract worth more than US\$ 450 million to an Italian firm, CMC de Ravenna, for the construction of two dams.

Risk of corruption is particularly significant at the procurement stage of climate finance projects, both in terms of probability and impact. "Procurement processes typically involve many sub-contractors, and are highly complex and technical, making procurement processes easy to manipulate through bribery, collusion between industry stakeholders, kickbacks in the management of contracts, and so on", says a report by Transparency International (2017a). The management of water sector projects is generally rendered complex due to the diverse nature of expertise required – ranging from engineering, investment, to civil works – this complexity can further affect transparency and accountability. Concerning hydropower UNDP (2011) identifies the following risks of corruption: collusion (kickbacks or bid-rigging) and extortion in the procurement procedures for design, and construction and maintenance works, bribery and nepotism in assigning water use licenses (including regarding environmental impact studies), unwarranted contract variations and re-negotiations, misuse of resettlement and environmental mitigation funds, insurance fraud on equipment, and corruption in energy provision deals. Many of these risks generally apply to large infrastructure and / or energy projects. Similarly, water can also be a component of projects on themes like energy or agriculture, which can increase the number of 'interested parties' and therefore the potential for corruption.

Finally, monitoring of projects is within the remit of AEs / DAEs concerning multilateral climate finance

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"A lot of actors are the same across development finance and climate finance. The challenges in construction, contracting, bidding – all of them have the potential to be replicated in the water sector."

Staff of Civil Society Organization

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"Accredited Entities will have to be watchers and be watched. Their fiduciary standards might be challenging for some of the unusual climate actors like the private sector. These standards are often untested, as they often come in from the public sector."

Staff of Civil Society Organization

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and variable for other sources of climate finance. In the GCF mid-term and terminal evaluations are recommended and Annual Progress Reports are mandatory, but the latter are not made publicly available. Given the small number of experts and high vested interests, Transparency International (2017b) identifies reporting as a potential challenge for distorting information and one that is highly relevant to water sector projects.

3. Private sector

In climate finance, there is an emphasis on the mobilization and involvement of the private sector. For instance, the GCF has established a Private Sector Facility to engage with the Fund and propose projects. This thrust is based on the premise that public sector finance is not enough to address climate change and private sector finance has to be mobilized and engaged for effective climate action.

However, experts remain convinced that the steps taken by private sector actors in otherwise public sector projects, remain highly vulnerable to risks of corruption. This includes contracting and procurement. Further the perception persists that the private sector has more power to influence project processes and outcomes, less transparent procedures, and can gain access to climate finance (and finance for water projects) without necessarily being able to provide the best expertise.

The GCF policy on information disclosure identifies exceptions to presumed disclosure, which include: financial, business or proprietary and non-public information from external parties. It is expected that such exceptions will exclude information from private sector actors and impact transparency.

4 Lessons and opportunities

1. Capacities

The described developments in climate finance require NDA, AEs, as well as civil society to improve their capacities in order to strengthen integrity in the water sector. This is especially relevant for vulnerable countries, in particular LDCs, SIDS and African States, which need access to climate finance, are prioritised in the GCF, and have low capacities to access and manage climate finance with high standards of transparency, integrity and participation. Further, with the appointment of ministries of finance in many countries as NDAs or in other key positions, and accreditation of entities not classically considered water sector actors (e.g. regional development banks), there is a need and opportunity to build the technical capacities of these actors in relation to the water sector.

Positively, readiness support and opportunities to strengthen institutional capacities to access climate finance are made available to many countries through various development partners (Transparency International, 2017b). For instance, AF implements a Readiness Programme for Climate Finance, the GIZ implemented the Climate Finance Readiness Programme with the KfW Development Bank, and the GCF has a Readiness and Preparatory Support Programme, which can be accessed by countries directly without needing AEs. Such readiness programmes have provided variable support to countries including developing capacities of NDAs and existing / potential DAEs, organising stakeholder engagement, private sector mobilization, adaptation planning, and building of project pipelines. Given the focus of readiness support on climate, the water sector may not feature adequately in such support, but inclusion of actors in the water sector may yield extensive capacity development. Therefore, readiness programmes provide a two-fold opportunity: a) to build capacities of 'new climate actors' in the water sector, and b) to include traditional water sector actors in the climate discourse.

Importantly, participation of vulnerable communities and civil society in project development continues to remain a key opportunity and imperative. Experience has shown that water-related projects are

most likely to succeed when communities are provided with opportunities for meaningful engagement and participation. Indeed, without effective participation, such projects can result in gross injustice. On the other hand, participation can also create a means for oversight and accountability. Therefore, besides NDA and AEs, there is a need to build awareness and capacities in vulnerable communities to access climate finance and oversee execution. This will also support the tracking and monitoring of finance. For instance, complaint and redressal mechanisms of climate funds are available, and need to be made widely accessible to communities and CSOs. The GCF provides for a complaint mechanism to be established at the level of implementing or executing entities. Further, an aggrieved party can also directly approach the GCF to register a complaint, without having to use the project-specific complaint mechanism first. Such mechanisms are regarded as best practice, and will further enhance whistleblower protection. However, it is unlikely that communities in areas of proposed or current projects are uniformly aware or able to use such mechanisms. Thus, there is an opportunity to build the capacities of communities towards ensuring compliance so that they can play an active role in oversight.

2. Policy and institutional framework

One of the key opportunities for the water sector is that climate finance will increase in future. Climate finance and its institutional architecture in many countries, as well as globally, is still under development. As climate finance architecture develops, there is an opportunity to consider some of the best practices in the climate finance sector, along with tools and methods used by the water sector.

From the perspective of integrity standards, the developing multilateral climate finance policy architecture is considered to be strong (Transparency International, 2017a). For instance, the GCF has established high standards for integrity and accountability. Punitive measures are also strict for accredited entities. Further, there is evidence that accreditation can foster upgraded levels of accountability and transparency among entities (International Institute for Environment and Development, 2015).

Therefore, this provides a strong opportunity for the water sector also to learn from the experience of climate finance.

Direct access is meant to transfer decision-making of climate finance to the country level. One example of this in the GCF is the constitution of a procedure known as no-objection letter (NOL); NOL is a requisite for accreditation as well as project proposals (it is not mandatory for oversight at project-level implementation). Consequently, this can become a strong (or weak) link in a country's access to climate finance. In some countries, NOL procedures include the constitution of a national coordination committee that includes participation from civil society and development partners. For instance, Vanuatu has established (with the support of GIZ) a National Advisory Board on Climate Change & Disaster Risk reduction (NAB) as the supreme policy making and advisory body for all disaster risk reduction and climate change programs, projects, initiatives and activities. The NAB develops climate policies, guidelines and positions, advises on international and regional obligations, facilitates and endorses the development of new programs, projects, initiatives and activities, acts as a focal point for information sharing and coordination, as well as guides and coordinates the development of national climate finance processes. Encouragingly, the NAB includes representatives from civil society, non-profits and development partners. Therefore, this is regarded as an inclusive process for strategic guidance on national actions on climate, supporting transparency, accountability and participation. The ongoing development of such key procedures in various countries also presents a strong opportunity to establish integrity measures pertinent to the water sector.

Finally, within the water sector, guidance for assessment of water governance is developed (Jacobson et al., 2013) that can help, among other things, to design multi-stakeholders approaches to strengthen accountability, maintain a track record of government performance and a platform for public scrutiny, and undertake governance assessments for reform. Such approaches can inform the developing climate finance architecture.

3. Project level

As more water sector projects are designed, there is a tremendous opportunity for them to incorporate innovative features known to support participation and inclusion. For instance, in 2017 the GCF approved the Tina River Hydropower Development Project intended to help the Solomon Islands transit from diesel generated power to hydropower. The project includes a provision according to which a benefit-sharing fund needs to be established to provide the surrounding communities with access to the benefits of the project, including direct management responsibilities of the available funds. The fund is being established with external support, even prior to the generation of revenue. This will allow benefit-sharing, including job training, electrification and rural water supply projects as requested by the communities.

There are examples of project steering committees, which include representation from civil society, and also provide voting privileges to CSOs. For instance, the National Steering Committee that provides guidance to the GEF Small Grants Programme in Kenya, includes representatives from the United Nations, government, civil society, academic institutions and the private sector. The Democratic Republic of Congo REDD+ National Fund is guided by a Steering Committee and a Technical Committee, which included members of various government bodies but also civil society, the private sector and international technical and financial partners. Such processes allow projects to be reviewed, selected and implemented in an inclusive and transparent manner. Such examples will remain useful for the water sector, and oversight / steering committees require further expertise from water sector experts.

4. Specific tools

Finally, international organizations have developed a number of useful tools to foster integrity. Some examples include:

Advocacy and Legal Advice Centres (ALACs)¹ of Transparency International (including its chapters or

¹ <https://www.transparency.org/reportcorruption>

partners) provide free and confidential legal advice to witnesses and victims of corruption. Simply put, ALACs offer a hotline accessible to any person who believes they have witnessed corruption. The caller can receive legal advice, while the complaints are tracked and provide empirical data on corruption in 60+ countries.

The Integrity Pact² developed by Transparency International and WIN helps stakeholders fight corruption in public contracting, through an agreement between an authority and all bidders for a public sector contract. It sets out rights and obligations, reducing the risk of bribes, and collusion with competitors. Breach of these legally binding contracts carries heavy sanctions. This tool can be used beyond procurement for monitoring and accountability frameworks of the project implementation in entirety.

The Integrity Management Toolbox³, originally developed by WIN with support from GIZ in reference to water projects, utilizes the triad approach of advocacy, capacity, and tools. It provides an easy-to-follow guided process to identify risks, learn

applicable management instruments, and initiate an integrity change process within the organisation. The Toolbox has been piloted and remains available as an adaptable process, with high potential for scale-up and replication across climate related projects in general.

The Climate Finance Tracking Tool⁴ was developed by Transparency International Mexico through monitoring and data collection of climate finance and through dialogue with donor agencies. This open source platform allows for greater tracking, transparency and accountability of international climate finance. Such a tool can be further refined and applied to the water sector, especially to address the challenge that domestic and bilateral climate finance is hard to track and monitor.

Rather than presenting an exhaustive list of tools, the above are intended as examples of approaches in climate finance and / or the water sector. There is an opportunity for climate finance and the water sector to draw on these approaches to promote transparency, accountability and participation in climate finance broadly.

² https://www.transparency.org/whatwedo/tools/integrity_pacts/5

³ <https://www.waterintegritynetwork.net/action-tools/imtoolbox/>

⁴ The platform can be found at: <http://cambioclimatico.tm.org.mx/>

5 Recommendations

Although further research on the interlinkages between climate change finance and integrity in the water sector is still required, some clear recommendations can already be made:

1. Effective participation of civil societies and communities, especially those that are particularly vulnerable to the effects of climate change, is imperative to national procedures for accessing climate finance, and especially on water, as such procedures have direct impacts on vulnerable communities.
2. As national level processes are instituted, it is important to promote and support transparency on policies, information disclosure mechanisms, and those for complaint handling and reporting. With the ongoing development of water projects, it is necessary to include anti-corruption and integrity measures right from design to implementation, ideally following a zero tolerance approach against corruption. OECD water governance principles are a universally accepted set of principles, which can guide the design and implementation of water projects.
3. At the project level, it is important to ensure effective participation of vulnerable communities at all stages, from project selection and screening, to implementation and monitoring. This will increase the likelihood of increased integrity, and also allow for the delivery of a just and effective process.
4. For AEs, it is important to continue to implement the high standards established by climate funds, and expect compliance with the highest standards by executing entities and partners. In view of the GCF – building capacity at the local level, monitoring, advocacy at the country level, and data collection are key. Peer learning across AEs and DAEs is also an important element of south-south learning on integrity approaches.⁵
5. Development partners are recommended to continue to demand high standards of accountability and transparency, from various partners, especially for bilateral projects, and react accordingly if these standards are not met.
6. It is recommended that integrity tools that are already available from either water or the climate sector (ALAC, Corruption and Integrity Risk Assessment tools, Integrity Management Toolbox, Integrity Pact, etc.) are used and adapted as well as integrated into the design of water projects, but also climate projects in general.
7. As readiness support is provided for building capacities, it can include an additional focus on: a) capacities to maintain high standards of transparency, accountability and participation, and b) include actors specializing in the water sector, especially from government agencies and civil society. Efforts to build capacities of all actors from the perspective of the water sector will ensure strategic alignment, as well as effective integration of the water sector into climate finance.
8. Water sector professionals will have to build their own capacities and engage with climate discourse and processes. This requires the water sector to not remain siloed and engage actively with climate finance processes at the national level and project level. This, in turn, will facilitate the development of capacities of communities for monitoring and compliance.
9. There is a need to collect data and information as climate adaptation and mitigation projects are implemented. It is also important for institutions to mutually share data, which will allow for monitoring and tracking. This will inform future strategies and approaches to address concerns of integrity and corruption.
10. Finally, integrity in the water sector does not operate in isolation. There is a need to address fundamental and root causes of corruption, for them to also be addressed in water sector projects.

⁵ See for example the peer-to-peer learning alliance on climate finance integrity piloted by GIZ (<https://ntnc.org.np/news/international-peer-peer-learning-alliance-p2p-la-workshop-climate-finance-integrity>)

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