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TED Network WG 1.2 Discussion webinar:

***Mainstreaming Anti-Corruption
in Climate Finance: Promoting
Integrity in Energy Transition
and Climate Mitigation Projects***

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Introduction and Executive Summary

The economic consequences of climate change are expected to result in losses ranging **between EUR 1.6 and 3 trillion annually by 2050**. Climate finance is essential to mitigating these effects, yet it remains highly vulnerable to corruption. Large-scale investments in renewable energy, infrastructure, and carbon markets *present significant risks, including fraud, bribery, and the misallocation of funds*. Given the complexity of climate finance, which involves multiple funding channels from public and private sources, ensuring integrity in its allocation and implementation is critical. To address these concerns, the TED Network WG 1.2 webinar in October 2024 gathered experts, policymakers, and practitioners to explore ways to integrate anti-corruption safeguards into climate finance, energy transition, and climate mitigation initiatives.

Corruption risks in climate finance are particularly pronounced in the energy sector, where opacity in licensing, procurement, and subsidies can lead to undue influence and nepotism. Carbon credit markets also face integrity challenges, as weak oversight mechanisms enable fraudulent claims of emissions reductions. Case studies from countries such as Indonesia and Peru illustrate how forest conservation funds have been misused, while renewable energy procurement in Mexico and Kenya has been tainted by favouritism in contract allocation. These examples highlight the pressing need for robust governance structures and anti-corruption measures across all levels of climate finance.

At the international level, the European Union has taken steps to mitigate these risks through initiatives such as the Neighbourhood, Development and International Cooperation Instrument (NDICI)-Global Europe Instrument and the Global Gateway Initiative. These frameworks incorporate transparency and governance safeguards into climate-related investments. Operational measures **such as the development of anti-corruption guidelines, the creation of quick-reference compliance tools, and the establishment of training programs and helpdesks for stakeholders** further contribute to fostering integrity in climate finance. However, ensuring effective implementation requires not only regulatory frameworks but also active engagement from multiple stakeholders, including governments, businesses, and civil society.

To combat corruption risks, strengthening transparency and oversight is paramount. Ensuring public access to climate finance allocations and procurement data, alongside the implementation of third-party monitoring mechanisms, would improve accountability in fund disbursement and project execution. Multi-stakeholder engagement is **equally important, with civil society organisations playing a crucial role in oversight, private sector actors being encouraged to adopt due diligence practices, and local communities actively participating in decision-making processes**. Leveraging technology is another vital tool in the fight against corruption. The use of satellite imagery and AI-driven analysis can help detect illegal deforestation and fraudulent carbon credit claims. Digital reporting platforms also offer a secure way for whistleblowers to expose corruption.

Addressing conflicts of interest is another critical element of improving climate finance governance. Strong disclosure frameworks should be enforced to ensure policymakers involved in climate finance are free from undue influence. Additionally, independent integrity reviews within Just Energy Transition Partnerships (JETPs) would help prevent political interference and ensure that climate finance serves its intended purpose.

For climate finance to be truly effective, anti-corruption measures must be embedded at every stage, from policy design to project implementation. Strengthening governance, transparency, and accountability will ensure that climate funds are allocated and utilised efficiently, ultimately supporting a just and equitable energy transition. By taking a proactive approach to integrity in climate finance, stakeholders can help build a system that is both resilient and effective in addressing the challenges posed by climate change.

1 DG INTPA:

Plans and objectives on mainstreaming Anti-corruption efforts in development cooperation

The Directorate-General for International Partnerships (DGINTPA) outlined the EU's firm stance on anti-corruption, emphasising it as a priority of the new Commission (in office since 1 December 2024). Key elements include:

1. EU Anti-Corruption Strategy and Directive: An EU strategy and Directive to combat corruption are in development.
2. NDICI-Global Europe Instrument: the neighbourhood Development International Cooperation Instrument Highlights corruption as a barrier to development, integrating anti-corruption into governance programs and broader initiatives.
3. Global Gateway Initiative: The EU's external investment strategy prioritising sustainable infrastructure, digital transformation, climate action, and resilience. Anti-corruption measures are embedded in all sectors to mitigate risks like inefficiencies and lack of transparency in large-scale projects.
4. Operational Measures:
 - o Development of guidelines (as a living document drawing for experience and lessons learnt) and quick-reference documents ('2-pagers') for various sectors, like energy.
 - o Training and webinars for staff on anti-corruption and sector-specific risks.
 - o Establishment of a helpdesk for ongoing support.
5. Challenges and Importance: Corruption risks in key sectors (e.g., procurement, health, and education) hinder economies and access to basic needs. Integrating anti-corruption in development efforts is crucial for sustainable growth and achieving the UN's Sustainable Development Goals.

Specifically, the Energy sector deserves close attention. It is closely linked to climate and socio-economic issues and fundamental for sustainable development and economic growth. Its reliance on substantial investments makes it particularly vulnerable to corruption, including geostrategic corruption, which poses threats to both economic stability and national security.

Corruption in the energy sector can occur across various public entity functions, including:

- Decision-making: This includes corruption in licensing, fuel extraction, subsidies, power plant construction, and regulatory frameworks for energy supply.
- Natural Resource Management: Risks arise during exploration, fuel processing, and energy acquisition.
- State-Owned Enterprises (SOEs): High-risk sectors like extractive industries and infrastructure development are particularly exposed to corruption.
- Public Procurement: Corruption in procurement manifests through collusion, bid rigging, kickbacks, overpricing, and under-delivery in infrastructure projects, fuel processing services, and distribution systems.
- Service Provision: From granting new energy connections to billing, corruption results in unequal access to energy and economic advantages for select households or companies.

Concretely corruption may occur in the form of bribery in fuel contracts and mining licenses, mismanagement in procurement, and unethical practices in service delivery. These distort markets, divert resources, and undermine democracy, human rights, and economic growth. Critically, Corruption in the energy sector diverts critical resources, weakens the rule of law, and undermines public trust, all of which are detrimental to sustainable development and economic progress.

Measures to combat corruption include:

- Enhancing transparency in decision-making and procurement processes.
- Promoting civic engagement to hold entities accountable.
- Forming coalitions of private companies to encourage ethical practices.
- Developing ethical guidelines and accountability systems.
- Implementing whistleblowing mechanisms and investigative frameworks.

Addressing corruption in the energy sector is vital for equitable development, ensuring access to resources, and fostering trust in public institutions. DG-INTPA invited participants to read more about how to analyse and tackle corruption in its in the 2-pager on the energy sector. It also contains references to further reading, both on research but also on good practices developed by other actors - such as the OECD, the IMF, Transparency International and U4.



2 Transparency International: Key insights for risks and threats to climate finance, learned from the Climate & Corruption Global Atlas

Transparency International (TI) contended the clear link between corruption and vulnerability to climate change, as supported by the statistical correlation between country scores in TI's Corruption Perception Index (CPI) and in the ND-GAIN Country.

In light of high corruption risks in the climate sectors, the impact is severe, either by:

- Undermining the agenda itself: climate policy process is captured at the outset by antagonistic interests, fraud diverts funds that were aimed at climate mitigation measures, embezzlement reduces state funds available for climate mitigation efforts.
- Making mitigation measures useless or even damaging: Conflicts of interests weaken environmental regulations and emissions standards, Bribes allow to circumvent regulations e.g. for deforestation, Kickbacks reduce the effectiveness of clean energy programmes.

Therefore, enhanced transparency, inclusivity and accountability of climate policy and governance frameworks are essential to protect climate efforts from corruption and enable them to benefit the communities most vulnerable to climate change:

- Policy-making processes for climate must be more transparent, accountable and inclusive,
- Accountability, integrity and oversight of climate-related action must be improved globally and locally,
- Legal proceedings for victims of environmental crime and corruption must be just.

As a result, TI's efforts to address climate corruption includes: (i) robust systems for open information, consultation and complaints mechanisms. (ii) closing enforcement gaps, (iii) multi-stakeholder initiatives, (iv) strong institutions and oversight.

TI's [Climate and Corruption case Atlas](#) features 80 investigated cases, providing valuable insights into the significant effects of corruption on climate efforts. It helps identify common vulnerabilities and develop effective strategies to address them. Based on its data, the Atlas identifies 12 types of corrupt behaviours and a total of 16 factors enabling corruption.

After analysis of the cases, TI formulated 17 recommendations drawn from case analysis to strengthen transparency, accountability and integrity in climate finance and climate governance. The three core recommendations are:

- Adopting a framework for reporting, recording, detecting and managing conflicts of interest,
- Ensuring integrity standards for the selection & monitoring of entities receiving climate finance,
- Implementing a process of review, analysis and reform, to close the systemic gaps allowing corruption to occur.

Looking specifically into Energy Transition, TI identify three key risks due to governance gaps:

- Weak governance frameworks and limited public participation,
- Underdeveloped oversight mechanisms and a lack of transparency in decision-making,
- Poor transparency in fund management.

TI argues that Just Energy Transition Partnerships (JETPs) can redefine energy sector governance by promoting transparency, accountability, and inclusivity. In order to do so, TI advocates for (i) early dissemination of information on support provided, (ii) engaging national oversight institutions and (iii) early, inclusive stakeholder participation.



3 CMI U4 Anti-Corruption Resource Centre: Lessons learnt from projects in partners countries: Mitigation strategies for corruption risks

The U4 ACRC presented empirical insights on how corruption has affected climate, natural resources, energy projects and reforms in Indonesia, Peru, Mexico, and Kenya.

3.1 REDD+, Indonesia

In the case of REDD+ (Reducing emissions from deforestation and forest degradation in developing countries and additional forest-related activities) projects in Indonesia, mandatory consultation processes of indigenous communities, namely Free, Prior, Informed Consent (FPIC), were found to have been manipulated via nepotism and favouritism in some **provincial** project pilots.

At **national** level, a multistakeholder body (National REDD+ Agency) directly reporting to the Presidency to prevent corruption in the responsible ministry was shut down following pressures from the ministry supported by powerful political and business interests. Also, the Anti-corruption agency's investigative and enforcement capacities were watered down by the Parliament as it was preparing to launch corporate-focused investigations (including in natural resources).

Conflicts of interest between legislators and regulators on one side and extractive industries and the agribusiness on the other were found to be at the heart of the problem.

3.2 Anti-illegal logging reforms, Peru

New donor-sponsored national reforms to tackle illegal logging in Peru had only found partial compliance in the province of Ucayali. Two factors were identified to be at the root of such 'negligence':

- (1) A collusive network operating at the subnational level, intertwining political and business interests, with the capacity to bypass newly established norms and resort to intimidation or violence against opponents,
- (2) A lack of sufficient social support for the new norms, hindering their consolidation and effective implementation from the national to the local level.

3.3 Wind and solar projects, Mexico and Kenya

In Kenya and Mexico alike, bribery and facilitation payments proved to be common practice for bypassing regulations or accelerating processes in wind and solar projects. Land affairs were affected with respect to acquisition, possession, and use of land. At the project development stage, permits, licences, impact assessments, and due diligence were all impinged and project implementation was spoiled through tender fixing.

3.4 Implications for Policy and practice

- Safeguarding and contracting tools must be thoroughly checked as they have themselves become targets for corruption.
- Expect Institutions that are being bypassed in order to prevent corruption to fight back.
- Provincial and local levels have their own formal and informal structures and must be given equal attention, frameworks and dialogues as to the national level when new norms have to be endorsed.
- Use political economy and political ecology approaches for corruption risk assessments so as to understand the context.
- Back institutional reporting with other data, such as satellite imaging or investigative journalism (ground-truthing).
- Check how partners implement project safeguards such as FPIC;
- Learn how to spot the weaponisation of the anti-corruption agenda (e.g., only prosecuting former regime members);
- Take a human-rights-based while recognising that violence at local level can reduce social allies for anti-corruption;
- Multi-jurisdictional law enforcement may be necessary for some climate and energy corruption cases.



4 CoST Infrastructure Transparency Initiative: Climate Finance in Infrastructure data standards

CoST, the Infrastructure Transparency Initiative, is a global multi-stakeholder initiative active in 19 countries, committed to enhancing transparency and accountability in the infrastructure sector. Through partnerships with governments, civil society, and the construction industry, CoST promotes improved standards and practices. In collaboration with GIZ, CoST has recently turned its focus to infrastructure climate finance, emphasising the need for transparency and accountability in this critical area.

The infrastructure sector is acutely vulnerable to corruption due to the scale of the financial investments involved, the complexity and duration of projects, and the involvement of multiple stakeholders across layers of contracting. The importance of addressing these vulnerabilities becomes even more pressing in the context of climate finance. With billions of dollars allocated to mitigation and adaptation projects, the lack of robust accountability mechanisms risks undermining the intended outcomes of fostering climate resilience and reducing emissions. This gap was starkly illustrated by a 2023 investigative report published by Reuters that revealed misallocation of climate funds, such as for funding coal plants.

To address these challenges, CoST, in partnership with GIZ, developed [a climate finance transparency module](#) comprising 33 indicators. These indicators span the entire project lifecycle, from identification to decommissioning, and aim to improve transparency and standardise the reporting of climate finance data. They are designed to address critical challenges, including corruption vulnerabilities, conflicts of interests, and the integrity of climate finance processes. The indicators are categorised into three main areas:

1. **Alignment with Climate Goals:** This area ensures that projects align with climate objectives such as mitigation, adaptation, and cross-cutting goals. Key data points include alignment with the Paris Agreement, carbon efficiency, carbon footprint, and systemic transformation potential.
2. **Financial Transparency:** Reflecting the unique structure of climate finance, this category includes information on total investments, funding sources, co-financing ratios, and financial terms such as interest rates and maturity periods.
3. **Accountability and Inclusion:** This area focuses on transparency in project implementation, public consultations, and monitoring mechanisms. It emphasises ensuring the inclusion of vulnerable beneficiaries and robust methods for measuring project impacts.

These indicators are being piloted in South Africa, Uganda, and Mexico. CoST also created a comprehensive guidance note, available in English, Spanish, and Portuguese, detailing the process of designing and implementing these data points. This includes seven critical questions developed with stakeholders in South Africa to address transparency and accountability challenges. The guidance note provides practical steps for adopting and operationalising the indicators.

To showcase the indicators' application, CoST developed a prototype tool using real data from a South African climate adaptation project funded by the Green Climate Fund. The project, valued at USD 1.5 billion, focuses on constructing municipal water reuse plants and serves as an example of how climate finance data can be presented transparently and accessibly. The prototype illustrates how standardised data can support advanced analytics, such as visualising resource allocation for mitigation versus adaptation or assessing the geographic distribution of funds.

However, testing the indicators revealed significant challenges, particularly in identifying projects receiving climate finance. Fragmented data systems across funders and procuring entities made it difficult to consolidate information. This underscores the **urgent need for centralised systems to streamline data collection and analysis, ensuring more efficient tracking of climate finance flows.**

By addressing these challenges, CoST aims to ensure that climate finance delivers on its promise of building resilience and reducing emissions. Its efforts highlight the critical role of transparency and accountability in achieving these goals and provide a pathway for stakeholders to adopt standardised measures to safeguard infrastructure investments.



5 Other example of an impactful initiative: World Justice Project's Environmental Governance Indicators

The World Justice Project (WJP) developed a methodology to measure the quality of environmental rule of law and applied this framework in ten Latin American countries.

The [Environment Governance Indicators \(EGI\)](#) provide new data on 11 primary indicators of environmental governance for each country: 1) Regulation and Enforcement; 2) Civic Engagement; 3) Fundamental Environmental and Social Rights; 4) Access to and Quality of Justice; 5) Air Quality and Climate; 6) Water Quality and Resources; 7) Biodiversity; 8) Forestry; 9) Oceans, Seas, and Marine Resources; 10) Waste Management; and 11) Extraction and Mining.¹ Assessment of corruption and its impact on environmental governance is a cornerstone of this framework.

The report's data originates from the Environmental Qualified Respondents' Questionnaire (EQRQ), which was completed by over 500 in-country experts, including lawyers, academics, NGO representatives, and management consultants specialising in environmental issues. Additionally, the Environmental Governance Index (EGI) incorporates indicators from third-party data sources to offer a more comprehensive contextual analysis of each country's environmental governance.

Data shows that effectiveness of anti-corruption efforts are central to more effective and higher-return climate-related investments (i.e., finance). A key channel is the effectiveness, or not, of regulatory enforcement and compliance.

¹ <https://worldjusticeproject.org/our-work/research-and-data/environmental-governance-indicators-latin-america-and-caribbean>



6 Conclusions

Anti-corruption safeguards are indispensable for climate finance to reach its beneficiaries and its goals. Unchecked corruption leads to inefficiencies, environmental damage, and failure to meet critical targets.

The Global Gateway Initiative embeds anti-corruption and accountability measures into its operational frameworks.

Some key recommendations:

1. Corrupt systems are **resilient**.
⇒ Recommendation: It is essential for donors to **support both local institutions and national integrity systems** to withstand corruption in the long term. **Context-specific** approaches are also needed to understand corruption risks.
2. Anti-corruption tools can be exploited to **become instruments of oppression** or even of corruption.
⇒ Recommendation: Strengthening the **role of civil society and indigenous communities** in overseeing projects is vital for fostering accountability while project reports must be validated by **triangulation** with data on the ground.
3. Ensuring transparency across the **entire** project lifecycle is crucial.
⇒ Recommendation: **Technology** can provide detailed, accessible data, enabling stakeholders to monitor project progress, identify risks early, and promote accountability.
4. The risk of **undue influence on climate policy by corporate actors** and in particular of lobbying by the fossil fuel industry is real.
⇒ Recommendation: Subsidy **transparency** and the involvement of **climate advocates** in decision-making processes are crucial. A framework for **conflict-of-interest disclosure and conflict-of-interest management** is essential to global climate policy development processes and fora.

Donors and international organisations have a responsibility to mainstream anti-corruption efforts to their work, in particular by maximising project transparency and stakeholder participation.

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