

## Plenary 3: Climate Change and Corruption

09:00 - 10:30, 1 November, 2008

### **Master of Ceremonies:**

Good morning, ladies and gentlemen. “Καλό Μήνα” as we say in Greek, which means have a good month. I would like to welcome you all once again. Please take your seats so we can begin.

### ***VIDEO PROJECTION***

Today’s plenary, as you very well know, is about climate change and corruption.

Allow me to introduce today’s panellists to you:

His Excellency Festus Mogae, former President of Botswana and UN Special Envoy on Climate Change;

Daphne Wysham, Senior Fellow of the Institute for Policy Studies and SEEN;

Paul Watchman, Partner at Dewey and LeBoeuf;

Hartwig Schafer, Director of Strategy and Operations at the World Bank, Sustainable Development Network;

David Nussbaum, Chief Executive of WWF UK;

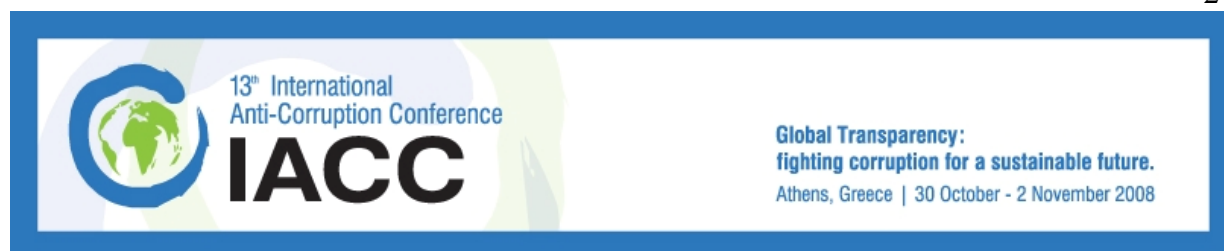
And Jacob Werksman, Program Director at the World Resources Institute.

And of course today’s moderator, Fiona Harvey, who is the Environment Correspondent for the *Financial Times*.

### **Ms HARVEY (Moderator):**

Thank you very much. I am Fiona Harvey. I am the Environment Correspondent on the *Financial Times* newspaper, and it is my pleasure to welcome you this morning to our session on climate change.

Climate change, I am sure you don’t need me to tell you, is certainly one of the biggest issues that we have to face as a planet. At the moment, the



effects of climate change are making themselves felt in some of the poorest parts of the world. And that situation is only going to get worse.

Last year, the Intergovernmental Panel on Climate Change, which is the body of scientists convened by the United Nations to study this phenomenon, concluded that we will be seeing the irreversible effects of climate change in the next few years if we do not ensure that our greenhouse gas emissions peak by 2015-2020.

That is an enormous challenge. And the nations of the world are now engaged in two year's of negotiations in order to forge a successor to the Kyoto Protocol which will, hopefully, if all goes according to plan, ensure that we have an international, agreed framework for cutting our emissions.

As I am sure you know, we are in the midst of that process at the moment. In a few weeks time, there will be a conference held by the United Nations in Poznań in Poland. And in a year's time the nations of the world will forge that Agreement in Copenhagen.

Climate change, being such an enormous issue, is beset with many, many problems, and corruption is one of those problems. When we think of the problems of corruption, looking at climate change, some of the issues that we come face to face with seem intractable. Take, for example, just one issue, the problem of forestry. About a fifth of the world's greenhouse gas emissions come from deforestation. And yet, we have no global framework for ensuring that what remains of our ancient forests, rainforests and so on in the world, actually remains standing. How can that be?

Corruption besets this issue. The developed world is unwilling to give money to developing countries to keep their forests standing, partly because they see it as an issue of corruption. They see that it is very difficult to ensure, for instance, that illegal logging doesn't take place. About one fifth of the timber, for instance, that is being used by China at the moment is thought to have been illegally logged. So, how can we shine a light on this issue?

That's what I'll be asking our very distinguished panel today, and after they have had a chance to speak, we will be taking questions from you in the audience.



I would like to call on Festus Mogae, who we are very honoured to have here with us this morning. He is, as you heard in the introduction, the former President of Botswana and UN Special Envoy on Climate Change.

**Mr MOGAE:**

Thank you, Madame Moderator. That gives me the privilege to talk longer than anybody else.

Climate change is now widely recognised as the most pressing international development issue of the 21<sup>st</sup> century. It affects all nations, big and small, though it disproportionately affects the poor of the world.

The signs are everywhere. Melting glaciers in Antarctica, disappearing rain forests in Latin America, desertification in Africa, altered patterns in rainfall and river flows, and more and more extreme weather occurrences around the globe.

As our natural resources become scarcer, and population pressure remains or increases, there will be an increasing struggle in the world to control these precious resources, such as water.

Very high demand, relative to supply, will provide fertile grounds for corruption, employed by the rich at the cost of the poor and vulnerable.

Environmental mismanagement, corruption in the capture of the water sector, for instance, would lead to even greater water scarcity, dysfunction of natural habitats and potential displacement of millions of people as key water resources are lost for communities, making our responses to climate change even more difficult and costly.

This would create a vicious cycle of climate change and corruption. Mismanagement in preserving our natural environment and combating climate change leads to higher incentives for corruption. And capture of these finite, scarce and precious natural resources worsens with time and consequently aggravates the poverty situation.

Developing credible and verifiable strategies and mechanisms to fight climate change and corruption would further promote and monitor the enforcement of the work of the United Nations Framework Convention on Climate



Change and the United Nations Convention against Corruption that promote international cooperation and action in these critical issues.

In light of these facts, there is currently much finger pointing and manoeuvring to gain advantage going on in the world. For instance, Asian countries want emissions per capita to be the sole criterion for measuring performance in relation to polluting emissions. They prefer this measure, because in relation to the billion plus populations in the larger Asian countries, it shows them in the best possible light, ignoring the actual quantum of their emissions into the atmosphere. This, in spite of the adverse impact on their own environments, which is becoming increasingly evident.

Europe and North America like pointing fingers at the Asians, but they are just as guilty. Their polluting, excessive energy consumption, in support of their sky-high standards of living, is having as negative an effect there as it is elsewhere.

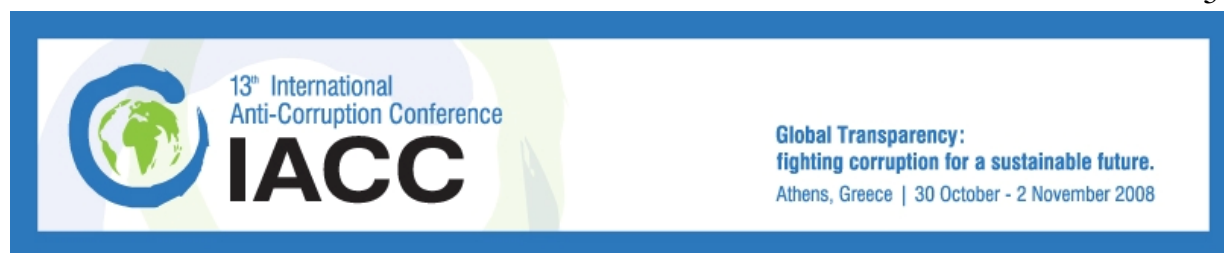
We, Africans, are fearful, because we are black people whose continent has been called the Dark Continent. But we do not have to remain in the dark.

We acknowledge that, like everybody else, we have a duty to protect the environment. But any global agreement on the issue, any actions that could or should be taken in this regard, must take due cognition of our legitimate aspirations to uplift our living standards.

Africa is a sparsely populated continent whose many countries have small populations. If one takes my own country, Botswana, for example, a single solitary, small coal-fired power station makes us comparable to hundred of power stations in India in terms of emissions per capita.

On the other hand, we have trillions of tonnes of coal lying on the ground, and we are forced to live with what is called “load shedding”, whereby at any one time, half of the country is in the dark. This applies to the whole of southern Africa.

At the same time, we look at satellite images of the earth and see the glittering lights of North America, Europe and parts of Asia, and know that the big black area, where there are no lights, is us, Africa. The Dark Continent, home of black people living in the dark, reading by candlelight.



It need not be so. Africa has the potential to light up and shine as bright as Europe and America without increasing pollution and running the risk of nuclear accidents. If one takes southern Africa, for instance, there is the left bank of the Cahora Bassa in Mozambique which can be developed to produce huge amounts of power.

Secondly, there is another gorge downstream the Zambezi, suitable for a dam and hydroelectric plant twice the size of Cahora Bassa. This could be enough to light the southern African region. Above all, there is Inga, in the Democratic Republic of Congo, capable of supplying the whole of Africa, not just Sub-Saharan Africa.

However, it will take funding and organisational capacity on a large scale, both of which we currently do not have. If the world acknowledges that Africa needs clean power, then it should be apparent to all that the global community has a vested interest in an Africa energised by hydroelectric power. Global action, not charity to Africa, but profitable investments in viable, non-polluting energy generation for and in Africa is what is needed.

Coordinated international action transparently carried out would also have the effect of minimising opportunities for corruption. What I have just said cannot of course replace technological advances in the utilisation of the sun and the wind and clean coal burning methods.

The UN Secretary-General has identified climate change as one of his top priorities and has described climate change as a defining issue of our time. He is committed to remaining personally engaged in the climate change process, to help push negotiations forward, so that a global climate change agreement can be reached in Copenhagen in December 2009.

In keeping with his stance, over the past few months, he has tirelessly engaged many world leaders to discuss climate change, including more recently, during the General Assembly in New York. Leaders have conveyed to him the importance of achieving concrete outcomes at the Poznań Conference in December this year, both in future related issues and existing implementation areas.



He is determined to utilise the Chief Executive Board as the high level inter-agency mechanism of the United Nations system to ensure that the United Nations as a whole is ready and available to support the implementation of the United Nations Framework Convention on Climate Change and existing and future agreements in a coherent manner.

Thank you and I apologise if I went over the time allocated to me.

**Ms HARVEY (Moderator):**

Thank you very much. Thank you for that very interesting contribution.

If you have any questions about what was just said, I am going to ask you to hang on to them for the moment and we will have a Q&A session at the end. If I could ask you, Mr Werksman, what you think are the big issues around corruption and climate change at the moment.

**Mr WERKSMAN:**

Thank you very much, Fiona.

As you indicated in your opening remarks, I think one of the biggest challenges in terms of linking this issue of climate change and corruption is in fact sustainable forestry management. Climate change has amplified the interest in sustainable forestry management and in the governance of forests. And as a result, in the role of anti-corruption movements in combating what is a very corrupt sector.

As you indicated, up to 20% of current global emissions from climate change actually originate from deforestation. Another very important statistic is that up to 70% of timber in current markets is from illegally logged sources.

So part of the global deal that you've mentioned, that we hope to arrive at in Copenhagen, is to halt deforestation and to do it in such a way that truly addresses the roots of corruption in this sector.

Significant financial transfers are going to have to make this happen and that raises some concerns about corruption, because those investing in sustainable forestry management will be expecting, in return for that investment, returns in the form of carbon offsets.



This the logic of carbon markets that we are now beginning to introduce into what is the existing markets in the timber trade, to bring those who have been driving deforestation up to this point to account and to re-direct them towards more virtuous efforts to reduce deforestation and ensure that a reduction in deforestation leads to a reduction in global carbon emissions.

If this is going to work, carbon markets have to intervene in the system and divert drivers away from the demand for timber, the demand for agriculture, the demand for sprawl as people move out of cities and spread into local environments.

It's going to require rules that increase our capacity to police logging and international borders, to enforce rules around land use and to ensure that the revenues that are generated by carbon markets actually reach those whose livelihoods currently depend upon on the forests.

Beyond that, these new rules will have to ensure the respect of the rights of the people dependent upon the forests, including indigenous peoples, and if it works well, the markets will also have to find a way of valuing other ecosystem services that forests provide, including that of storehouses of biological diversity.

We therefore see rules trying to intervene between the drivers of the market and the current vested interests that have developed around illegal logging. But these rules have to evolve in such a way that they are not vulnerable to the forces of corruption that have defeated efforts to control illegal logging in the past.

There are substantial vested interests in the status quo, whether it's in the farming of soy beans, or the production of tropical timber, that will have to be disrupted by these carbon markets. And new vested interests will have to be created around the virtues of leaving intact forests intact, in the ground, and in a way that continues to provide sustainable livelihoods for those who have become dependent upon these forests.

Now we know that the international community, in seeking to combat illegal logging, has already invested millions. We know that there is a very rich tapestry of laws, rules and standards already in place thanks to the Convention



on the International Trade in Endangered Species or the Forest Stewardship Council Standards that have sought to try to reverse the decline in intact forests.

But they have not worked. We still see the rates of deforestation increasing in forest-rich countries. We also know, from our study of forests so far, that corruption has played a very significant role in defeating all efforts made so far. So the question is whether this new market in carbon assets that is being designed now by international policy makers is going to be less vulnerable to these forces of corruption than the existing markets that are driving deforestation today.

There is some good news and some bad news. A source of concern is that the potential for corruption still exists on a grand scale, because of the very large amounts of money involved in this international market. Some people talk about a scale of tens of billions of dollars that could be transferred from developed to developing countries in the context of a fully functioning international carbon market that rewards reductions in deforestation.

Many of the conditions that Karin Lissakers mentioned yesterday in the context of natural resource wealth that have led to corruption in other natural resource-based markets are also present in carbon markets. We have the role of the state playing an essential role, we have great imbalances of power, we have the engagement of forest rich developing countries, many of whom sit very high on the perception of corruption index and that have rather weak government structures in place at the moment.

So on the down side, there may be some significant risks with regard to carbon markets in terms of corruption in the markets of illegal logging. The good news, related to the potential to avoid corruption in these markets, is that the environmental integrity of these off-sets, which depend upon well-functioning governance in the countries that seek to demonstrate that they are in fact making significant efforts to reduce deforestation, will be key to the value of the assets. In other words, if the system works correctly the only way in which your carbon offset will be recognised as valid is if you can demonstrate that you do in fact have good governance, that you have rules and regulations in place and





that they are being enforced in such a way that genuinely reduces emissions as a result of reducing rates in deforestation.

Another source of good news is that those that are investing in the development of these carbon markets have recognised that good governance is absolutely essential to make these markets succeed. There is therefore a conditionality and willingness to invest upfront in the promotion of sustainable forestry management and solid governance in countries that will be the source of carbon offsets in this functioning market. Which is very good news. But as with any situation in which we have good governance being driven by foreign assistance and conditionality, it is very important that civil society actually take ownership of that definition of governance. If it is going to work well, it has to be the people in forest rich countries themselves, in collaboration with people in the countries that are going to be buying these offsets, that take ownership of what it is we mean by sustainable forestry management and good governance in the forestry sector.

It looks like there may be some potential for that, as groups like mine, the World Resources Institute, many of the forest conservation organisations around the world, and hopefully more and more networks like Transparency International, take an interest in this new emerging market and an interest in building civil society's capacity to ensure that this new market actually achieves a virtuous outcome in terms of reducing emissions in the long term, rather than the outcomes that we've seen in the context of illegal logging.

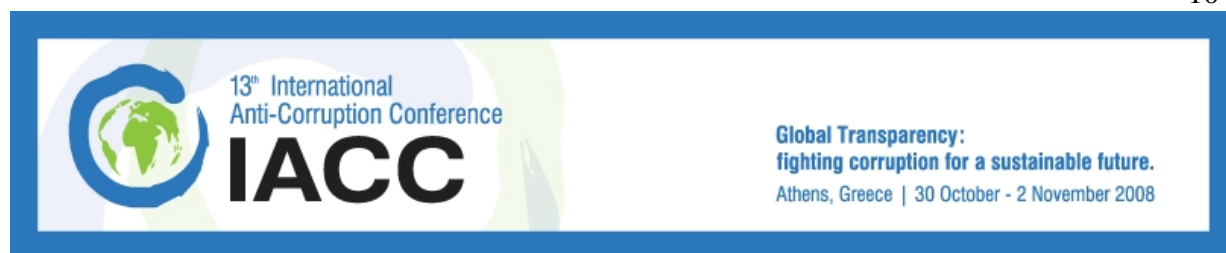
Thank you.

**Ms HARVEY (Moderator):**

Thank you very much indeed. That was very useful. I would now like to call upon David Nussbaum. David is, as you heard earlier, the Chief Executive of WWF in the UK.

**Mr. David Nussbaum:**

Thank you, Fiona.



As we have been hearing, the challenge of climate change is going to result in very large sums of money being transferred around the world. According to the 2007 UNFCCC Report on investment and financial flows, that could mean transferring 133 billion dollars every year. In the context of some of the numbers we have been hearing about, in the context of the financial crisis that is big money. The figure is based on 550 to 650 parts per million of CO<sub>2</sub> in the atmosphere, which implies very, very serious consequences of CO<sub>2</sub> for the environment. Interestingly enough, that figure does not include anything for the cost of human life, which would certainly be an additional concern for the world with that level of CO<sub>2</sub>. Currently, we have commitments that amount to something like 25 billion dollars a year, so we are talking about a huge ramping up of financial flows.

There are, therefore, three key areas that we need to focus on in terms about corruption risks that are likely to flow from this new form in financial markets around the world. How do we raise the money? How do we manage the money? How do we spend the money?

In terms of how the money is raised, some of it is of course going to be raised through governments making decisions to fund. But some of it is going to be raised through market mechanisms and Jacob has already referred to some aspects of that. So in those markets where we have a cap and trade mechanism, a cap on CO<sub>2</sub> emissions and the ability to trade rights to emit CO<sub>2</sub>, hopefully those will be auctioned off. We need to look at how corruption might enter into the design of that area. Because the risk there is of policy capture in the way the markets are arranged, how they are regulated and so forth. The experience of the EU's Emissions Trading Scheme in Round 1 indicates some of the challenges we may face in policy capture.

With regard to buying offsets such as CDMs, there's the question of standards and how we avoid pollution in leading to lower standards for valid CDMs, as we have already heard mentioned.

There are huge challenges in terms of how we are going to raise these huge sums of money. And how we are going to manage the money. It seems quite clear that a lot of that money is going to be managed through existing



institutions, for example, the World Bank. The usual questions about legitimacy and the role of the World Bank will come up, but this is an institution with a strong record of anti-corruption efforts. There are other more specialist institutions, such as the Global Environmental Facility, the GEF, which has stronger and wider participation in its governance, but has limited delivery capacity and therefore limited capacity for anti-corruption measures.

There is also the prospect of new mechanisms being introduced to manage the money under the UNFCCC and there are interesting echoes on this for anti-corruption fighters in the UN Convention against Corruption.

Let me explain further. Part of the discourse on adaptation funding is that adaptation is about compensation. This is the developed world compensating the developing world for the consequences of its historic emissions. Take the recent response statements from some UK and Bangladeshi civil society groups: “We believe that responding to climate change is in principle a matter of compensation and rights. And all language used in agreements such as the framework, should reflect this fact. It seems we are going to have the same challenges as those that came up in the discourse around the UN Convention against Corruption on the return of stolen assets. We are entitled to this money. It is not up to you to ask questions about what we are going to do with it. Questions about how we raise the money, about how we manage the money, and finally how we deliver the money”.

Some of the money, particularly the adaptation funds, is inevitably going to be delivered in ways which are comparable to aid flows, where the anti-corruption movement has a huge body of experience which can be brought to bear to reduce corruption in those areas. But I do think this challenge of entitlement and rights may be perceived as a challenge to anti-corruption provisions being included in some of the adaptation flows.

The other way in which money is delivered is through market mechanisms. The question there is if we are going to see a resurgence in what has been called the “resource curse”. Are our countries, which are blessed with lots of forests, which could, through the REDD mechanisms and CDM capacity result in financial flows if they have limited governance capacity, going to learn that



these potentially huge flows of money into the country actually undermine the development of the country and that poverty is made worse? We have to tackle the major challenges of raising the money, of managing the money and of delivering the money.

In conclusion, allow me to make just two points. Firstly, that with my own background as a former Chief Executive of T.I., and now as a Chief Executive in WWF, I think it is time for the anti-corruption and the environmental movement to be working closer together. We share common concerns, common issues; but above all, our concern should be this: that if we, as a world, are going to tackle climate change effectively, we have to find ways for these huge flows of finance to function properly, because corruption could undermine public and government and business confidence in the carbon financing system. And we have seen in recent weeks the devastating consequences of what happens if confidence is undermined in global financial markets. So it is absolutely imperative that we tackle the corruption risks in the future of the carbon financing markets that this world needs if we are to avoid the worst effects of climate change.

Thank you.

**Ms HARVEY (Moderator):**

Thank you very much. A very useful reminder there of the sums that we are taking about. A billion here, a billion there, and pretty soon you are talking about real money. And soon you will be talking about real money in the carbon markets.

I would like to call upon Daphne Wysham now, who is going to share her views with us. Daphne is the Senior Fellow at the Institute of Policy Studies. Daphne, what do you think are the big issues in corruption and climate change at the moment?

**Ms WYSHAM:**

Thank you. I am pleased to be here. It is good to be away from the nation's capital where the onslaught of political advertisements for president is unrelenting. I am pleased to be here in a non-political context.



I wanted to follow up on some of the issues that Mr Nussbaum discussed regarding how to raise, manage and spend money in the carbon markets and also suggest that there are conflicts of interest emerging for some of the international, financial institutions, in particular for the role of the World Bank, and then suggest a way forward.

Just to refresh your memory, a few years ago, an Extractive Industries Review was conducted at the encouragement of NGOs and James Wolfensohn, former President of the World Bank. It involved industry, government and civil society and Dr Emil Salim, former Minister of the Environment under Suharto of Indonesia, headed the three-year review. At the end of the three years, he reached the conclusion that the World Bank should get out of coal immediately, should get out of oil by 2008, should rapidly ramp up its investments in renewable energy, adopt core human rights and labour standards, and implement free, prior informed consent for indigenous peoples with regard to extractive industries projects.

Unfortunately, the World Bank Board of Directors voted largely to reject the recommendations of that review. So we are now in a situation where the World Bank is continuing to finance fossil fuels. It is also continuing to invest in other greenhouse gas emitting projects, including hydropower, which is a greenhouse gas emitting source in tropical countries, in particular where it releases lots of methane.

We are therefore witnessing a series of conflicts of interest within this international financial institution. It is a standard setter for many development banks with its social and environmental guidelines and its pollution control and abatement handbook, which is adopted not only by other MDBs, but also by the so-called "Equator Principle" Banks, the private sector banks who lend largely to major infrastructure projects in the developing world. It is now a growing broker in the carbon market and our information, although we are not 100% sure of this, is that it is charging an overhead of about 13%, which means that on a current portfolio of 2 billion dollars, it is getting roughly \$216 million in overhead.

It is also becoming increasingly involved in carbon markets –where the FCPF, the Forest Carbon Partnership Facility is involved – which means another



conflict of interest. It is also advising the G8 on climate plans for the entire globe, which means that it is serving as a quasi-governmental body.

What we are seeing in terms of our initial research on how this conflict of interest is playing out with regard to the World Bank's carbon market portfolio is that first of all there is a lack of transparency, so it is hard to verify the actual additionality of many of these projects. We do know that most of the certified emissions reductions come from HCFC-23 destruction in China. We also know that less than 10% of the carbon funds in the World Bank's portfolio support clean renewable energy, not large hydro.

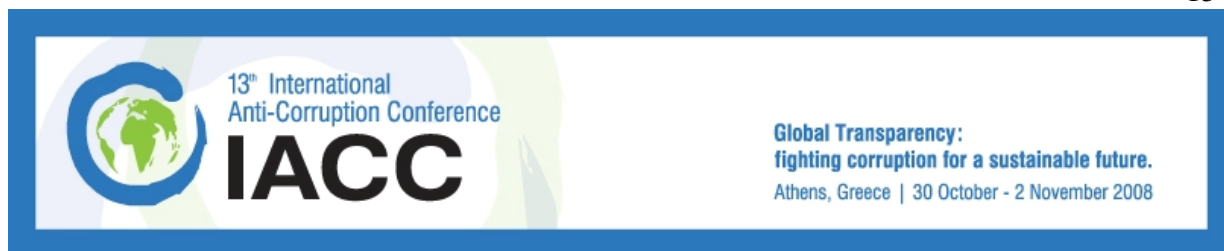
We also know that dirty industry garners much of the carbon credits in the World Bank's portfolio, with 75%-85% of the credits going to coal, steel and other energy intensive industries. We also know that poverty alleviation is all but ignored as a priority in the carbon market that has been developed by the World Bank. Of course this results in perverse incentives for the very industries we need to leap frog. For example, one project in the World Bank's portfolio involves carbon credits for fly ash produced after coal is combusted.

We are also seeing human rights abuses associated with large dams that are being incentivised more and more in the carbon market. The indigenous peoples are one of the last social groups to be consulted, especially with regard to the forest carbon market, and they are becoming increasingly engaged in this out of concern.

In addition, over the last decade or so, the World Bank has downgraded its energy efficiency guidelines in order to make itself more attractive to developing countries.

How do we resolve this conflict of interest? I have a proposal to make and that is that we consider all development assistance as additional, additional in the sense of additionality under the clean development mechanism... that is not business as usual.

The World Bank does of course make this very argument for a lot of its projects, that is to say that these projects would not move forward but for World Bank finance. This is the case for other development banks as well. We could make the same argument for export credit agencies. Basically, any public entity



that is using public finance to develop and to invest in developing countries could be considered additional.

This is just an indication of how this could play out. A carbon mechanism would be overseen by the CDM Methodology Board, debits would accrue to investors just as they do under the CDM, and they would have a cash value.

I would like to bring the example of the Chad-Cameroon pipeline into this. As mentioned earlier, that project admittedly would not have gone forward but for World Bank finance. So the greenhouse gas emissions that were released and are being released as a result of that project should then accrue to the investors in that project from the north, which includes the World Bank, the US Export-Import Bank, the European Investment Bank and others.

What would that sum amount to? Our estimates for just over five years are that the World Bank has financed the equivalent of one year's worth of global greenhouse gas emissions. This research was recently confirmed by a study done by WWF UK, which found that from 1997 to 2008 the World Bank financed a year's worth of greenhouse gas emissions.

Therefore, the cash value, if we were to apply a debit mechanism of 10 dollars a tonne, would not need a lump sum. It would amount to about 950 billion over an 11-year time span. And there would be revenue from other sources of public funding too.

In conclusion, one of the criticisms that have been levelled against the carbon market by some of the speakers here as well as journalists and others is that it is a very volatile market, and part of the volatility is the inability to predict how this market is going to unfold in the future. However, it seems to me that if we were able to apply a debit to public finance, we would be providing both a carrot and a stick to push it in the right direction towards clean energy finance.

If you would like to hear more, we will be having a workshop on corruption and carbon markets. Also, these are some websites where you can find additional information.

Thank you very much.



**Ms HARVEY (Moderator):**

Thank you very much for that, Daphne. Thank you for that critique of the World Bank's activities in the carbon market.

I would like to call on Hartwig Schafer now from the World Bank.

**Mr SCHAFER:**

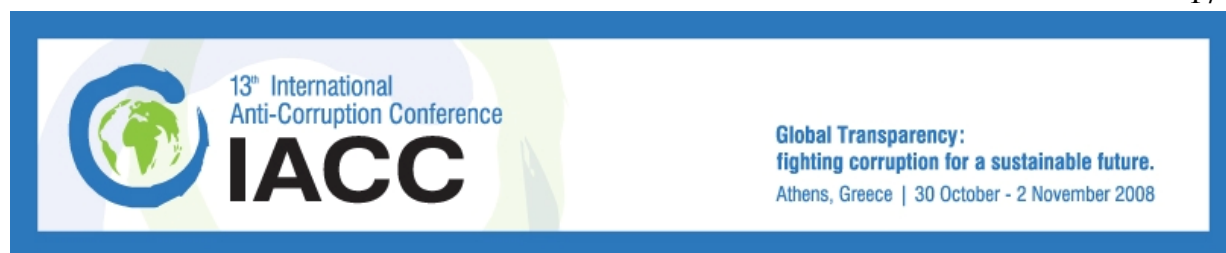
Thank you very much. I will come back to the topic of corruption and climate change, but let me first add a couple of facts to what we just heard.

Firstly, last year, the total number of loans by the World Bank for renewable energy and energy efficiency rose by 87%. Loans now amount to 2.7 billion a year, which is roughly one third of our total loan expenditure to energy. Another fact is that out of the 7.5 billion in loans a year to energy, 39%, i.e. 2.9 billion, goes towards low carbon energy, 34% goes to support energy transmission, distribution systems and services, as well as policy work, and 27% in support of fossil fuel production, including gas. I think it must be made clear to all that the Bank's core mission is to support and promote growth and poverty reduction. As long as we have 1.7 billion people without electricity worldwide, coal will be an ally. We do have the advantage of being able to opt for credible and better technology and this is one of the things we are trying to do.

Let me now return to the theme of today: climate change. When we think of climate change, we think of it in terms of greenhouse gas emissions, CO2 emissions and so on. But we all travel a lot. And many of us have been privileged enough to fly over the peak of the Kilimanjaro, which I had the privilege of doing 20 years ago for the first time. There below stood the snow-capped peak of Kilimanjaro. Since then, I have flown over the mountain numerous times, as recently as 6 months ago, but the snow-cap is now all but gone.

This drives home the fact that climate change is a reality, that climate change is part of our world, that even if greenhouse gas emissions are somewhere in the United States, and North America and in Europe, they are affecting the people of Africa, they are affecting the people in South Asia, they are affecting people at global level.





Moreover, over the last three decades, the area of the globe affected by drought has doubled. Every year, we are losing the equivalent of the size of Poland in rain forests. At the same time, the deserts are expanding in size equivalent to Austria, the snow and ice caps of the Eastern Himalayas have been reduced by 1/3. We know for a fact that climate change is affecting the 1.4 billion of extremely poor people living across the globe. At the same time, this group of people is affected by corruption.

What I would like to do now is to present a few linkages between corruption and climate change and then focus on the forestry sector, deforestation and logging.

With regard to climate change mitigation, we are aware of the fact that corruption has a detrimental effect on the energy sector. Individuals pay employees to tap into electrical grids, and get electricity free of charge. In some countries, for example, Ecuador, Moldova and Togo, about 1/3 of electricity is lost in this way. That means the price of electricity is not congruous, electricity is wasted, more electricity is being produced and greenhouse gasses are being emitted.

When it comes to road construction we can see that corruption is leading to the construction of shoddy roads. In one project in East Asia, we found that cheap construction reduced the life of a road by 25%. As a result, the transport system is suffering, which means increased congestion, cars are stuck in traffic, engines are running, energy is being wasted, and all of this has a negative impact on the environment.

We have also come to realise that in disaster prevention or relief after disaster, corruption is most prevalent, because procurement procedures are cut short. We have seen this in cases where building standards are not adhered to because of corruption, and then the final measures are not effective.

Just think about the 25 children that have been killed over the last 10 years in schools that have collapsed, when many of those schools were supposed to be earthquake-proof.

What can we do? We need to make sure that at global, as well as community level, we adhere to good governance principles, transparency and



accountability. We can do that through global consultation, as we recently did for the World Bank during the Climate Change and Development Strategic Framework, where we consulted with 70 countries, with 2,000 stakeholders. We are doing it with new instruments, such as Climate Investment Funds, which have a governance structure that involves an equal number of representatives from developing and developed countries, where we have a results framework, independent monitoring, independent audits and quality-assurance of investments.

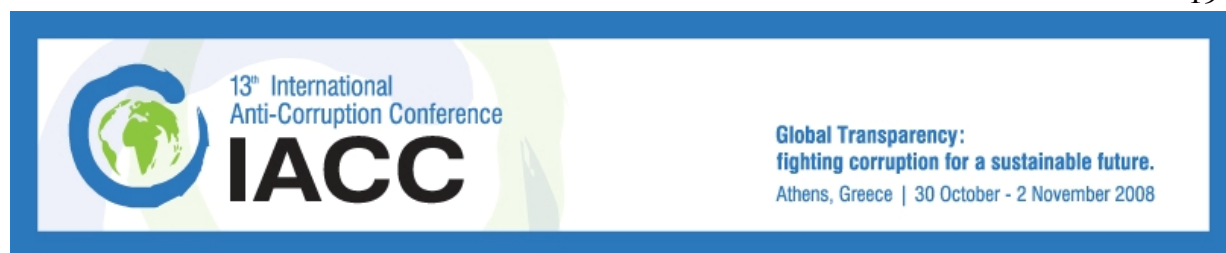
The same applies to the Carbon Fund and carbon trading. We also have a number of community-based projects, in Kenya and Ethiopia, for example, where local communities are developing their own plans for risk mitigation for climate change resilience. This is necessary, because local communities often have the knowledge needed to best deal with problems at local level.

As for logging and deforestation. We have already heard that about 20% of all global greenhouse gas emissions are the result of land deforestation, a large portion of which is the result of illegal logging.

The World Bank estimates that about 15 billion is lost each year because of illegal logging on public lands; approximately 23 billion worth of wood products is placed on the market. It is clear that illegal logging is making a few people very rich and at the same time releasing thousands of tonnes of greenhouse gasses, thereby making the planet poorer.

What can we do about this problem at global level? For starters, we need to continue to structure the Forests Carbon Finance Initiative. We had a meeting in Washington last week, which resulted in some tremendous progress being made.

It is of the utmost importance that we underwrite good forest stewardship by indigenous peoples and forest dependent people. The key lies in addressing the real drivers of deforestation and rewarding the right people and not the wrong people, and monitoring who is benefiting from payments made for environmental services. This must continue and I hope that by the time we get to Copenhagen we will have an agreement in place.

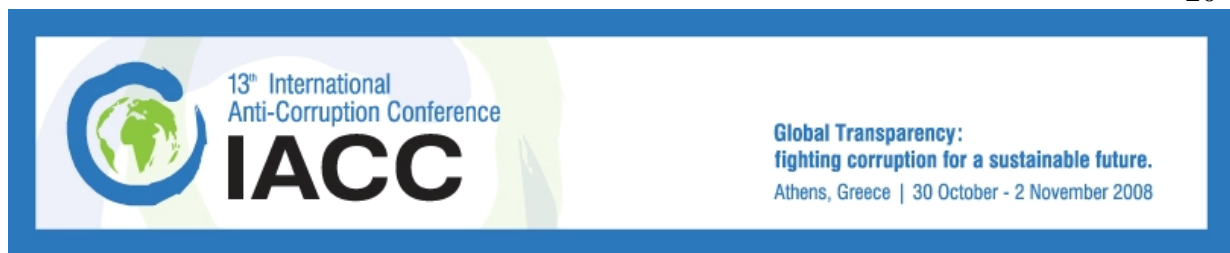


We can do more, however, and we can do it now. Let me give you the example of the Philippines. The World Bank supported the establishment of Forest Protection Committee, which brings together representatives of state agencies, local governments, NGOs and Church leaders to create a mechanism that will alert authorities to illegal logging and to induce accountability. The program has been a success.

We can also take some of the forest communities as examples. There is a village in Ghana, the village of Apedwa, which was dependent on the forests, but where a lot of illegal logging was going on and resources were being plundered. Through a community development project which enhanced local accountability, the people of Apedwa are now running a small business, growing mushrooms, raising snails and raising animals that they would normally have found in the forest and which they are selling and making a profit on. Forest resources are thus being sustained and the people in the community are actually making sure that there is no encroachment from other communities on their forest resources.

We can also take the example of the Democratic Republic of Congo where the World Bank has been helping to address the heavy legacy of forest mismanagement. The program started about five years ago and in 2002, 25 million hectares of logging concessions were cancelled. That is the size of the United Kingdom. After that, a moratorium was established, according to which new concessions would only be awarded after a comprehensive review of logging licenses. A new forest code has been enacted, a legal review has been initiated, the government has worked with Global Witness to detect illegal logging and just recently, results showed that out of the remaining 22 million hectares of logging licenses all but 7 million had been cancelled. This means that about two thirds of the remaining concessions have been cancelled, which goes to show that if there is commitment at the highest level, on the part of the government, that progress can be made and deforestation can be stopped.

Let me close by saying that about ten years ago, James Wolfensohn mentioned, in his annual meeting speech, that we needed to address the cancer of corruption. Today, the World Bank has mainstreamed governance and anticorruption measures in its country system strategies, it is putting



mainstreaming measures into each and every project design, it is moving at global level to make sure that governance and anticorruption measures are implemented and it stands ready to work with any organisation, with any government that wants to tackle corruption.

Thank you.

**Ms HARVEY (Moderator):**

Thank you very much. Thank you for providing us with the World Bank's point of view.

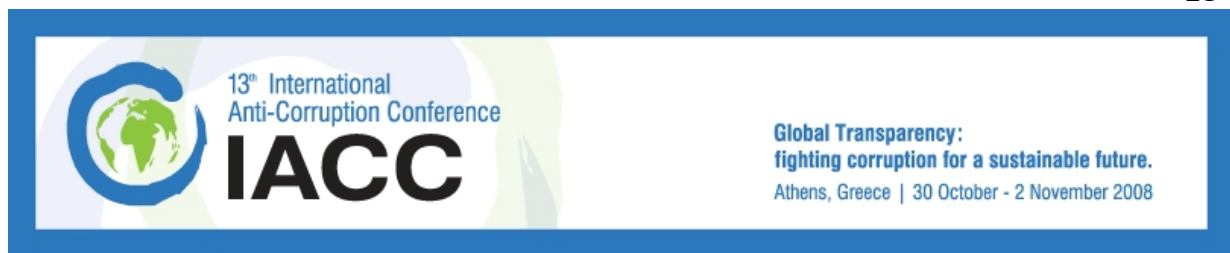
While we are on the subject of illegal logging, I would like to ask a few of our other panellists to give us some of their ideas on the problem. What is the best way of ensuring that our efforts to cut greenhouse gas emissions are not undermined by illegal logging? Daphne, if you would you like to start.

**Ms WYSHAM:**

Well, I think one critical tool that could be used is the newly minted UN Declaration on the Rights of Indigenous Peoples. We know that indigenous peoples are historically among the best agents of forest protection internationally.

The UN Declaration on the Rights of Indigenous Peoples, among other things, requires the recognition of the land rights of indigenous peoples and free, prior informed consent for projects before moving forward. This is already underway, with indigenous peoples working in collaboration, for example, with Google Earth, where they are monitoring, in real time, the deforestation of the Brazilian Amazon. They are sending out indigenous peoples with their very low cost and highly effective methods of ensuring that the Amazon is protected. This sort of model of high-tech low-tech collaboration is, I think, a model we might want to look to as we pursue the idea of using indigenous peoples as allies and of empowering them in their land-ownership rights over many of the forests that remain.

**Ms HARVEY (Moderator):**



Thank you very much.

David, would you like to give us your view?

**Mr NUSSBAUM:**

Firstly, I think we need to recognise the scale of the problem of illegal logging, and we need to use the material already available to try to get a grip on the situation. Allow me to elaborate: a couple of years ago, we did a report at WWF through our colleagues at TRAFFIC on Tanzania. The report found that if you looked at the statistics on Tanzanian timber exports to the rest of the world and you then went to China and looked at the Chinese statistics on timber imports from Tanzania, China was importing 10 times the total Tanzanian timber exports. I think that gives you somewhat of an idea on what is going on in the world timber markets.

That is why we need to find ways to count what is where, where it is going and so on, and we have to exploit incentives. The implication of the statistics is that a country like Tanzania is losing a huge amount of potential revenue for the government and its people.

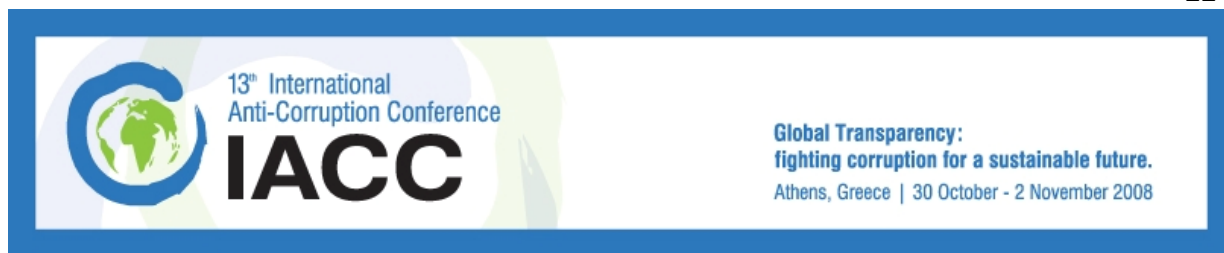
Let me provide you with some more statistics. The ELIASCH Review carried out recently in the UK found that if you take the top 10 countries in terms of forest cover, more than half of them have illegal logging going on. That is the scale of the problem we are dealing with.

We have to look at statistics, we have to get much better data if we are going to manage the problem, and then we have to form agreements. I think the EU FLEGT Action Plan for the re-development of voluntary partnership agreements is a potential way forward, but it is by no means perfect.

**Ms HARVEY (Moderator):**

Thank you very much.

Mr Mogae, could you give us your view on how we can prevent illegal logging from becoming more of a problem than it already is? What would your suggestions be on how we can try to mitigate the problem?



**Mr MOGAE:**

I agree with what has been said. The fact of the matter is that by definition illegal logging is that which is not allowed by governments, which makes it all the more difficult. I was interested in the discrepancies in Chinese imports and Tanzanian exports, because it could mean two things or perhaps even several things: maybe there were more exports from Tanzania than were actually recorded. But on the other hand, the exports going into China may not have truly come from Tanzania, but were merely ascribed to Tanzania. Illegal activity is so much more difficult to handle. We can punish governments, we can punish, where possible, the offenders. But it is much more difficult with illegal actions where organised crime is sometimes involved. I don't have an answer for that.

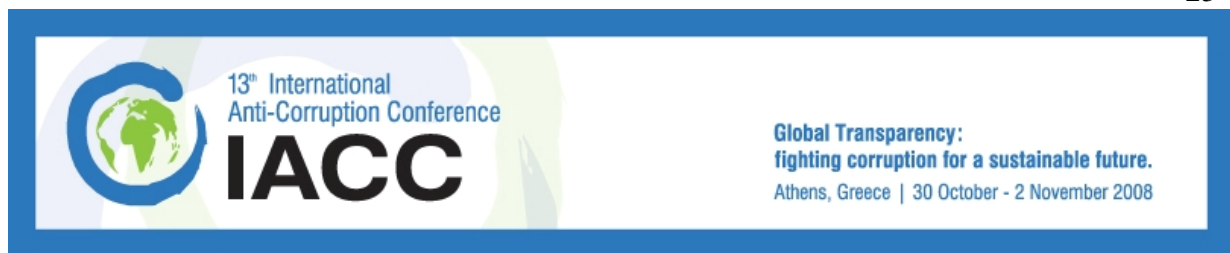
**Ms HARVEY (Moderator):**

Jacob, is there anything we can do short of tagging every tree?

**Mr WERKSMAN:**

Well, efforts are certainly being made to tag every tree, especially those of high value timber. My response would be in part what I mentioned in my opening remarks. I think that if carbon markets are going to be part of the solution, they have to be disruptive markets. They have to be markets that disrupt current vested interests in illegal logging – caused by the fact that there are people making a great deal of money off of such practices – and then re-vest those interests, or more powerful interests hopefully, in leaving the trees intact and in the ground, and performing the ecosystem a service by fixing carbon levels.

One of the questions is if the market in carbon offsets is going to be more or less easy to police than the markets in illegal logging that are proving very difficult to police. Many of the techniques that have been developed now for the police operating in the timber market, depend upon a very solid evidence chain of where that log comes from. We need to be able to identify the species of that timber, to identify the age of that timber, and to trace it back to a forest



plantation as opposed to a protected area. Thankfully, our skills in being able to do all this are increasing.

The question is are we going to be able to use those same skills to ensure that carbon offsets are actually being derived from genuine forest protection projects that leave those trees standing in the ground. There is, unfortunately, a greater chance of faking the validity of the carbon offset than there is of faking the validity of a tree. What that means is that if you have the timber in front of you, there are assessments that you can make based on its physical characteristics that assure you that it has come from a plantation rather than an old growth forest; but all you have to assure you that an offset is genuinely certified are the assertions of the selling country which has an interest in claiming that it did indeed come from a legal source. The buying or the investing country or the intermediary, like the World Bank, also has an interest in establishing, demonstrating or signing off on the fact that an offset came from a genuine source.

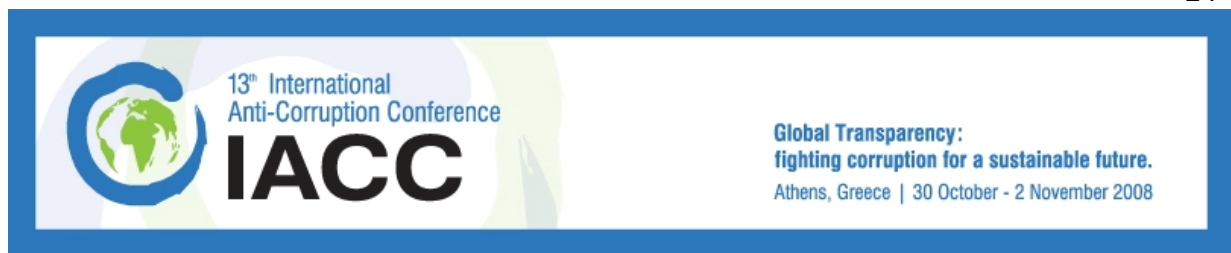
Therefore, there is a greater chance of evading the truth when it comes to an offset than when you have the physical evidence in front of you in terms of illegal logs.

**Ms HARVEY (Moderator):**

The market in carbon offsets is very opaque and in many ways, not just in terms of illegal logging. I think we will probably come to some of those issues that you touched on in your contribution earlier in the questions we are about to start taking from the audience.

I am now opening the debate to the floor. If you would like to ask a question, please put your hand up and then identify yourselves, give us your names, and the organisations that you're from. If your questions are addressed to a particular panellist, please state this.

I am going to be taking a couple of questions at a time. So let us start with a question from the gentleman over here, after which we will hear from the person on the side here.



**MEMBER OF THE AUDIENCE:**

[off microphone] My question is to Mr Schafer, but I would first like to make a comment on Global Witness's role in the Democratic Republic of Congo in response to Mr Schafer's point.

We didn't actually go there to monitor logging. We went there to look at the enforcement mechanisms, the control mechanisms in place in the DRC.

Our recommendations were that there should be a complete moratorium on all logging activity until all of those areas were cleaned up, because not one enforcement mechanism on the ground worked and the legal framework was incapable of supporting any mechanisms that might come in.

So, my first question is what is the World Bank's view of our recommendation? They know it, they have received the report.

My other point is pertains to sustainable forest management, which, too often, is used as a cover, a euphemism for industrial scale logging. And this brings me to the issue of illegal logging.

When we talk about illegal logging, people tend to think, "Oh, that must be done by some fly by night company here or there", which is often the case. But it also includes a lot of logging by companies that have legal concessions, many of which are blue chip, if you like, European companies.

And the World Bank, the German Development Bank, WWF Germany, for example, are working with some logging companies with egregious records of illegal logging in the past, such as DLH. I'm curious as to how subsidising a terribly corrupt industry is going to contribute to the battle against climate change. And I would appreciate your thoughts on that.

Thank you.

**Ms HARVEY (Moderator):**

Thank you very much.

There is a question from the gentleman there.

**HASSAN LORGAT:**





Thank you very much. My name is Hassan Lorgat and I work with Transparency South Africa.

My question is also directed largely to Mr Schafer. It stems, in part, from his response to Daphne “Oh, we are going to come back to corruption on that”. For that is part of the problem.

The theme of the conference is fighting corruption for a sustainable future, and it raises questions about the overall developmental model that we are pursuing. If it is going to be another model that promotes greed, whether in forestry or elsewhere, there will be consequences.

The obligations, as many speakers have pointed out, for multi-lateral organisations, governments, civil society, are many. Western citizens are benefiting from the fact that they are not changing their lifestyles, so some form of action needs to be taken there. If the World Bank suggests one thing, advises the G8 in one way, but then itself, in its development work, sends out a different message, then I think that as an institution that provides people with aid, its credibility will suffer and will also possibly contribute to mal-governance and corruption.

My question, therefore, is what you think such institutions should do and what we can do.

**Ms HARVEY (Moderator):**

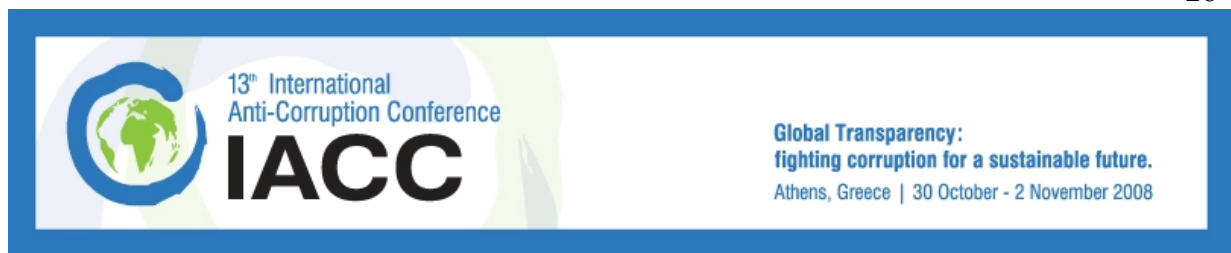
Thank you very much.

I'll take one more question. This gentlemen in the front.

**BCHIR TEKKARI:**

Thank you. My name is Bchir Tekkari and I am the Tunisian Minister of Justice and Human Rights. I would like to thank the entire panel for their remarks this morning.

I come from a country where the fight against corruption, especially as regards climate change, has been so positive that the results achieved are very encouraging and we want to ensure they stay that way. Furthermore, in my country, we are committed to the development, and not the destruction, of forest



areas. We aim at guaranteeing measures that can benefit the urban population. And we are moving towards the use of clean energy, solar energy in particular. We also adhere to the UN Convention against Corruption. And it is in this respect that I would like to make a proposal and ask the panel a question.

My proposal is this: over the last few days we have been discussing corruption, and it would seem the common link between these panels and workshops is the UN Convention against Corruption. But I regret to say that this Convention has not received the attention it should have, because it foresees many viable cooperation mechanisms that can help tackle many of the issues discussed here and many mechanisms which involve the participation of civil society and private stakeholders. I therefore propose that, as much as possible, and in the time we have available, we lean towards taking this Convention into greater consideration. Or that we do so at the next conference.

My question is also related to the Convention. How can we better use the mechanisms foreseen by the Convention, especially in the fight against corruption and climate change? Perhaps Mr Mogae or the Representative of the World Bank can answer this question.

Thank you.

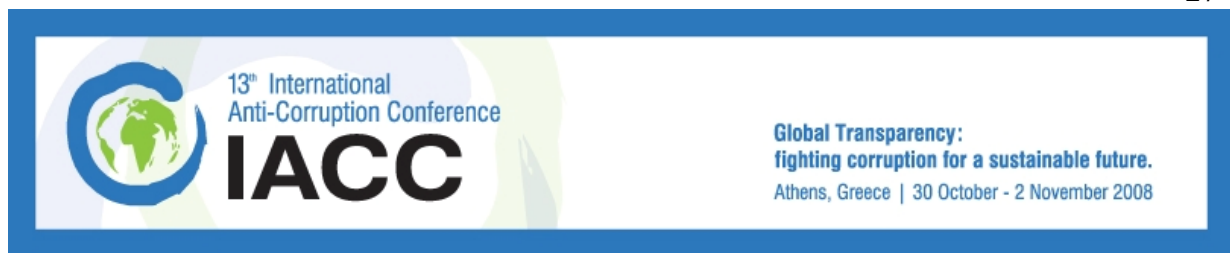
**Ms HARVEY (Moderator):**

Thank you very much.

If I could ask Hartwig to tell us, from the World Bank's point of view, how we could tackle this? How can we make the Convention more effective?

**Mr SCHAFFER:**

First of all I don't think it is up to the World Bank alone. We have instruments and frameworks for governance and anti-corruption strategies and, as I said earlier, instruments at global level where we make sure that there is stakeholder parity, complete involvement of stakeholders, and that does not only mean governments, but also NGOs and the business sector, that are involved in the decision process, in the consultation process for the design and also the monitoring of implementation. Let me give you an example from the IFC.



The International Finance Cooperation's disclosure policy is that any company involved or participating in extraction is required to make full disclosure of payment. This is the first step – and a very important one at that – to ensure that there is full transparency. Because with full transparency, everyone knows what is being done. When we talk about disclosure, we are not talking about a press release here or in North America or in Europe. Disclosure means significant disclosure in countries where the project is being carried out, so that the communities in the vicinity of the extractive industry's activities know how much money is coming into their country. In this way, I think we will see a dynamic and a dialogue that will help the community truly reap the benefits.

This brings me to the Forest Carbon Partnership Facility. We should assume that a huge amount of money will come from this plan. And we need to make sure that these resources actually benefit the community. That is why it is important that indigenous peoples and organisations are involved in the consultation process; that is why it is important that we spend a lot of time on the design of the monitoring mechanisms, the methodology on how these carbon credits are being monitored and allocated. There are a lot of issues that need to be tackled over the next 12 months, but I am confident that it will all fall into place.

On the Bank's part, we will launch the Forest Investment Program which will help countries actually develop their institutional capacity so that they can monitor it, so they can work with civil society.

I would like to respond to the question on the Congo and to make it quite clear that in 2002, 25 billion hectares of concessions that were illegal were cancelled. A moratorium was then put in place, and was subsequently confirmed in 2005. The Bank's advisors are in agreement with Global Witness, with the institutions on the proposal that the moratorium stay in place until the country introduces suitable standards of governance and management so as to handle concessions and implement them in a transparent and accountable way.

We are in full agreement on this matter, and I appreciate the additional remarks made by my colleague from Global Witness.



**Ms HARVEY (Moderator):**

Thank you very much.

Paul Watchman, I would like to bring you in now, to ask about the effectiveness of the Conventions that we already have.

**Mr WATCHMAN:**

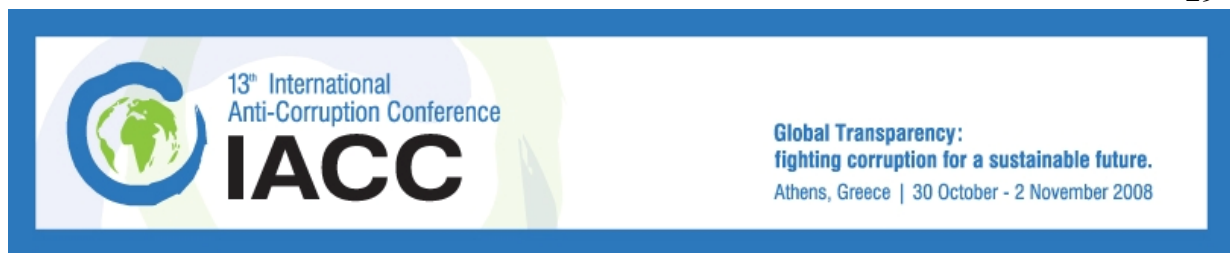
I would like to talk about the role of the private sector in all this. Climate change has been the most important challenge to companies and businesses and finance institutions, almost since the Industrial Revolution, because it affects so many areas, not only oil and gas, but things like insurance and food, and obviously has an impact on security and on natural resource use.

We should not underestimate the importance of the voluntary initiatives that are spilling down from the UN and from other public bodies. We should not underestimate the way in which the Equator Principles, which now include about 90% of banks which provide project financing, have brought a degree, perhaps an imperfect degree, but some degree of social environmental assessment by lenders that wasn't there before, and are closing off funds to companies that are acting in irresponsible ways.

Look at what can happen with something like the pension fund industry. Take, for example, the Norwegian pension fund leading the way on environmental and human rights divestment and engaging with companies to either try to improve their practices or to withdraw support for their stocks, which can be quite devastating for some of these companies.

Look at the linkages, because I think what was said by one of the speakers earlier was correct, that we are now seeing a convergence between anti-corruption and environment. But not only. I would add corporate governance and human rights. To me, these are the four pillars that can bring success where governments cannot.

Someone asked me once what it would take to provide for effective climate change litigation internationally. And I said there were about 10 problems that would need about ten thousand years to get pushed out of the system. But we can move quickly with goodwill and foresight and by focusing on



those banks that are “Equator Banks”, that do not yet have human rights policies or sustainable forestry policies, that actually work with the World Bank and other institutions, with WWF, and other NGOs to provide for the sustainable aspects of forestry. A person once said to me, “Paul, we don’t want to end up with all these cash aid projects in the Amazon, where we’ve got not no trees, but they’re all cash aid projects, and therefore we can fell the trees”. And I take what was said earlier to be very important: we cannot use policies of adaptation and mitigation merely to allow deforestation by another route.

My concluding remark would be that if you look at the way in which New York State has entered into agreements with Exxel and Dynegy, making them disclose the impact of climate change on their businesses, getting them to lean towards the voluntary agreement side. I think we could accomplish much more in this way and use it to push for a change in company values and business ethics.

**Ms HARVEY (Moderator):**

Thank you.

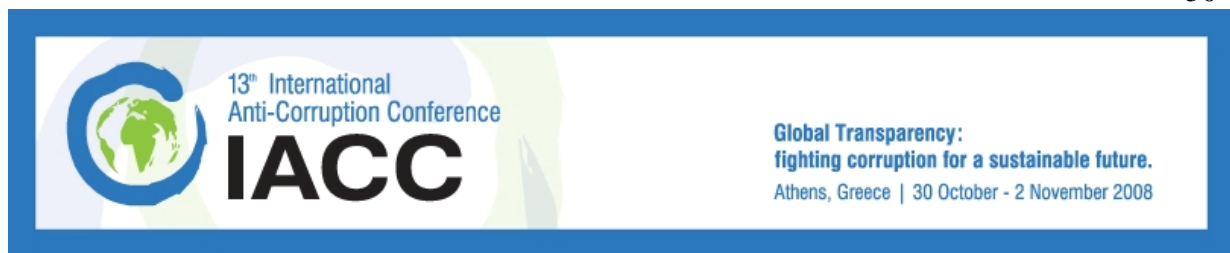
I think you wanted to have a quick word Jacob?

**Mr WERKSMAN:**

Well, I think love it or hate it, the World Bank is a pioneer in many of these issues. It is a pioneer in anti-corruption, it has been a pioneer in re-concessioneering in the Congo and forest management, and it is now a pioneer in trying to create carbon offset markets through the Forest Carbon Partnership Facility.

We, as WRI, were also involved in the Congo re-concessioneering process as independent observers, and we were shocked, as others were too, to see just how weak the governance structure is in that country, which is going through a post-conflict, now a re-conflict period.

The Bank certainly learnt a lot through the activation of its own inspection panel in that particular circumstance which revealed that the Bank had not followed its own policies with regard to consulting with local people in the re-concessioneering process. Another weakness was therefore exposed, both in the



governance of the Congo, but also in the capacity of the World Bank to intervene in such an uncertain context.

What concerns us much of the time is that the pioneering roles don't seem to intersect as they should. So now the Bank is leading the Forest Carbon Partnership Facility and is asking for countries that are going to be hosting carbon offset projects to demonstrate that they have good governance in place, before they can receive investments from a carbon market; but, it does not seem to be paying any attention to the lessons learnt in the DRC, before encouraging the country to move forward as part of the agreed upon partnership.

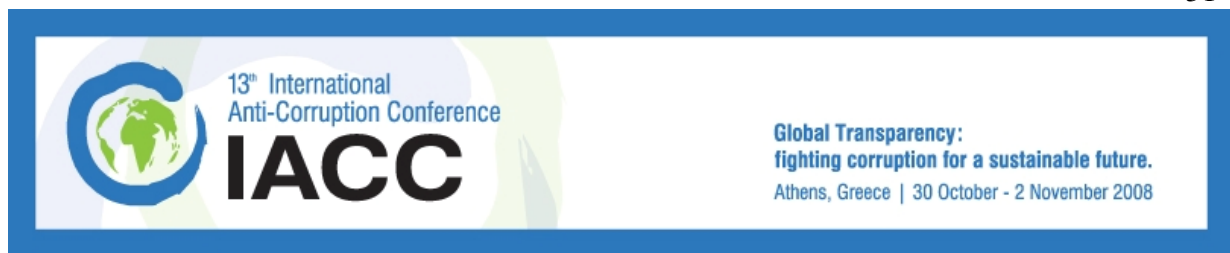
The Bank did require, the FCPF did require that countries interested in receiving funds from the Forest Carbon Partnership Facility first submit a Project Idea Note, that would demonstrate and explain, as briefly as possible, the state of forest governance in that country so that it could then be assessed for whether or not it actually had the capacity and the institutions in place to reduce the rates of deforestation.

Having passed that exam, the oversight of the Partnership Facility, the DRC has now been accepted as a country that has the potential to demonstrate that is in fact earning carbon offsets by reducing deforestation rates. Part of the concern surrounding carbon markets is that there is a very strange mix of interests involved. The governance structure of the facility includes those countries that want to sell offsets, those that want to buy them cheaply, in order to maintain standards in the North, while the North wants to be able to maintain its current consumption patterns by buying cheap offsets from the South, so that its consumers can be allowed to continue their current energy intensive lifestyles.

So there are conflicts of interest in the governance structure established by the Bank, which we think have led to the application of very low standards with regard to environmental integrity around the development of these carbon markets. And that is something we are very concerned about.

**Ms HARVEY (Moderator):**

Thank you very much.



We have a few more questions. There is a question over here.

**MARK WADE:**

Thank you very much. My name is Senator Mark Wade, leader of Opposition Business in the Republic of Trinidad and Tobago.

I would like to ask, and my question could be answered by Daphne, the World Bank representative and the former President of Botswana, what measures we could adopt in developing countries, particularly small natural resource-driven countries, to discourage them from importing dirty industries into the environment, through so-called “sweat-heart” agreements, when we know the long-term negative environmental impact of such agreements on these countries? I am referring to aluminium smelter plants and steel. At the moment we are witnessing the advent of a new phenomenon, where instead of these industries coming from developed countries like the United States, they are now coming from India and China.

So, I would like to know how we can seek to discourage such dirty industries from entering the developing world.

**Ms HARVEY (Moderator):**

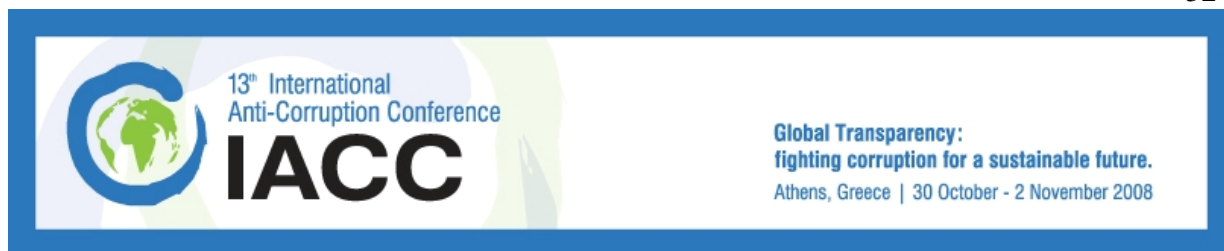
Thank you very much.

We had a question over here, then you sir, and a question up there.

**MEMBER OF THE AUDIENCE:**

I wanted to rewind a little bit and focus on a part of Daphne Wysham’s speech that alarmed me, and made me wonder if such a contradiction could be a seed for corruption. I would like to address part of my question to Mr Schafer and the rest of the panel.

With all due respect to the great work that I am sure the World Bank is doing in various projects, I was alarmed by the fact that the World Bank Board of Directors rejected the Extractive Industries Review. From what I could see, it seemed that this review offered a solution to climate change, which we all agree is one of the biggest challenges we face.



If I were an enthusiastic advocate of corruption, this contradiction would make me very happy indeed, because it would mean that I have found the right people that can get me to do what I want to do because the World Bank's Board of Directors itself is not really sure about what it really wants to do.

So I wonder, Mr Schafer, if you can explain to me how you understand the Board's decision, and I wonder if the rest of the panel could suggest to us how we, as citizens of the planet, could put pressure on bodies like the World Bank to do what they should?

**Ms HARVEY (Moderator):**

Thank you very much.  
The gentleman up there had a question.

**MEMBER OF THE AUDIENCE:**

(in Spanish)

Vengo del corazón de Sudamérica, de Paraguay. No voy a hacer una pregunta concreta probablemente a los panelistas, porque seguramente yo mismo me voy a responder que los únicos que pueden cambiar la situación de mi país, somos nosotros mismos, los Paraguayos. Pasa que hemos tenido más de sesenta años de dictadura y de una corrupción impresionante, un sistema perverso de más de sesenta años. Hemos logrado los Paraguayos mediante las elecciones que tuvimos el veinte de Abril, excluir a este sistema, y tenemos un nuevo gobierno a partir del quince de Agosto pasado. Hay una gran expectativa de que las cosas van a cambiar. Pero el sistema corrupto heredado de esas seis décadas de gobierno corrupto que hemos sufrido permanece prácticamente sin cambios. En los años 60 hemos tenido dos millones de hectarias de bosques, con muchas comunidades indígenas viviendo en este hábitat extraordinario. Tenemos recursos naturales en cantidades impresionantes, es un país rico, tierra hermosa, tierra fértil. Sin embargo este gobierno que hemos sufrido ha impedido tener una calidad mejor de vida. ¿A dónde quiero llegar? No puedo preguntarl eso a los panelistas que solución nos pueden dar a los Paraguayos, porque el sistema sigue y el Banco Mundial por ejemplo no le puede pedir que los créditos que conceden a los diversos





órganos del estado o no estén condicionados por ejemplo para evitar esta deforestación terrible que hemos sufrido durante todas estas décadas pasadas. Entonces, ¿qué solución tenemos nosotros? Nosotros mismos tenemos que dar la solución evidentemente.

Gracias.

I come from the heart of South America, from Paraguay.

I will not pose a specific question to the panel, because I am the first to say that the only people who can change the situation in my country are the very people of the country, the Paraguayans. I am sure you are all well aware that we were under a dictatorship for more than 60 years; a situation of inconceivable corruption; a perverted system... for more than 60 years. Thanks to the elections held on 20 April, we, the people of Paraguay, succeeded in eliminating the regime, and as of the 15 August, we have a new government in place. There is therefore great hope that things will change. However, the system we inherited from those 60 years of corruption in the government, will, in practice, remain unchanged. During the 1960s, we had 2 million hectares of forestry and many indigenous peoples living in these beautiful natural habitats. We have huge quantities of natural resources; indeed, we are a rich country with beautiful natural landscapes and fertile land. But, the government, at whose hands we suffered, did not allow us to have better living standards. Where am I going with all this? I cannot ask the panel to offer us, the people of Paraguay, a solution, because the system is still in place. And, I cannot ask the World Bank, for example, to control the credit it issues to various government or non-governmental bodies, so as to stop this detrimental process of deforestation which we have been experiencing for the last few decades. Hence, what solution do we have available to us, when we have to provide the solution ourselves?

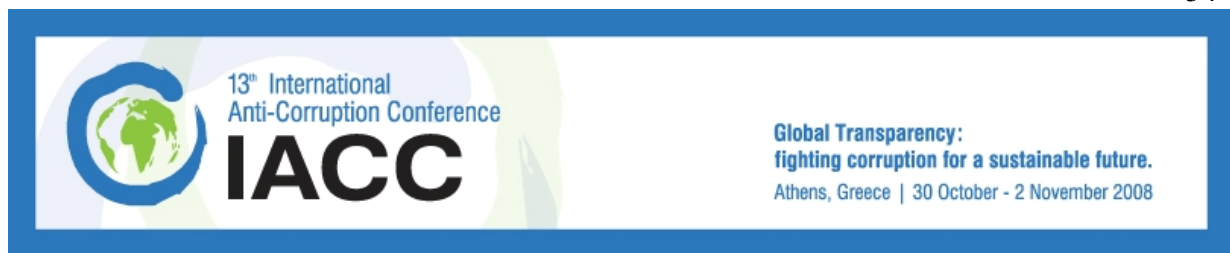
**Ms HARVEY (Moderator):**

Thank you very much.

We have a question from the gentleman up there, on the side.

**MEMBER OF THE AUDIENCE:**

Thank you, Madame Chair and panellists. I work for the government of Bangladesh.



The IV Assessment Report of the Intergovernmental Panel on Climate Change clearly shows that climate change is a reality and that the broader impact of climate change is on agriculture, biodiversity, infrastructure, health and water. My concern is that loss of biodiversity is very much a pertinent question, which we need to address in the context of climate change. Another concern is desertification. My first question is therefore how can we link the Climate Change Convention with the Convention on Biological Diversity and the UN Convention on Desertification?

Another concern I have is that yes, Global Environment Facility is there, it is the caretaker of funds, such as the Climate Change Adaptation Fund already mentioned. But there are other funds, such as the LDCF, Least Developed Countries Fund, and the Climate Change Trust Fund. How can we ensure that these funds are utilised and utilised properly?

And another one of my concerns regards the fact that if we look at the CDM funds, carbon markets in some newly industrialised countries, I won't mention any names, have access to these funds because they have capacity. But most of the developing countries are being deprived of these funds because they have poor capacity.

My third question is, therefore, how can we develop the capacity of less developing countries in particular? I firmly believe that the mandate of Transparency International and other such organisations is not only to prevent corruption, but also to ensure justice.

Thank you.

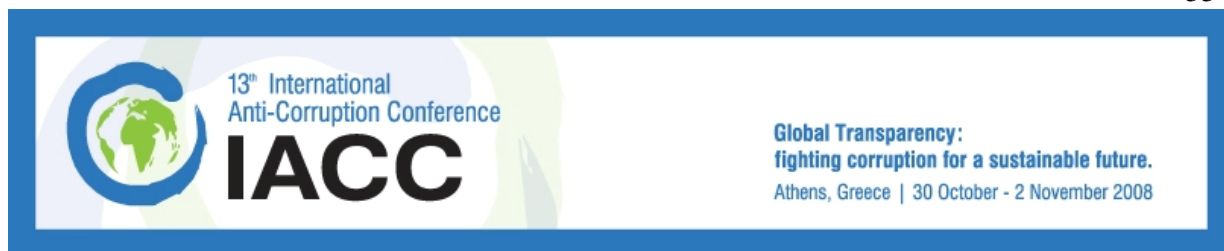
**Ms HARVEY (Moderator):**

Thank you very much.

I am going to give that question to David. If you could please give us your ideas on how we can preserve biodiversity.

**Mr NUSSBAUM:**

Climate change poses the most enormous threat to biodiversity and so to all eco-system services, including the provision of clean water, of access to



different species which are of huge importance to humanity. Just to give you a rather obvious example: if birds start migrating at different times because the weather is different, they won't have their chicks at the right time to eat the insects, which in turn may start eating more crops than they use to. So there are all kinds of linkages between human well-being and biodiversity and climate change.

What can we do? We live in a world which is really rather economically orientated. So one of the things I think we have to do is to look at putting some financial value on some of these eco-system services. What would it cost to do what is currently done for free by the forests, by flowing rivers, by aquifers? What would it cost to replace these services with some kind of human technological solution? What we will find is that it is hugely expensive.

I think another thing we need to do is to frame the international debate with a strong element of equity and justice, something which is extremely challenging for those of us who live in developed countries, where our resource consumption and our carbon emissions are very much over and above the global average.

There is, therefore, a huge issue of justice that needs to be incorporated into the international debate.

**Ms HARVEY (Moderator):**

Thank you very much. That was most helpful.

Mr Mogae, we had a question about natural resource-driven countries and how they can ensure that in developing their countries they are not going down the path of the "dirty" industries that have generated development in the past. Would you like to answer that question?

**Mr MOGAE:**

My colleague from Trinidad and Tobago asked how we can stop the dirty industries from migrating to our countries. This is extremely difficult. I don't know which government comes to power without promising jobs. The easiest way, of course, would be simply to refuse to licence these industries, because



they are “dirty industries”. But if it is going to create jobs and you have promised jobs and you are a democratic country, the opposition will sit up and say “Where are the jobs you promised?”. That’s what it boils down to. It is a very difficult moral issue.

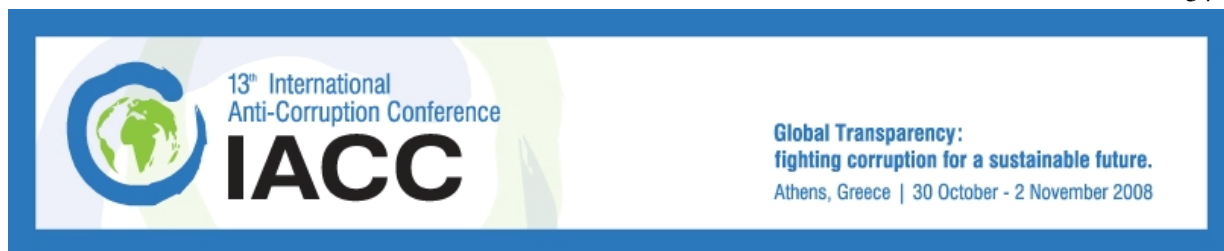
The international agreements we have signed at the UN are as good as the commitment of the parties to them. Some solutions have been provided, but as we say, imposed solutions, however correct they are, are bound to fail, because they tend to invite corruption.

One of the things we have to do, but I don’t know how we can do it, is to convince these people, the offenders, convince their governments and the citizens involved that what is recommended would really benefit them. Simply quantifying it and talking about billions and so on without demonstrating how beneficial the present system is to them... perhaps that is where we are failing. We have to demonstrate to people that they should do something because it is right, because it’s beneficial to them.

In Botswana, what we did for our wildlife, at the recommendation of the international community admittedly and under pressure, was to create community trusts so that a company that built lodges, tourist resorts, deposited fees into these community trusts, so that we could convince people not to hunt, because there is a lot to benefit from tourists coming to look at animals that are alive. It’s working, but of course there are problems: they mismanaged the financial resources and there are problems with accountability.

I would like to come back to the member of the audience that said she’s alarmed that the Board of the World Bank rejected such good recommendations. Do you know why they did that? It’s because they had not taken into account the interests of other people. International agreements will only work if everybody buys into them. Imposing solutions does not work, especially in a situation where people in the western world, with their high energy consumption, are judging others. It’s as if criminals are sitting in judgement of other criminals.

So that is why the recommendations were rejected. But we don’t have to give up. We need to try to take everybody else into confidence and demonstrate



how, if those recommendations were adopted, people in the developing world would also benefit.

Thank you.

**Ms HARVEY (Moderator):**

Thank you very much.

You wanted to add something Daphne?

**Ms WYSHAM:**

In terms of the Extractive Industries Review, it's true that there was some pushback from some of the developing countries on the Board of the World Bank.

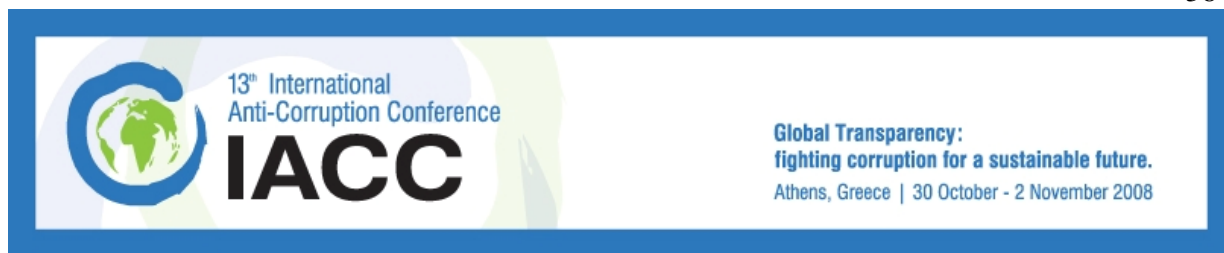
However, one of the conclusions of the Extractive Industries Review was that the poorest in those developing countries were actually worse off as a result of these investments.

So, I think the key is to better educate representatives that are sitting on the Board of the World Bank about the mandate of the World Bank, which is really about poverty alleviation. Most of these projects are actually harming the poor. They need to propose alternatives, like a carbon debit mechanism, which would essentially benefit the poorest and disincentivise carbon intensive investments.

The second point I wanted to make is that the World Bank and other development banks need to have in place, so as to guarantee their transparency, whistleblower protection. Right now, the World Bank does not have adequate protection laws for whistleblowers and some of our greatest allies in this work are actually inside the World Bank. However, they risk losing their job and in fact losing their career if they speak out. A campaign is underway in Washington and elsewhere, but we definitely need stronger whistleblower protection laws at these institutions.

**Ms HARVEY (Moderator):**

Thank you.



On that note, I am just going to give our representative from the World Bank a chance to jeopardise his career.

**Mr SCHAFER:**

I want to re-emphasise what his Excellency said earlier. Action plans to support or to tackle climate change and the simultaneous financing of fossil fuel activities are not mutually exclusive.

You have to bear in mind that the World Bank's Board is made up of 180+ countries. The current dialogue on what is going on is also looking at parity between developing and developed countries. I think that will help us focus on the core mission of the World Bank, because you cannot have growth or poverty reduction without access to energy.

I would also argue, and I can give you some figures, that in many cases, that some of the 27% of our annual energy lending for fossil fuel production and generation is for natural gas, another lot is to improve technology, that is to go from a low level technology to a more appropriate form of technology that is also much cleaner and has less greenhouse gas emissions.

The two things are not mutually exclusive. I don't think we can put the burden on the people in the developing world who have no access to energy and say we are going to cut their coal and fossil fuels cold turkey.

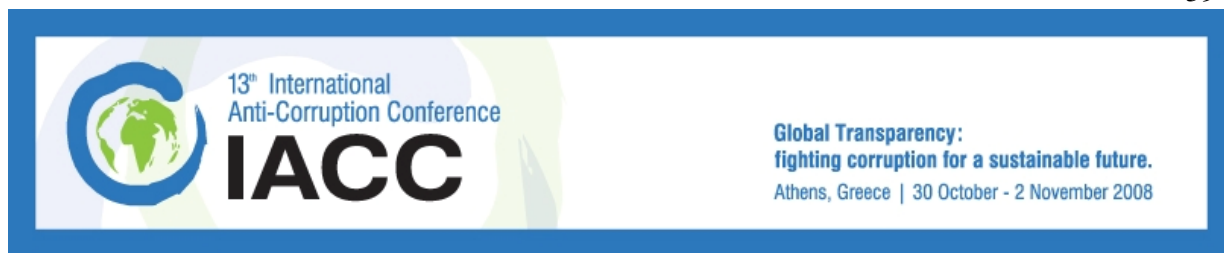
**Ms HARVEY (Moderator):**

Thank you.

Paul, I would like you to take the question from Paraguay. What advice would you give to Paraguay? In one sentence.

**Mr WATCHMAN:**

I think that recognising that Paraguay is part of the international community is important, and that there are certain very different things you could push for which would not only improve what Paraguay needs to achieve but also would have a ripple effect on the rest of the world.



I am going to call this the Paraguay Innovation, and that is that every governmental body and every company disclose the impact of their business on climate change and the impact of climate change on their business; that they state what policies and practices they are going to adopt to adapt and mitigate the effects of climate change or the effects of their business on climate change. If you could do that, we would start to see who is taking this problem seriously, be it in terms of deforestation, or energy. But I think that you can achieve a great deal by that very simple, either voluntary or legislative, change to Paraguayan law, which should no doubt be copied by every other civilised jurisdiction in the world.

Thank you very much.

**Ms HARVEY (Moderator):**

Thank you very much.

I hope all your questions have been answered. All that remains is for me to say thank you very much to our distinguished panel for coming today and thank you to the audience for taking part in this session.

Thank you.

**Opening Moderator:**

Thank you very much, Fiona.

Ladies and gentlemen, you all know about the workshop sessions, so I will not go into any further details. I will point out though that there is a very interesting special session at 17:00. At 19:00, the buses will take you to the official Conference dinner tonight.

Once again, thank you very much for being here today. And we look forward to seeing you all again tomorrow morning at 9:00.