

## **Adapting Anti-Corruption Efforts to the Climate Crisis: A Multi-Stakeholder Approach**

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for the International Corruption Hunters Alliance Forum  
Abidjan, Cote d'Ivoire – 15 June 2023

~ As prepared for delivery ~

Climate change is one of the defining crises of our time: over \$250 billion of economic losses from natural disasters in 2021; an estimated 26M people pushed in extreme poverty by natural disasters annually; around 7M excess deaths attributable to pollution each year; rapid spread of zoonotic diseases and pandemics that scientific evidence increasingly links to deforestation and destruction of wildlife habitat. Rising temperatures are fueling natural disasters, extreme weather, food and water insecurity, economic disruption, migration, and conflicts.

You may ask: *what does any of this have to do with corruption anyway?* The answer is: everything! Whilst certainly we are not attributing climate change to corruption, there are nevertheless strong linkages between the two. Corruption may also be one of the most significant threats to the effectiveness of the world's response to this looming existential crisis.

Corruption plays a major role in enabling the misuse of key natural resources. In sectors such as water, hydrocarbons, mining, land, or forestry, bribery and illicit payments have often enabled bad actors to obtain illicit permits and licenses to exploit natural resources that would otherwise be restricted by much needed environmental protection measures. This results in excessive exploitation and misuse, thus undermining the sustainable management of these resources.

Beyond petty corruption to bend the rules, a more pervasive type of corruption in the form of wholesale state capture can enable powerful interest groups to, exert undue influence on environmental policy decisions, lead to weak or inexistent regulation, or -even when sound regulations exist- it can significantly weaken their implementation.

Lastly, the veil of corruption often reduces transparency and accountability in decision-making processes, increasing the likelihood of sub-optimal choices that may serve the short-term private gains of a limited few, but undermine the long-term sustainability of crucial public goods for all.

In addition to the potential diversion of resources allocated to climate initiatives, corruption also undermines the ability to mobilize those resources in the first place. By now, we all know the impact of corruption, illicit financial flows, and tax evasions on public finances and how such practices shrink the fiscal space and severely hamper the mobilization of much needed capital to fund public goods, such as climate.

Aside from its impact on public finances, another potential threat that corruption poses to the success of the world's climate response is through its perverse impact on private capital mobilization. Recent estimates by the Independent High-Level Expert Group on Climate Finance find that development compatible with climate commitments will require close to \$3 trillion by 2030, for emerging markets and developing countries other than China. It is clear from these estimates that public funds and foreign assistance alone will never close the funding gap. Significant inflows of both capital and innovation from the private sector will be needed, hence the need for a clean and enabling environment that is attractive to sustainable private sector investments. Yet, we know that corruption deters foreign capital and investments in environments where the private sector is faced with artificially higher business costs and risk premia due to excess costs, when significant bribe payments are part of the cost of doing business.

For all these reasons, and many more, addressing corruption is essential to creating a more sustainable and equitable future for all. The world is aiming to mobilize unprecedented amounts of funding for climate-related interventions. The WBG is currently the largest multilateral provider of climate finance and has recently increased its financing to record levels, reaching over US\$ 90 billion just over the past three years. Even with that significant level of commitment, decisive climate action will require further scaling up. To successfully achieve climate and development objectives, the world must mobilize trillions of dollars in the coming decades. A percentage as low as even just 1% lost to corruption amounts to hundreds of billions potentially siphoned away from vulnerable communities in need of urgent assistance. Let's not kid ourselves: this massive influx of funding will create a large appetite and tremendous opportunities for corruption and will heighten integrity risks, particularly in environments with poor governance, weak regulatory frameworks, or limited accountability and oversight. This risk may be compounded by the imperative of accelerated spending due to the urgency of the climate challenge.

This will undoubtedly heighten integrity risks that we must anticipate, mitigate proactively before they materialize, and be prepared to respond decisively if and when they do materialize. Thus, the anti-corruption community has indeed a significant role to play in the context of climate change interventions.

For the Integrity Vice Presidency of the World Bank Group, whilst our core work continues to focus on investigations and sanctions, we are also developing additional focus on areas such as prevention, knowledge management, leveraging technology, and strengthening partnerships. Each of these strategic priorities of ours has particular relevance in the context of successfully adapting our integrity efforts to respond to the risks I just outlined.

INT is investing in its knowledge management, using the vast body of information it has accumulated over the years from a wide range of investigative activities and outcomes. This information is a significant source for the WBG's integrity risk management process, including in climate projects. Among others, based on past cases, we are developing profiles for integrity risks and mitigation strategies in different sectors. These sector-specific risk profiles will be applied in the projects we finance in key sectors such as: energy and extractives; agriculture, food, water and land; cities; transport; and manufacturing. These sectors produce the vast majority of global GHG emissions and therefore are at the heart of climate change initiatives.

Advances in technology and analysis of big data will also open promising avenues for strengthening integrity in climate investments through, for example, use of satellite imaging for real time monitoring or verifications in otherwise hard-to-access areas, for identification of critical red flags, or simply to drive greater transparency and accountability. The WBG's Integrity Vice Presidency is increasingly applying technology and data analytics to optimize our anti-corruption efforts. INT is working to understand and employ technology solutions, including machine learning and artificial intelligence, in priority areas that will enhance the efficiency, effectiveness, and impact of our work. As we expand and mature our tools, we will increasingly be applying them across different sectors of the World Bank's portfolio, including our climate investments.

Lastly, in this area as in other areas, the effectiveness of international anti-corruption efforts is contingent on collaboration and improving intelligence sharing between anticorruption actors. A key enabler of our strategic success in delivering an effective response is the quality of our partnerships with multiple stakeholders, which include many of you present here today.

INT has built strong engagement and collaboration platforms with peer functions in other Multilateral Development Banks, particularly those that participate in the Agreement for Mutual Enforcement of Debarment Decisions (commonly referred to as the "cross-debarment agreement," which involves several major regional development banks). INT is constantly exploring further areas of harmonization in sanctions-related practices, following the successful experiences and lessons learned from the cross-debarment platform.

With National law enforcement, INT is keen on broadening and strengthening our relationships with law enforcement and prosecutorial authorities across all countries where WBG-financed operations are implemented. We are expanding our collaboration with these authorities, establishing informal communication channels and engagement mechanisms beyond the investigations area, including training, capacity-building, and knowledge-sharing.

With development partners, such as United Nations agencies, INT is supporting efforts to establish or enhance effective protocols for reporting irregularities in projects. This is an increasingly important need as the WBG relies on such agencies for operating in challenging environments such as in Fragile, Conflict-affected, or Violent settings (FCVs).

With Civil Society, at the global, regional, and country levels, INT will continue engaging with civil society, to increase awareness of INT's work and to enhance the vital role of CSOs and project beneficiaries in reporting integrity issues in WBG projects.

Additionally, INT is also actively engaging with the private sector to promote integrity compliance standards around the world.

The voices of all these stakeholders are represented in this plenary and in the audience today. Conversations like the one we are having here now are an important lever for more innovative problem-solving, stronger collaboration, and collective actions that can truly make a difference in ensuring that resources actually meet the needs of the world's most vulnerable people.

As the UN's Secretary-General recently pointed out, "*The climate emergency is a race we are losing, but it is a race we can win.*" The global anti-corruption community can and must play a key role in supporting the world in winning this race. If the world is to fulfil the climate commitments laid out in a variety of international agreements and national strategies, it is crucial that corruption challenges are addressed adequately and forcefully.

There is now a window of opportunity—and a development imperative—to learn, adapt, and advance our work to meet the new challenges we face. As the context in which we operate continues to evolve, this plenary discussion is a call to strengthen our capacities and develop new tools to keep ahead of corrupt actors in order to give the global climate agenda an opportunity to succeed. We hope that many of you will join the conversation going forward. Thank you.

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