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INTEGRITY EXPLAINER

Climate Finance Integrity – Key Concepts

Essential definitions and ideas for understanding climate finance integrity practice.

Climate finance integrity is concerned with whether systems, institutions, projects, and results are trustworthy, credible, accountable, and resilient to abuse. It seeks to enable climate action that delivers real impact and endures over time.

Climate finance integrity

1. Governance and fiduciary foundations

Structures, roles, policies, and controls that define how decisions are made and resources are stewarded.

2. Risk and misuse

Threats to integrity, including fraud, corruption, conflicts of interest, greenwashing, and weak safeguards.

3. Delivery and results

Designing, funding, and managing interventions that deliver credible outcomes and climate impact.

4. Transparency and accountability

Information, reporting, and oversight that enable scrutiny, learning, and responsible accountability.

INSIDE THIS EXPLAINER

- Core terms and definitions
- Key risks and integrity themes
- Short illustrations from practice

This explainer introduces broad practice concepts, not only CFIN's own frameworks.

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Governance and fiduciary foundations.

These core elements help ensure climate finance is directed, managed, and used in ways that are trustworthy and accountable.

1 Governance

The structures, roles, and decision processes that shape how climate finance is directed and overseen.

Example: unclear roles can weaken accountability.

2 Fiduciary standards

The systems used to manage funds responsibly, including financial controls, procurement, and risk oversight.

Example: weak controls increase exposure to misuse.

3 Due diligence

The review of counterparties, projects, and delivery arrangements before commitments are made.

Example: review helps identify red flags early.

4 Conflicts of interest

Situations where personal, political, or institutional interests may distort objective decisions.

Example: an approver has ties to a bidder.

5 Beneficial ownership

Knowing who ultimately owns or controls an entity receiving or handling funds.

Example: hidden ownership can conceal improper influence.

6 Integrity risk

The risk that funds, decisions, relationships, or results may be distorted, abused, or undermined.

Example: incentives drive behavior that looks compliant but is not sound.

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Risk and misuse

Understanding common risks and how they can undermine climate finance integrity.

1. Corruption risk

The risk that public or entrusted power will be used for private gain in climate finance decisions or delivery.

Example: favoritism in project selection or contracting.

2. Fraud

Deliberate deception to obtain money, advantage, or approval.

Example: inflated invoices or false reporting.

3. Procurement integrity

Fair, transparent, and competitive purchasing and contracting processes.

Example: tailored specifications can unfairly favor one supplier.

4. AML/CFT

Anti-money laundering and counter-terrorist financing controls that help prevent illicit funds from entering or moving through climate finance channels.

Example: screening transactions and counterparties.

5. Sanctions risk

The risk of dealing with restricted parties, territories, or activities subject to sanctions.

Example: an intermediary or vendor appears on a watchlist.

6. Greenwashing

Overstating, misrepresenting, or masking the real environmental value or integrity of a climate activity.

Example: strong branding but weak substance.

Integrity practice is not only about preventing theft.
It is also about detecting distortion, deception, and misuse.

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Delivery, results, transparency, and accountability.

These concepts focus on what happens in practice—how climate finance is implemented, measured, disclosed, and held to account.

1 Implementation integrity

Whether climate finance is delivered in line with the approved purpose, standards, and commitments.

Example: actual delivery diverges from the approved design.

2 Results integrity

Whether reported outputs, outcomes, and impact claims are credible and supported.

Example: numbers are reported but evidence is thin.

3 Data and reporting integrity

Whether information used for monitoring, reporting, and decisions is accurate, complete, and reliable.

Example: weak data systems create blind spots.

4 Transparency

Timely and meaningful disclosure of information that enables scrutiny and trust.

Example: limited disclosure can hide who is benefiting.

5 Accountability

The ability to question decisions, assign responsibility, learn, and seek remedy when things go wrong.

Example: complaints exist but are not effectively heard.

6 Climate impact credibility

Confidence that a project or program is producing real climate value and not only symbolic claims.

Example: reported success does not match lived reality.

Climate finance integrity ultimately asks whether processes, results, and impact claims can be trusted.