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2018 Annual Report of the Independent Integrity Unit

Summary

This document contains the first Annual Report of the Independent Integrity Unit for the period from January to December 2018. The report summarises the activities of IIU for the period and its outlook for 2019.

0% Corruption
100% Climate Action
IIU Annual Report 2018

About the Independent Integrity Unit

The Independent Integrity Unit (IIU) ensures all Green Climate Fund (GCF or Fund) staff, external stakeholders, implementing entities, and intermediaries relating to GCF adhere to the highest standards of integrity.

The IIU takes a proactive approach to prevent fraud and corruption and other Prohibited Practices by establishing integrity policies and guidelines and recommending further improvements to existing GCF policies and procedures.

The IIU investigates allegations of fraud, corruption, misconduct, and other Prohibited Practices. These include coercive and collusive practices, abuse, conflict of interest, and retaliation against whistleblowers.

The IIU promotes awareness of GCF integrity standards with implementing entities and intermediaries. It also collaborates and shares experiences with multilateral funds, international finance institutions, and other relevant parties about integrity matters.

As a Unit independent from the Secretariat, and in accordance with its Terms of Reference, the IIU reports directly to the GCF Board, or through the Ethics and Audit Committee (EAC) of the Board.

Contact Information

For further information or to submit reports on suspected fraud, corruption, or other Prohibited Practices, please e-mail, call, or write to the IIU using the contact information below:

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Executive Summary – Highlights of 2018

Operationalized since November 2016, the Independent Integrity Unit (IIU) is mandated to perform the essential function of safeguarding the lawful and accountable utilisation of the Green Climate Fund (GCF) resources and to promote the highest standards of integrity in the important mission of the GCF to redress and mitigate the deleterious effects of climate change.

Prevention Activities

In 2018, the IIU adopted the motto: “0% Corruption, 100% Climate Action”. By preventing and redressing integrity violations, the IIU is safeguarding GCF resources and ensuring the greatest potential of GCF resources to achieve impact. The IIU’s work in developing the GCF’s integrity policy framework has been a critical step in that direction.

One of the milestone achievements in 2018 is the Board’s adoption of the *Policy on the Protection of Whistleblowers and Witnesses*, which provides a framework for protected reporting of integrity violations in order to safeguard the reputation of the GCF and the accountable use of entrusted resources.

The IIU also advanced the development of the *Prohibited Practices Policy* and the *Anti-Money Laundering and Countering the Financing of Terrorism Standard* through extensive consultations. Drafts of both documents are scheduled for consideration at the twenty-second meeting of the Board of the GCF (B.22). Furthermore, the IIU initiated work to draft and present to the Board a policy on sexual exploitation, abuse, and harassment.

Additionally, the Unit continued to strive in its efforts to mitigate integrity risks by mainstreaming integrity safeguards across GCF operations through legal agreement reviews, advisory issuance on integrity-related matters, and laying the foundation for the proactive integrity review of GCF-funded activities.

The IIU harnessed valuable partnerships with counterpart offices of other international organisations by hosting the 19th Conference of International Investigators in October 2018.

Investigations

In 2018, the IIU received a total of 19 reports of suspected wrongdoing, almost double the number received in the previous reporting period.

Based on a preliminary assessment, two reports were found to be outside of the IIU jurisdiction. Six reports resulted in the initiation of investigations, while the remaining reports are under review.

Three investigations were fully completed, with the investigation reports submitted to the relevant GCF bodies for further remedial action.

Looking to the Future

Finalising the three-year plan to fully operationalise the Unit, the key priorities of the year 2019 will be to complete the GCF integrity policy framework and develop detailed protocols, procedures, and guidelines to implement the adopted integrity policies, implement proactive integrity risk assessments through Proactive Integrity Reviews, launch a GCF-wide awareness raising campaign, and scale up of investigation capacity.

I. Proactive Operations

1. The IIU is mandated to promote the integrity of the people and organisations involved in the GCF's work and mission to mitigate the adverse impacts of serious climate change.
2. To implement its mandate, the IIU takes a proactive approach to prevent occurrences of fraud, corruption, and Prohibited Practices by devising a preventative strategy to build institutional resilience against fraud and corruption. This includes establishing integrity policies and guidelines, recommending improvements to existing GCF policies and business procedures, and identifying integrity risks, and developing mitigating measures.
3. The IIU promotes awareness of GCF integrity standards with all parties involved in GCF-funded activities including implementing entities, intermediaries, and project executing entities. It also collaborates and shares experiences with multilateral funds, international finance institutions, and other relevant parties about integrity matters.
4. The prevention initiatives undertaken in 2018 are summarised below.

1.1 Improved GCF Integrity Policy Framework

5. **Update and Finalisation of GCF Integrity Policies.** In an effort to complete the GCF integrity framework as set out below in figure 1, the IIU, in close collaboration with various Divisions of the Secretariat and under the guidance of the Ethics and Audit Committee (EAC) of the Board, undertook the drafting, consultation, and negotiation of a set of integrity policies in 2018.

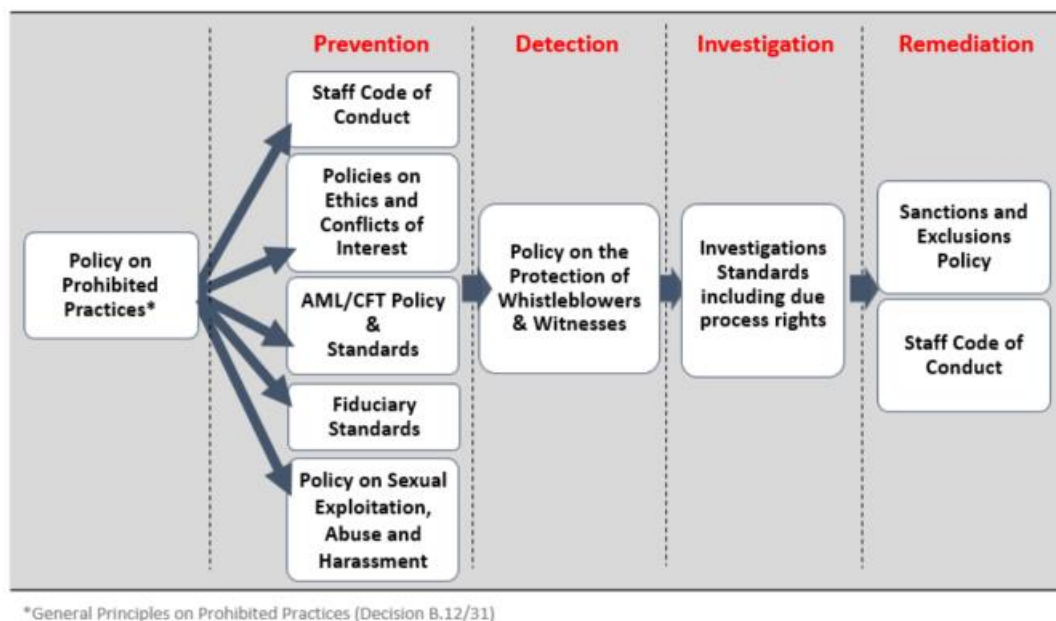


Figure 1. GCF Integrity Policy Framework

- (a) *Policy on the Protection of Whistleblowers and Witnesses.* The Board approved the adoption of this Policy as a “Between-Board-Meetings” decision (B.BM-2018/21, paragraph (a)). This Policy will enhance the Fund’s capacity to detect and mitigate wrongdoing at an early stage and to minimise the risk of the commission of Prohibited Practices. It sets out the principles, obligations, and procedures that enable confidential and anonymous reporting of suspected wrongdoing in GCF-related activities and deter retaliation against whistleblowers and witnesses. The Policy underwent an extensive

socialisation process where comments and feedback were obtained from nine public and non-governmental organisations, as well as the Secretariat of the GCF.

- (b) *Policy on Sexual Exploitation, Abuse, and Harassment.* As approved by the Board in the 2019 Workplan and Budget of the IIU, the IIU began the development of a draft Policy on Sexual Exploitation, Abuse, and Harassment. Initial steps were taken to identify policy gaps through consultations with OGC and HR, and then to structure an effective approach based on international best practices. The IIU also invited public input through an open call on the draft Policy. Subjecting both the GCF Staff and its Counterparties to obligations, the Policy aims to prevent, mitigate, investigate, and redress incidences of sexual exploitation, abuse, and harassment, and to ensure that victims and witnesses are protected against retaliation. The Policy is due for consideration by the Board in 2019.

6. **Operationalisation of Integrity Policies.**

- (a) *Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Standard.* To operationalise GCF/B.18/20 *Anti-Money Laundering and Countering the Financing of Terrorism Policy* (AML/CFT Policy) approved by the Board at B.18 on October 2017 (decision B.18/10), the IIU finalised the AML/CFT Standard in close collaboration with the Secretariat, and the endorsement of the EAC (which at the time of this report is being awaited). Additionally, to effectively execute its responsibilities under the Standard, the IIU sought to enhance its capacity in AML/CFT compliance and proactive interventions by initiating the hiring process of an Integrity and Compliance Officer who will be leading the engagement with the Secretariat in operationalising the AML/CFT Policy, its Standard, and operating procedures, and in preparing implementation reports to the Board.
- (b) *Guidelines on Conflict of Interest.* The IIU has been providing advisories to support the implementation of the GCF Ethics and Conflicts of Interest Policies within the terms of its mandate. Arising out of these advisories and best practices, the IIU has begun the development of guidance and guidelines for Board Members, Alternate Board Members, their advisers, Board-appointed Officials (including the Executive Director), Members of Groups and Panels, and Active Observers. These guidelines are tailored to specific risk areas and address some of the challenges that arise in managing conflict of interest cases, such as limited awareness among covered individuals of what constitutes conflict of interest. These guidelines will be further advanced, communicated, and put into practice through training and awareness campaigns.

1.2 Integrity Risk Mitigation in GCF Operations

7. **Review of Legal Agreements.** In an effort to mainstream GCF integrity standards across GCF operations, including projects and programmes, and to fulfil its mandate of ensuring full compliance by Fund recipients with GCF integrity policies and procedures, the IIU continued to engage with the Secretariat in negotiating legal agreements such as Accreditation Master Agreements (AMAs), Funded Activity Agreements (FAAs), and Grant Agreements for the Readiness and Preparatory Support Programme with Accredited Entities (AEs) and delivery partners on integrity provisions regarding the issues set out in Table 1 below:

Table 1. Integrity Safeguard Provisions in GCF Legal Agreements Signed with Its Counterparties

Integrity Issues	Obligations Imposed
Compliance	To be compliant with GCF fiduciary principles and integrity policies relating to the Policy on Prohibited Practices, AML/CFT Policy, or any applicable due diligence checks.
Standard of care	To ensure prohibition of the misappropriation of GCF proceeds by all parties involved, and to immediately inform the Fund of, and investigate such cases.
AML/CFT controls	To inform the Fund of any money laundering/financing of terrorism risks, and to mitigate such risks.
Cascading of obligations	To contractually oblige all parties involved in GCF-funded activities (including executing entities or third parties) to incorporate the same obligations specified in the agreements.
Remedy	Trigger of an event of default for occurrences of and failure to remedy Prohibited Practices.

8. **Proactive Integrity Reviews (PIRs).** In an effort to commence proactive oversight of GCF-funded projects and programmes, the IIU has initiated the development of its own PIR model with an aim to pilot two PIRs in 2019 which will focus on ensuring the effective implementation of the Fund’s integrity policies through this tested monitoring and oversight approach. The IIU engaged in learning exchanges with other international organisations which have pioneered the PIR programs.

9. **Integrity Advisory.** As mandated to recommend improvements to policies, procedures, and controls to mitigate the opportunities for integrity violations, the IIU provided advisories on integrity-related issues for various policies and procedural documents, contracts between GCF and third parties including the Accreditation Panel Code of Conduct, Data Protection and Privacy Policy of GCF, Knowledge Management Platform, and the Kidnap and Ransom Insurance Policy among others.

1.3 Awareness Raising to Maximise Impact

10. In 2018, the IIU engaged with various stakeholders such as with various divisions of the Secretariat, Staff Council, Civil Society Organisations (CSOs), and Accredited Entities in socialising and finalising key integrity policy documents for comments, and to raise awareness. Additionally, in collaboration with the Staff Council of the Secretariat, the IIU held an information session on the *Policy on the Protection of Whistleblowers and Witnesses* with Staff to raise awareness and facilitate better understanding of the Policy’s implication.

11. **Participation in Events.** In 2018, the IIU participated in various internal and external events to raise awareness on GCF integrity standards among its stakeholders in different regions. These included hosting sessions at regional Structured Dialogues in Africa (Mali), Asia (Vietnam), Eastern Europe and Central Asia (Tajikistan), Caribbean (Grenada), and with Least Developed Countries (Ethiopia). Additionally, to fulfil its mandate to collaborate and form working relationships with counterpart offices in IFIs and MDBs on institutional integrity issues, the IIU participated in external international conferences such as the OECD Global Anti-Corruption and Integrity Forum where issues on integrity in public procurement and integrity for a just globalisation were discussed with integrity offices of GCF Accredited Entities. The IIU also participated at sessions related to integrity, accountability, and transparency of climate finance at the Bonn Climate Change Conference UNFCCC SB48 in May. There, IIU engaged in numerous meetings with GCF stakeholders (Board Members, AEs, and CSOs).

12. **International Peer-to-Peer Learning Alliance (P2P-LA) on Climate Finance Integrity (CFI).** In line with its 2018 Workplan, IIU participated in the 2nd Engagement Workshop of the International Peer-to-Peer Learning Alliance (P2P-LA) on Climate Finance Integrity (CFI) held in Kathmandu, Nepal in September 2018, organised by the German Cooperation Agency (GTZ) and Transparency International (TI), with the support of UNDP. At this workshop, six GCF entities from different regions (at various levels of accreditation to the GCF) exchanged learning opportunities in climate finance integrity.

13. **Integrity Forum.** In commemoration of the 2018 International Anti-Corruption Day, the IIU organised the inaugural GCF Integrity Forum. Panel members from both IIU and the GCF Secretariat, specifically the Executive Director *ad interim*, Head of Human Resources, and the Ombudsperson shared their respective roles and mandates in upholding GCF integrity standards and in creating a respectful workplace. The event provided an opportunity for the ED a.i. to join the international community to reaffirm GCF's commitment to combat fraud, corruption, and other integrity violations while maximising climate action.



Figure 2. GCF Integrity Forum held on December 2018

1.4 Global Partnerships in the Fight against Corruption

14. **Hosting of the 19th Conference of International Investigators.** The IIU successfully hosted the 19th Conference of International Investigators (CII) from 8-12 October in Songdo, a platform to discuss leading practices and challenges on integrity issues. A significant part of the manpower and resources of the Unit was allocated in organising the event in the second and third quarter of 2018. The Conference was attended by 150 participants from 45 CII member organisations comprising of major UN organisations, multilateral development banks, and international financial institutions many of whom are GCF Accredited Entities. The issues discussed were as outlined below:

- (a) The challenges and successes of an integrity compliance program;
- (b) Fostering a respectful workplace to address harassment in its many forms;
- (c) The intelligent use of Big Data to mitigate risks and improve governance;

- (d) Investigating in non-secure and fragile environments;
 - (e) Combining investigative efforts for effective outcomes; and
 - (f) Effective use of asset recovery to deter fraud and corruption.
15. The major benefits to the IIU and the GCF as a whole in hosting the CII include the following:
- (a) The IIU and the GCF both benefited from hosting the Conference as many of the members of CII are GCF Accredited Entities, and therefore the Conference provided a platform to establish effective working relationships with the integrity offices of these Accredited Entities;
 - (b) The Conference provided a platform to share insight and knowledge on how best to address integrity violations by discussing integrity issues, addressing challenges in fighting fraud and corruption, receiving new developments, and sharing leading practices. The event also enabled collegiality and close cooperation with other investigative offices of participating organisations; and
 - (a) As the latest member of the renowned network, GCF was able to take this opportunity to raise its profile in the international community.



Figure 3. 19th CII hosted by IIU in October 2018

16. **Bilateral Consultations.** In 2018, the IIU engaged with a number of international organisations to learn from their work, best practices, and lessons learned to facilitate the work program of the IIU including policy development, proactive integrity reviews, and training/peer learning. Such organisations included The Global Fund to Fight AIDS, Tuberculosis, and Malaria; the Inter-American Development Bank; the World Wildlife Fund; the International Bank for Reconstruction and Development; the World Food Programme; and the European Investment Bank.

II. Investigations

17. The investigative activities of the IIU for the reporting period from January 2018 to December 2018 are summarised below.

18. In 2018, a number of reports of suspected wrongdoing submitted to the IIU increased by 90 per cent compared to the previous reporting period (from November 2016 to December 2017). As was mentioned in the 2017 Annual Report, the IIU expected an increase in case load resulting from increased awareness of the role of IIU consequent on awareness-raising activities undertaken within and outside the GCF.

19. The IIU received a total of 19 reports of suspected wrongdoing (refer to Table 2 and Figure 4 below). These are further categorised by type of allegations:

- (a) one report related to corruption;
- (b) one report related to fraud;
- (c) one report related to conflict of interests;
- (d) 10 reports related to misconduct;
- (e) one report related to retaliation against whistleblowers or witnesses;
- (f) two reports related to staff disputes; and
- (g) two reports were classified as others.

20. One report related to staff dispute and one report related to misconduct were assessed as outside the jurisdiction or mandate of the IIU as the substance of the complaints covered human resource-related matters and misconduct by an individual not considered as a GCF personnel.

21. In addition, within the reporting period, the IIU closed three cases with investigation reports submitted to the appropriate bodies, two opened cases were carried forward from 2017, and currently, there are seven cases that remain open (refer to Table 3).

Table 2. Reports Received by the IIU

Reports of Suspected Wrongdoing	2016	2017	2018
Reports submitted to the IIU	1	9	19
Reports closed at preliminary assessment	0	5	2

Table 3. Investigative Activities by the IIU

Investigations	2016	2017	2018
Investigations opened	1	4	6
Investigations suspended	0	1	0
Investigations carried forward to next period	1	2	4
Cases with finalized main investigative activities	3*	2	3
Cases closed with reports submitted to appropriate bodies	3*	0	3

*Investigations conducted by Internal Audit prior to the establishment of the IIU.

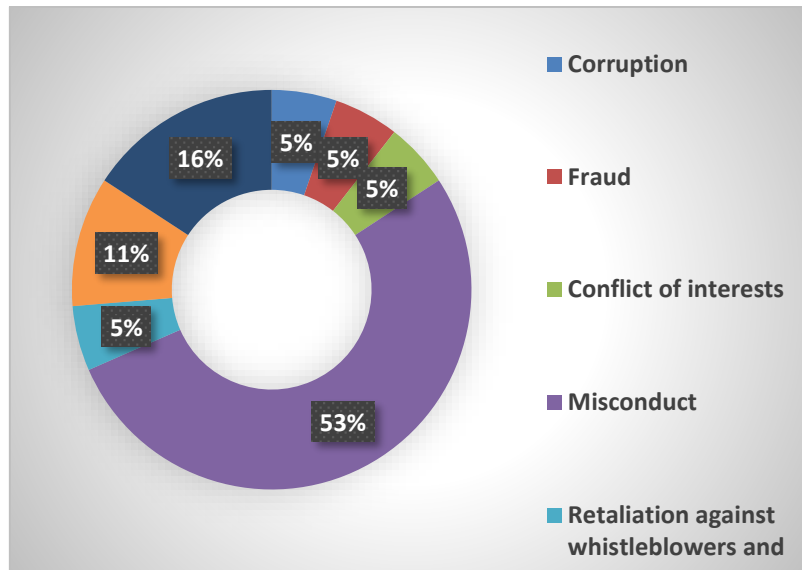


Figure 4. Types of Reports

22. The IIU observed a similar tendency as in the previous reporting period that a significant amount of reports submitted internally were against individuals related to the GCF. Out of the 19 reports received by the IIU, only one report was against an entity. The four reports against individuals not related to the GCF as an institution or unspecified subjects were categorised as “Others” (refer to Figures 4 and 5).

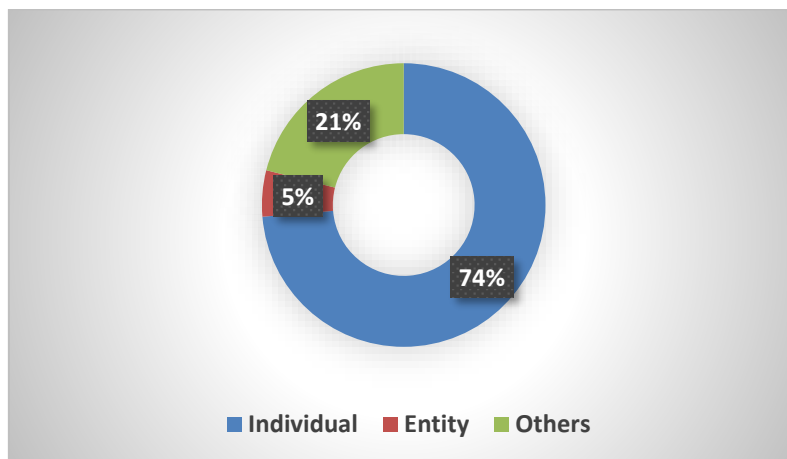


Figure 5. Subjects of Reports

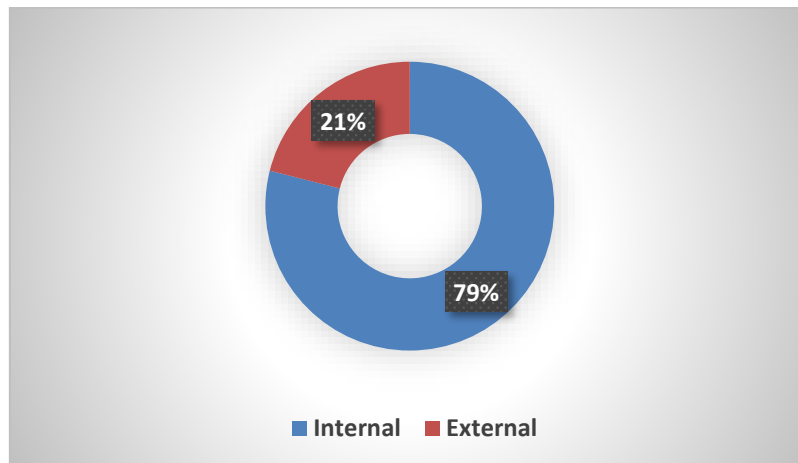


Figure 6. Sources of Reports

23. Details of the reports received by the IIU are summarised in Table 4 below:

Table 4. Summary of Reports Received by the IIU in 2018

Ref No.	Report Description	Preliminary Assessment	Status
001/18	Allegations of abuse of power, hostile working environment, conflict of interest.	Allegations were determined to fall within the IIU's mandate regarding Staff Misconduct.	Investigation was commenced.
002/18	Allegations of corruption.	Allegations were determined to fall within the IIU's mandate regarding Prohibited Practices.	Investigation was commenced.
003/18	Allegations of unfair treatment, GCF policy failure.	Allegations were determined to fall outside of the IIU's mandate.	No investigation was commenced.
004/18	Allegation of sexual harassment against GCF staff's spouse.	Allegations were determined to fall outside of the IIU's mandate. The report was referred to national authorities by Complainant.	No investigation was commenced.
005/18	Allegations of conflict of interest.	Under preliminary assessment.	
006/18	Allegations of sharing confidential information.	Under preliminary assessment.	
007/18	Allegations of inappropriate relationship.	Allegations were determined to fall within the IIU's mandate regarding Staff Misconduct.	Case was merged with C/001/18.



Ref No.	Report Description	Preliminary Assessment	Status
008/18	Allegations of accessing confidential information, inappropriate relationship.	Under preliminary assessment.	
009/18	Allegations of hostile working environment.	Allegations were determined to fall within the IIU's mandate regarding Staff Misconduct. The Complainant, however, withdrew the report.	No investigation was commenced. Later it was merged with 015/18.
010/18	Allegations of retaliation by a GCF staff member.	Allegations were determined to fall within the IIU's mandate regarding Prohibited Practices.	Investigation was commenced.
011/18	Allegations of harassment.	Under preliminary assessment.	
012/18	Allegations of potential fraud.	Under preliminary assessment.	
013/18	Issues regarding one of the proposals submitted to the GCF.	Under preliminary assessment.	
014/18	Staff dispute regarding educational allowance.	Under preliminary assessment.	
015/18	Allegations of possible physical assault against a GCF staff member, allegations of hostile working environment.	Allegations were determined to fall within the IIU's mandate regarding Staff Misconduct.	Investigation was commenced.
016/18	Allegations of accepting an honorarium.	Under preliminary assessment.	
C*/001/18	Allegations of inappropriate relationship.	Allegations were determined to fall within the IIU's mandate regarding Staff Misconduct.	Investigation was finalised, and case closed.
C/002/18	Allegations of conflict of interest.	Allegations were determined to fall within the IIU's mandate.	Investigation was commenced.
C/003/18	Issues on integrity due diligence, allegations of unethical behaviour.	Under preliminary assessment.	

* 'C' relates to IIU's confidentiality classification

24. The IIU anticipates that the number of reports submitted externally will grow in 2019 since more GCF projects reached an implementation stage and more funds are being disbursed, in addition to the effects of outreach activities that the IIU will continue to perform in raising the awareness of Accredited Entities, implementing entities, and other stakeholders about GCF integrity policies and standards.

III. Resource Utilisation

3.1 Budget Execution

25. A significant part of the budget approved for the IIU for was earmarked for staffing expenses required to set up the Unit, and for the hosting of the 19th CII.

Table 5. IIU Budget Execution for 2018

		Approved Budget (USD)	Actual Expenditures (USD)	% Spent
1	Salaries and Consultants			
1.1	Full-time Staff	1 062 950	729 968	69%
1.2	Consultancies	240 000	254 661	106%
	Sub-total: Salaries and Consultants (1)	1 302 950	984 629	76%
2	Travel (2)	100 000	80 092	80%
3	Professional Services			
3.1	Operating costs (including workshops)	30 000	21 566	72%
3.2	Hosting of the 19th CII	80 000	87 753	110%
	Sub-total: Professional Services (3)	110 000	109 319	99%
4	Information Technology and Infrastructure (4)	100 000	48 826	49%
	Grand total (1+2+3+4)	1 612 950	1 222 866	76%