



**GREEN
CLIMATE
FUND**

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GCF/B.23/Inf.11

17 June 2019

Report on the activities of the Independent Integrity Unit

Summary

This report provides an update on the progress made by the Independent Integrity Unit in implementing its Workplan 2019 as approved by the Board. The reporting period is from 1 March to 31 May 2019.

I. Introduction

1. This report on the activities of the Independent Integrity Unit (IIU) provides an update on the progress made by the Unit in implementing its Workplan for 2019 as approved by the Board¹. Focus is given to progress on key priority initiatives identified in the Workplan. The reporting period is from 1 March to 31 May 2019.
2. As identified in the Workplan of the IIU and to help guide the work of the Unit for 2019, the activities during the reporting period were focused particularly in the following five overarching priorities:
 - (a) Completion of the GCF integrity policy framework;
 - (b) Development of guidelines for integrity matters;
 - (c) Implementation of proactive integrity risk assessments;
 - (d) Launch of the Fund-wide awareness raising initiatives; and
 - (e) Investigation activities.

II. Activities of the IIU during the reporting period

2.1 Completion of the GCF integrity policy framework

3. In an effort to complete the establishment of the integrity policy framework of the GCF, 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, finalized the development of integrity policies and procedures as set out below;
 - (a) **Standards for the implementation of the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Policy:** To operationalize the AML/CFT Policy approved by the Board in October 2017, the IIU, in collaboration with various divisions of the Secretariat undertook several actions to further the development of the Standards which will be considered by the Board at its twenty third meeting in July 2019.
 - (b) **Policy on Sexual Exploitation, Abuse and Harassment:** The Board, at its twenty second meeting in February 2019, approved the Interim Policy on the Protection from Sexual Exploitation, Abuse and Harassment (SEAH). Subsequently, the Board mandated the IIU to present to the Board an updated policy with an expanded scope to include Counterparties and Fund-related Activities. The updated Policy establishes guiding principles on preventing, mitigating, investigating and remedying SEAH related to Counterparties and in GCF-funded activities. The policy has gone through extensive consultations with the public, various divisions of the Secretariat, accredited entities and Civil Society Organizations and will be presented to the Board at its twenty third meeting for its consideration.
 - (c) **Policy on Sanctions and Exclusions:** As the Terms of Reference of the Head of the IIU² stipulates, and to establish grounds and procedures for imposing sanctions on counterparties who committed Prohibited Practices, the IIU initiated the drafting of the sanctions and exclusions policy with a view to present the policy to the Board at its

¹ Decision B.21/12.

² "The Head of the IIU to propose a policy for cross-debarment with peer organizations to mutually enforce each other's debarment actions, with respect to the four harmonized sanctionable practices, i.e. corruption, fraud, coercion and collusion."

twenty four meeting. The policy would enable operationalization of the sanctions structures that entails a two-tier regime for review of investigation outcomes and the imposition of sanctions serving as a due process safeguards.

2.2 Development of guidelines for integrity matters

4. During the reporting period, the IIU also undertook the development of guidelines on integrity issues as follows:

- (a) **Procedures for preventing and mitigating conflicts of interests:** During the reporting period, to fulfil its mandate given by the Board through decision B.13/27(c)³, and to support the effective compliance of Covered Individuals with GCF's policies on ethics and conflicts of interest, the IIU developed procedures on the implementation of GCF policies on ethics and conflict of interest for Board-appointed officials, external panels and committees and personnel of independent units. The guidance note will be essential to guide the procedures for declarations of interest and conflicts of interest by concerned parties.
- (b) **Integrity advisory:** The IIU provided advisories on integrity related issues for GCF service agreement contracts with third parties and legal agreements with accredited entities and delivery partners and on conflicts of interest during the reporting period.

2.3 Implementation of proactive integrity risk assessments

5. **Proactive Integrity Reviews (PIRs):** In an effort to commence proactive oversight of the GCF funded projects and programs, the IIU developed a concept note detailing PIR methodologies based on international best practices from other international organizations such as European Investment Bank (EIB) and the Asian Development Bank (ADB) who have pioneered the PIR programs. The IIU's PIR model entails a two-tier approach of risk assessment and actual review of projects and programs based on the risk rating.

6. The IIU organized a capacity-building workshop with peer organizations in May to obtain first-hand knowledge before embarking on its own pilot reviews in 2019. It is expected that the focus of PIR in 2019 will be piloting different methodologies in the areas of procurement, readiness program, integrity policy compliance, effectiveness and books-and-records inspections of project disbursements. Additionally, to effectively conduct reviews, the IIU aims to enhance its capacity in establishing integrity risk database by hiring a data analyst. As of 31 May 2019, the hiring process is still on-going.

2.4 Launch of the Fund-wide awareness-raising initiatives

7. **Training on integrity standards and ethics:** During the reporting period, the IIU conducted training sessions for the GCF staff, Board members and their advisors on integrity standards and conflicts of interest.

- (a) **Information session with the Board during B.22:** With support from the Co-Chairs, the IIU hosted an information session for the Board members, alternates and their advisors on the GCF integrity standards in light of the newly adopted *Policy on the*

³ B.13/27 (c): Also requests the Head of the Independent Integrity Unit to develop administrative guidance on implementation of the Green Climate Fund's policies on ethics and conflicts of interest, including definitions of terms used in the policies, as soon as possible.

Protection of Whistleblowers and Witnesses and the Policy on Ethics and Conflicts of Interest in the margins of B.22. The session focused on informing and raising awareness of obligations by concerned parties in any Fund-related activities and also on ethics and disclosing and mitigating any conflicts of interest they might have.

- (b) **Training session with staff on new policies:** 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 and the Policy on Sexual Exploitation, Abuse, and Harassment with staff to raise awareness and facilitate better understanding of the Policy's implications and obligations by staff.
8. **Engaging with Accredited Entities:** In order to establish and operationalize cooperation with integrity/investigative offices of the accredited entities, the IIU led the process of negotiating and concluding cooperation agreements i.e. Memoranda of Understanding (MoU) with accredited entities. The MOUs cover areas ranging from information sharing to detect and prevent fraud, corruption, and other prohibited practices, practical modalities for joint investigations, and dispute resolution.
9. **Outreach and networking:**
- (a) **Peer-to-Peer Learning platform:** To provide capacity building support for GCF Counterparties, the IIU has collaborated with GIZ in organizing a peer-to-peer learning platform among integrity offices of the GCF accredited entities. The initiative which is led by GIZ aims to support developing country institutions in their efforts to gain access to climate finance by strengthening the effectiveness of their integrity safeguards, sharing lessons learned and developing alliance to support each other. For a start, the IIU is partnering with the Peer-to-Peer Learning Alliance on Climate Finance Integrity (LA CFI) and led a session during the workshop in May 2019.
- (b) **Outreach materials:** The IIU has launched a Fund-wide awareness-raising campaign to enhance understanding on GCF integrity standards among Staff and other stakeholders. The campaign involves the development of awareness raising posters in two series covering various topics such as reporting obligations and protections for whistleblowers and witnesses. The poster is planned to be released every quarter to build and sustain a culture of integrity within the Fund.
- (c) **Communications and Outreach Strategy:** To effectively fulfil the mandate of raising awareness of integrity standards of the GCF, the IIU has begun establishing a Communications and Outreach Strategy that would set the overall framework for IIU communication and outreach objectives, priorities, and activities in line with its Terms of Reference and the GCF Communications Strategy. Its main objectives include awareness-raising on GCF integrity standards, facilitating stakeholder engagement and outreach and expanding IIU presence in relevant fora. A concept paper outlining the elements of the draft Strategy is developed.
- (d) **Participation in the OECD Anti-corruption Forum:** The IIU participated in the annual OECD Anti-corruption forum in March. The forum provided a platform to discuss a wide range of latest topics in the integrity area including use of data and new tools such as a blockchain in fighting against corruption and ethical issues involving the use of such technology.

2.5 Investigation activities

10. During the reporting period, the IIU received a total of sixteen (16) reports of suspected wrongdoing categorized as follows:

- (a) Eight (8) reports related to Misconduct;
- (b) One (1) report – to Fraud;
- (c) Two (2) reports – to Conflict of Interest; and
- (d) Five (5) reports classified as Others.

11. Following the preliminary assessment, two reports were determined to fall outside of the jurisdiction of the IIU, in addition to two reports submitted before the reporting period.
