



**GREEN
CLIMATE
FUND**

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30 June 2018

Report on the activities of the Independent Integrity Unit

Summary

This report provides an update on the progress made regarding the activities of the Independent Integrity Unit (IIU). The reporting period is from 6 February to 31 May 2018. The document summarizes the activities of the Unit based on the Workplan and Budget adopted by the Board at its nineteenth meeting.

I. Introduction

1. This report on the activities of the Independent Integrity Unit (“IIU” or “the Unit”) provides an update on the progress made by the Unit in implementing its Workplan for 2018 as approved by the Board at B.19.¹ Focus is given to progress on key priority initiatives identified in the Workplan. The reporting period is from 6 February to 31 May 2018.

2. As identified in the Workplan of the IIU and to help guide the work of the Unit for 2018, the activities during the reporting period were focused particularly in the following five overarching priorities:

- (a) Operationalization of integrity policies;
- (b) Development of guidance and training on integrity matters;
- (c) Proactive prevention and engagement with stakeholders;
- (d) Advancement of the staffing plan; and
- (e) Scaling up the investigation capacity.

II. Activities of the IIU during the reporting period

2.1 Operationalization of Integrity Policies

3. To implement and operationalize the set of integrity policies approved by the Board in the first year since the Unit’s inception, the IIU, in close collaboration with various Divisions of the Secretariat and the Ethics and Audit Committee (“EAC”) of the Board, developed implementation procedures as set out below:

(a) **Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Standard**

- (i) Development of the Standards: To operationalize the AML/CFT Policy approved by the Board in October 2017, the IIU, in collaboration with the Office of Risk Management and Compliance, undertook several actions to further the development of a Standard and operating procedures to support the effective implementation of the AML/CFT Policy. Such actions include developing a draft Standard based on a review of international standards and best practices adopted by comparable international institutions, seeking advice from those institutions (Asian Development Bank, Inter-American Development Bank, and the Global Fund to Fight AIDS, Tuberculosis, and Malaria), participating in the selection of consultants to further improve said draft, and providing further inputs and recommendations to the draft Standard with a view to its submission to the EAC for its review;
- (ii) Enhancing Capacity: 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 a hiring process of an Integrity and Compliance Officer who is expected to lead engagements with the Secretariat in operationalizing the Policy, its Standard, and operating procedures, and to prepare implementation reports to the Board. As of May 2018, the hiring process is still ongoing;

¹ Decision B.19/20.

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- (iii) **Monitoring and Reporting:** In fulfilling its obligations to monitor and report to the Board (through the EAC) on the implementation of the Policy, the IIU has identified and assigned specific responsibilities within the Unit and will report on Policy implementation in its Quarterly Reports to the EAC; and
 - (iv) **Review of the AML/CFT Controls:** In addition, at the Board's request to monitor compliance to the AML/CFT Policy of the GCF by some Accredited Entities, the IIU assessed actions taken to ensure the effective implementation of its AML/CFT Policy. The Assessment provided recommendations to the Secretariat to request additional information, including risk assessments, on AML/CFT reforms undertaken by the Entities and to impose specific conditions in the Funded Activity Agreement with the Entities regarding GCF projects.
- (b) **Ethics and Conflicts of Interest Policies:** At the request of the Chair of the EAC, the IIU has requested the Secretary to the Board and the EAC to report on their actions to ensure that obligations under the Ethics and Conflicts of Interest Policies of the GCF are met. This included engagement with the Chief Financial Officer regarding financial interest reporting with an aim to provide the Board with an overview of Policy compliance at B.20.

2.2 Policy development

4. During the reporting period, the IIU also undertook the socializing of and raising awareness on key integrity policy documents as set out below:
- (a) **Whistleblower and Witness Protection Policy** - the Policy aims to enhance the Fund's capacities to detect and mitigate Wrongdoing at an early stage and to minimize risks, while supporting the Fund's efforts to safeguard its people and resources. The Policy has been through an extensive socialization process where comments and feedback were obtained from nine public and non-governmental organizations and the Secretariat Divisions and Staff Council for consideration by the Board;
 - (b) **Policy on Prohibited Practices** – updated from the existing Interim Policy on Prohibited Practices, the Policy on Prohibited Practices imposes obligations and outlines a range of sanctions or disciplinary measures in response to Policy breaches. The Policy has gone through an extensive socialization process with the Secretariat and EAC for consideration by the Board; and
 - (c) **Investigations Standards** - The IIU drafted the Investigation Standards document which sets out the standards and procedures for the conduct of both internal and external investigations. Currently, the Standard is being consulted with the Office of General Counsel, and following this review, the Standard will be reviewed further by a counterpart office in a peer institution from within the UN-RIS network prior to being submitted to the EAC for endorsement.

2.3 Development of guidance and training on integrity matters

5. **Guidelines on Ethics and Conflicts of Interest Policies:** The IIU initiated the development of guidelines and training materials to support the effective compliance of Covered Individuals and GCF Personnel to GCF Policies on Ethics and Conflicts of Interest. Materials are proposed to include written FAQs, awareness posters, webinars, and for the Board, a pre-meeting ethics briefing.
6. In that context, the IIU has requested the Secretary to the Board and the EAC to advise on appropriate modalities for providing guidance and/or training to Board Members and their Advisers on ethics and conflicts of interest matters. Additionally, the IIU has raised that

procedures and guidance should be developed to assist the EAC and the Chair of the EAC to receive, review, and recommend corrective action regarding reports of Misconduct concerning Board Members, their Advisers, and the Head of the IIU.

2.4 Proactive preventions and engagement with stakeholders

7. **Proactive Project Reviews (PPRs):** To commence proactive oversight of GCF projects and other Fund-related Activities, the IIU initiated contact with international counterpart institutes such as the European Bank for Reconstruction and Development, World Food Program, and the Asian Development Bank which have advanced PPR methods. The IIU has paid study visits to these institutions during the reporting period to learn their different models and apply best practices in developing own approaches of the GCF and is in the process of developing its own reviews.

8. **Negotiating Legal Agreements:** To mainstream GCF integrity standards across GCF operations including projects and programmes, the IIU continued to engage with the Secretariat in negotiating legal agreements with Accredited Entities and delivery partners. All agreements have been updated to introduce more stringent AML/CFT risk mitigating and control measures. During the reporting period, the IIU negotiated the following legal agreements:

- (a) Accreditation Master Agreements with focus on adding new provisions with respect to AML/CFT controls in light of the newly adopted Policy;
- (b) Funded Activity Agreements with project implementing entities; and
- (c) Readiness Grant Agreements and Framework Agreements and provided feedback on the Project Preparation Facility template.

9. **Risk Assurance:** As mandated to recommend improvements to policies, procedures and controls to mitigate the opportunities for integrity violations, the IIU provided advisories on various policies and procedural documents such as procurement and travel policies, contracts between the GCF and third parties, and administrative instructions on committees and panels.

10. **Awareness Raising:** The Unit collaborated with HR on the development and implementation of an online sexual harassment training module for all staff with further activities for follow-up during the reporting period.

11. **Participation in Regional Structured Dialogues:** To maximize synergies and economies of scale, the IIU continued its participation in the regional events organized by the GCF Secretariat. As part of the delegation to two Structured Dialogues in Africa and Asia, the IIU engaged in designing sessions and programs to promote awareness of GCF integrity policies among National Designated Authorities, Accredited Entities, and Civil Society Organizations in the said regions.

12. **Engaging with Accredited Entities:** In order to fulfil the mandate of establishing and operationalizing cooperation frameworks with equivalent investigative offices of Accredited Entities and to enhance cooperation in institutional integrity issues and investigative activities in relation to Prohibited Practices, the IIU led the process of establishing working relationships with investigative units of the Accredited Entities by negotiating and signing Memoranda of Understanding (MoU). During the reporting period, the IIU signed an agreement with seven Accredited Entities. The cooperation agreement covers areas ranging from information sharing to detect and prevent fraud, corruption, and other Prohibited Practices, practical modalities for joint investigations, privileges and immunities, and dispute resolution.

13. **Hosting of the 19th Conference of International Investigators (CII):** The IIU made significant progress in organization of the 19th CII during the reporting period. In close cooperation with the CII Secretariat and other international organizations, it finalized the agenda, speakers and major logistical arrangements. The event will take place in Songdo,

Republic of Korea from 8-12 October 2018 in participation of 150 participants from 45 CII member organizations comprised of major UN organizations, Multilateral Development Banks and International Financial Institutions many of whom are GCF accredited entities. The Conference provides platform to discuss leading practices and challenges on integrity issues.

14. **Outreach and Networking:**

- (a) International Aid Transparency Initiative (IATI) Membership: In an effort to fulfil donor requirements to adhere to the international best practice for transparency and accountability, the IIU is in the process of assessing financial and operational implications of acquiring membership to IATI, a global initiative to ensure that aid funds reach intended recipients.
- (b) UN-RIS Meeting: As a body that sets standards for investigative offices in international institutions, the UN-RIS member organizations are in the process of drafting a common guideline on investigating Sexual Exploitation and Abuse cases in which the IIU has been actively involved.
- (c) The IIU attended the International Forum on Peer-To-Peer Learning for Effective Institutions: Implementing the New Development Agenda (OECD Headquarters, 13-14 February 2018) as follow-up to the Unit's engagement at the climate finance integrity peer learning workshop held in December 2017. The IIU sustains engagement in this important initiative which is driven by developing country governments passionate about integrity best practices and reforms through a peer learning approach as a sustainable and impact-oriented capacity building means.

2.5 Investigation activities

15. During the reporting period, the IIU received a total of four allegations categorized as follows:

- (a) Two allegations related to Misconduct;
- (b) One allegation related to Corruption; and
- (c) One allegation classified as a Staff dispute.

16. Following the preliminary assessment, two allegations were determined to fall outside of the jurisdiction of the IIU.

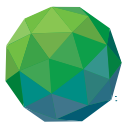
17. The IIU has finalized main investigative activities regarding two allegations carried over from the previous period and drafted initial investigation reports, which will be submitted to an appropriate body upon finalization.

2.6 Budget utilization status for the reporting period

17. The current implementation status of the IIU's 2018 Budget as of 31 May 2018 is set out below:

Table 1: IIU Budget Utilization Status (as of 31 May 2018)

		2018 Budget	Actual expenditures as of May 2018	Commitment	%
1	Salaries and consultants				
1.1	Full-time staff	1,062,950	205,567		19
1.2	Consultancies	206,000	97,721	76,785	85
	Sub-total (1)	1,268,950	303,288	76,785	30



		2018 Budget	Actual expenditures as of May 2018	Commitment	%
2	Travel	134,000	27,780		21
2.1	Travel				
	Sub-total (2)	134,000	27,780		21
3	Contractual services				
3.1	Hosting the Conference of International Investigators	80,000	-	-	0
3.2	IT & communication technology	100,000	-	-	0
3.3	Other Operating costs	30,000	1,565	-	1
	Sub-total (3)	210,000	1,565	-	1
	Grand total (1+2+3)	1,612,950	332,633	76,785	25

6. The salary budget for Staff and Consultants include two full-time Staff (Head of the Unit and Operations Analyst), one Team Assistant Consultant, two part-time Policy Development Consultants, and an intern.

7. The travel budget was utilized for staff travel on IIU official business including participating in the regional Structured Dialogues and for consultants' travel to the GCF Headquarters to develop policies and procedures.
