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# Report on the activities of the Independent Integrity Unit

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## **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 June to 30 September 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 Board<sup>1</sup>. Focus is given to progress on key priority initiatives identified in the Workplan. The reporting period is from 1 June to 30 September 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) Advisory on integrity matters;
  - (c) Implementation of proactive integrity risk assessments;
  - (d) Capacity building of accredited entities and awareness raising; and
  - (e) Investigation activities.

## II. Activities of the IIU during the reporting period

### 2.1 Completion of the GCF integrity policy framework

3. In close collaboration with various divisions of the Secretariat and under the guidance of the Ethics and Audit Committee (EAC), the IIU 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:** The Board at its twenty third meeting in July 2019 adopted the Standards to operationalize the AML/CFT Policy. The document has gone through extensive consultations with various divisions of the Secretariat and accredited entities to further the development since the last time it was considered by the Board at the twenty second meeting.
  - (b) **Policy on Sexual Exploitation, Abuse and Harassment (SEAH):** Subsequent to the adoption of the interim Policy on the Protection from SEAH concerning GCF staff at the twenty second Board meeting, the IIU presented to the Board an updated policy with an expanded scope to include Counterparties and Fund-related Activities at its twenty third meeting. The newly adopted Policy establishes guiding principles on preventing, mitigating, investigating and remedying SEAH related to Counterparties and in GCF-funded activities.
  - (c) **Development of the Policy on Administrative Remedies and Exclusions:** As the Terms of Reference of the Head of the IIU<sup>2</sup> stipulates and to fulfil the mandate given by the Board by decision B.22/19 paragraph 9(b)<sup>3</sup>, the IIU developed the Policy on Administrative Remedies and Exclusions following the guidance from the EAC. The EAC provided guidance on key policy issues presented in the scoping document drafted in cooperation with the Office of General Council. The Policy aims to establish grounds and

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<sup>1</sup> Decision B.21/12

<sup>2</sup> "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."

<sup>3</sup> Decision B.22/19 paragraph (b), the Board requests the Independent Integrity Unit, in consultation with the Secretariat, to develop policies on administrative sanctions and exclusions for consideration by the Board in 2019.

procedures for imposing sanctions on counterparties who committed Prohibited Practices. This Policy will also enable the 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 Advisory on integrity matters

4. During the reporting period, the IIU also provided advisories on integrity issues as follows:

- (a) **Implementation of the interim Policy on Prevention of Sexual Exploitation, Sexual Abuse and Sexual Harassment:** The IIU worked closely with and provided advisories to the Secretariat in implementing the interim SEAH policy concerning Covered Individuals. Activities include providing advisories on the implementation workplan and its budget implications.
- (b) **Integrity advisory:** The IIU provided advisories on integrity related issues for GCF service agreement contracts with third parties, 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):** As mandated by the Unit's workplan 2019, the IIU developed a PIR methodology based on data-driven integrity risk assessments to commence proactive oversight of the GCF funded projects and programs. The IIU's PIR model entails a two-tier approach of risk assessment which will enable an intelligence-led selection of projects to review and in-depth review of projects and programs based on the risk rating.

6. The IIU is participating in its peer organization's PIR review 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 readiness programs, integrity policy compliance and 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.

## 2.4 Capacity building of accredited entities and awareness-raising

### 2.4.1 Engaging with accredited entities

7. **GCF Integrity Forum:** The IIU is organizing to host an inaugural GCF Integrity Forum in December 2019 on the margins of COP25 to support capacity building of accredited entities for effective implementation of GCF projects and integrity policies. Taking a peer learning approach, the Forum focuses on sharing best practices and establishing alliance for continued exchange and learning among accredited entity integrity offices to tackle challenges in climate finance integrity.

8. Continuing from the last quarter, the IIU led the negotiation of Memoranda of Understanding (MoU) with IIU equivalent integrity offices of accredited entities to establish cooperation modalities. 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.

#### 2.4.2. Awareness raising initiatives

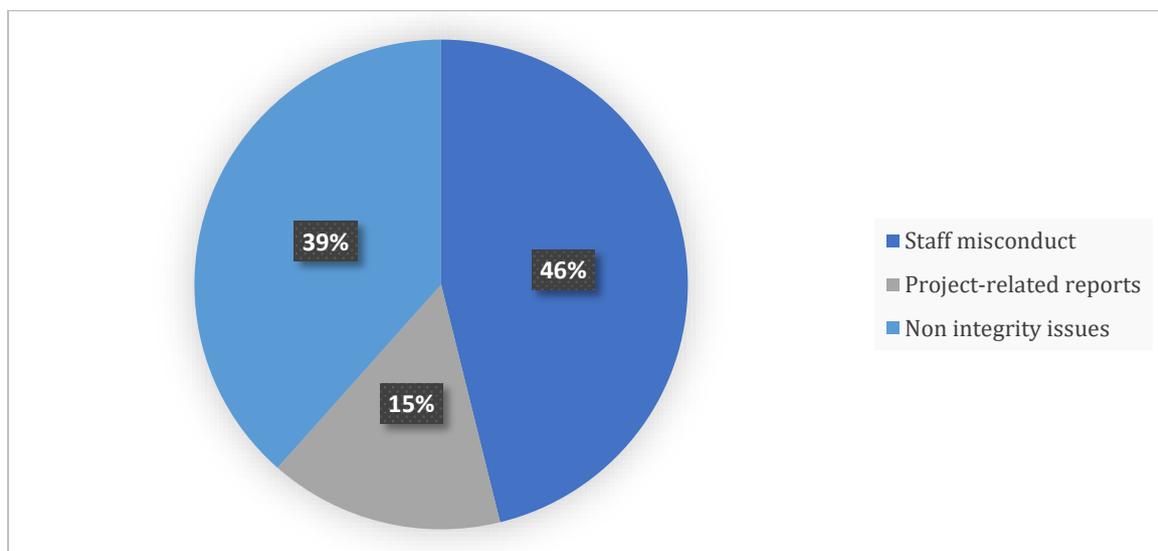
9. As part of its Fund-wide awareness-raising campaign to enhance understanding on GCF integrity standards among Staff and stakeholders and to build a sustained culture of integrity, the IIU published awareness raising posters and other promotional materials covering various topics such as reporting obligations and protections for whistleblowers and witnesses.

### 2.5 Investigation activities

10. During the reporting period, the IIU received a total of thirteen (13) reports of suspected wrongdoing categorized as follows:

- (a) Six (6) reports related to staff misconduct were received and under investigation as of 30 September 2019;
- (b) Two (2) reports related to fraudulent and collusive practices in GCF-funded projects were filed. Accredited entities implementing the projects are conducting investigations in consultation with the IIU; and
- (c) Five (5) reports received were not related to integrity violations or attributable to the GCF.

11. Following the preliminary assessment and investigations, five reports were closed without further actions.



**Figure 1: Type of reports submitted to IIU**