



**GREEN
CLIMATE
FUND**

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20 February 2020

Independent Integrity Unit Annual Report 2019

Summary

This document contains the Annual Report of the Independent Integrity Unit covering the period from January to December 2019. The report summarises the activities of the IIU for the period and outlook for 2020.

About the Independent Integrity Unit

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

The IIU takes a proactive approach in its efforts to prevent fraud, corruption, and other Prohibited Practices. It does so by establishing integrity policies and guidelines, as well as recommend improvements to existing GCF policies and procedures.

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

Awareness raising and promotion of the integrity standards of the GCF with implementing entities, intermediaries, and staff members is integral to the function of the IIU. It seeks to build institutional capacities and develop a collaborative platform to share experiences with multilateral funds, international finance institutions, and relevant parties on integrity-related matters.

As an independent body from the Secretariat, the IIU reports directly to the GCF Board and the Ethics and Audit Committee, which is made up of GCF Board Members.

Contact Information

For further information or to submit complaints on suspected fraud, corruption, or other Prohibited Practices to the IIU, you may reach the Unit through any of the following channels:

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I. Proactive Prevention Activities

1. The IIU is mandated to promote a culture of integrity in the operations and mission of the GCF to mitigate serious climate change. The Unit is cognizant of the fact that it is international best practice to implement preventative measures to deter against Prohibited Practices before taking reactive measures as enshrined in the principles of the *United Nations Convention against Corruption*¹.

2. Therefore, in implementing its mandate, the IIU takes a proactive approach to prevent occurrences of Prohibited Practices² by implementing a multi-pronged strategy to tackle these issues. This strategy includes:

- (a) Establishing integrity policies and guidelines;
- (b) Monitoring the implementation of GCF integrity policies and procedures, and recommending improvements;
- (c) Assessing integrity risks that the GCF faces and developing mitigating measures; and
- (d) Promoting awareness of GCF integrity standards with all parties involved in GCF-funded activities. Through these awareness programs, the IIU collaborates and shares experiences with relevant stakeholders, multilateral funds, and international finance institutions.

3. The prevention initiatives undertaken in 2019 are summarised below.

1.1 Completion of the GCF Integrity Policy Framework

4. **GCF Integrity Policies and Procedures.** In an effort to complete the GCF integrity framework as set out in Figure 1, the IIU, in close collaboration with the Secretariat and with guidance from the Ethics and Audit Committee (“EAC”) of the Board, undertook the drafting, socialisation, and awareness raising of the following set of integrity policies:

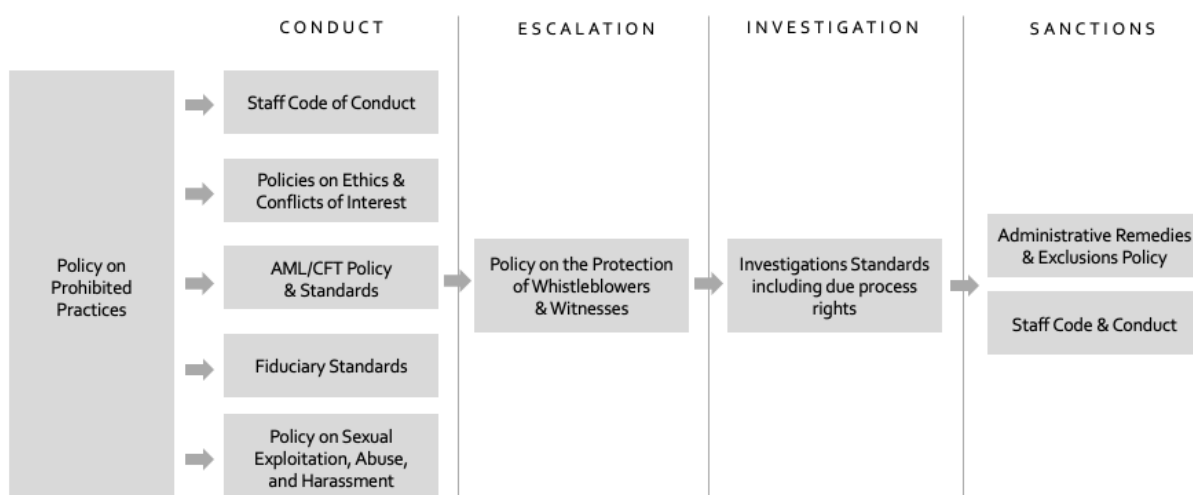


Figure 1: GCF Integrity Policy Framework

- (a) **Policy on Prohibited Practices.** The Board approved the *Policy on Prohibited Practices* (decision B.22/19) at its twenty-second meeting in February 2019. The Policy updates

¹ Available at https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XVIII-14&chapter=18.

² As defined in the *Policy on Prohibited Practices* (decision B.22/19).

the previous *General Principles on Prohibited Practices* as mandated by decisions B.12/31(i)³ and B.14/01(e)⁴. The key enhancements include strengthened coherence with other GCF policies, introduction of obligations by Covered Individuals, investigation references and reporting procedures, and expanded remedial measures when the Policy is violated. The Policy has gone through extensive consultations with various divisions of the Secretariat, staff, Accredited Entities, and Civil Society Organisations (“CSOs”). Upon adoption of the Policy, the IIU held an information session with staff to raise awareness and facilitate better understanding of the Policy’s implication on staff.

- (b) **Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment.** The Board, at its twenty-second meeting in February 2019, approved the *Interim Policy on the Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment* (“SEAH”) (decision B.22/18). The Policy is an expression of the zero tolerance of GCF for SEAH concerning Covered Individuals. It establishes guiding principles on preventing, mitigating, investigating, and remedying SEAH related to Covered Individuals and provides protection for victims. The Board also mandated the IIU to present to the Board an updated Policy with an expanded scope to include Counterparties in Fund-related Activities which was approved at its twenty third meeting in July 2019⁵. The Policy went through extensive consultations with the public, various divisions of the Secretariat, staff, Accredited Entities, and CSOs.
- (c) **Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism (“AML/CFT”) Policy.** To operationalise the AML/CFT Policy approved by the Board in October 2017, the IIU further developed the Standards. The Standards set the minimum and mandatory benchmarks to prevent, detect, and investigate money laundering and financing of terrorism, and to control and manage related risks. The AML/CFT Policy and these AML/CFT Standards shall be operationalised by standard operating procedures.
- (d) **Policy on Administrative Remedies and Exclusion.** As the Terms of Reference of the Head of the IIU⁶ stipulates and to fulfil the mandate given by the Board by decision B.22/19, para. 9(b)⁷, the IIU developed the Policy on Administrative Remedies and Exclusions with an aim to present it to the Board at its twenty-sixth meeting. The Policy aims to establish grounds and procedures for imposing administrative remedies and exclusions on Counterparties who committed Prohibited Practices. The integrity enforcement regime entails a two-tier approach for review of investigation outcomes and the imposition of sanctions while ensuring due process.

1.2 Assessing and Managing Integrity Risks in GCF Operations

5. **Integrity Risk Assessment Framework (“IRAF”).** The IIU established the IRAF to assess the effective implementation of GCF integrity policies across all GCF-funded activities. Based on a range of data existing at the GCF, it assesses the integrity risk levels of GCF projects or programs

³ Decision B.12/31(i) states “[t]he Board requests the Risk Management Committee, with the support of the Secretariat, to further develop the Fund’s Policies on Prohibited Practices for consideration by the Board at its fourteenth meeting”.

⁴ Decision B.14/01(e) states “[t]he Board notes that the Head of the Independent Integrity Unit is to develop the full set of policies relating to prohibited practices, anti-money laundering, and countering the financing of terrorism and present these to the Board for its consideration as early as feasible in 2017 as a matter of urgency”.

⁵ As in decision B.23/16.

⁶ The Terms of Reference provides that “the Head of the IIU to propose a policy for cross-debarment with peer organisations to mutually enforce each other’s debarment actions, with respect to the four harmonised sanctionable practices, i.e. corruption, fraud, coercion, and collusion”.

⁷ Decision B.22/19, paragraph 9(b) states that “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”.

which enables the IIU to maintain consistent and live oversight and identify where integrity risks may be occurring. Through the IRAF, the IIU aims to achieve the following key objectives:

- (a) To recommend improvements to due diligence and monitoring activities of the Secretariat;
- (b) To recommend and support all parties involved in GCF-funded activities to better implement the suite of fiduciary standards and integrity-related policies; and
- (c) To provide an empirical platform and data source for the conduct of Proactive Integrity Reviews.

6. **Proactive Integrity Reviews (“PIRs”).** As mandated by the Unit’s Workplan for 2019, the IIU developed a PIR methodology based on a data-driven integrity risk assessment to commence proactive oversight of GCF-funded projects and programs. The PIR model of the IIU entails a two-tier approach of:

- (a) Risk assessment that enables an intelligence-led selection of projects for review; and
- (b) In-depth desktop review of projects and programs based on the risk assessment.

7. **Engagement with the Secretariat and Peer Organisations.** To help facilitate the establishment of a PIR framework, the IIU organised a capacity-building workshop with peer organisations such as the European Investment Bank and the Asian Development Bank. The workshop helped lay the groundwork by conducting an extensive exercise to identify relevant risk factors to support effective PIR intelligence. To comprehensively analyse the GCF operations and data required to develop predictive logic aiming to identify areas vulnerable to Prohibited Practices, various Secretariat divisions participated in the workshop in the areas of readiness programs, accreditation, project origination, appraisal and monitoring, legal, procurement, ICT, and finance.

8. The IIU participated in its peer organisation’s PIR review to obtain first-hand knowledge before embarking on its own pilot reviews. Additionally, to effectively conduct reviews, the IIU initiated the recruitment of a Data Analyst to enhance its capacity in establishing an integrity risk database.

9. **Advisory on Integrity Matters.** As mandated to recommend improvements to policies, procedures, and controls to mitigate the opportunities for integrity violations and to mainstream GCF integrity standards across GCF operations including projects and programs⁸, and to fulfil its mandate of ensuring full compliance by GCF fund recipients with GCF integrity policies and procedures, the IIU continued to engage with the Secretariat in the following areas:

- (a) Integrity Policy Implementation. 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, and on the drafting of the Policy implementation guidelines;
- (b) Legal Agreements. The IIU provided advisories to the Secretariat in negotiating Accreditation Master Agreements (“AMAs”), Funded Activity Agreements (“FAAs”), Framework Agreements for the Readiness and Preparatory Support Programme, and procurement contracts with Accredited Entities, Executing Entities, and Delivery Partners. The advisory aimed to ensure compliance by Counterparties with GCF integrity safeguards including fiduciary duties as stipulated in various integrity policies.
- (c) Conflict of Interest. The IIU provided advisories on two cases of potential conflict of interest.

⁸ As provided in the Terms of Reference of the Independent Integrity Unit, paragraph 15(h).

1.3 Supporting Capacity Building of Accredited Entities

Engaging with Accredited Entities

10. **GCF Integrity Forum.** The IIU hosted the first of a series of GCF Integrity Forums from 16 to 18 December 2019 in Madrid, Kingdom of Spain on the sidelines of the twenty-fifth Session of the Conference of Parties to the UNFCCC (“COP25”). Bringing together the integrity officers of GCF Accredited Entities, the Forum aimed to achieve the following objectives:

- (a) To strengthen the capacity of Accredited Entities for effective implementation of GCF projects and integrity policies; and
- (b) To foster exchange of best practices and develop peer-learning alliances across GCF Accredited Entities.

11. At this year’s Forum, an equal number of international and direct access Accredited Entity representatives from 21 organisations attended the Forum to discuss the following:

- (a) Building capacity to comply with the GCF integrity framework in project implementation;
- (b) Establishing an effective reporting mechanism;
- (c) Conducting an integrity risk assessment; and
- (d) International cooperation for addressing challenges in trans-organisational issues.



Figure 2: 1st GCF Integrity Forum with Accredited Entities

10. Continuing from previous years, the IIU concluded the signing 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 detection and prevention of Prohibited Practices in Fund-related Activities, and to practical modalities for joint investigations, amongst other issues.

1.3 Fund-wide Awareness-Raising Initiative and Global Partnership

11. **Awareness-Raising Lunch Talk on the Prevention of SEAH in Projects.** The IIU and the Independent Redress Mechanism jointly organised a lunch talk titled, “Preventing Sexual Abuse in Projects: Learnings from the World Bank”. The session featured Ms. Imrana Jalal, Chair of the World Bank Inspection Panel, speaking on gender-based violence at the project level and its far-reaching impacts on local communities and the institution. While drawing insights from the World Bank’s experience, it was an opportunity for the GCF to reaffirm its commitment to zero tolerance of sexual exploitation, sexual abuse, and sexual harassment in all Fund-related Activities.

12. **Information Session with Board Members and Their Advisors.** Ahead of the twenty-second meeting of the Board in February 2019, the IIU hosted an information session on the GCF integrity standards for Board members, Alternate Board members, and their Advisors. The session provided an opportunity for the Unit to raise awareness on GCF integrity safeguards and obligations of Board members and their Advisors.

13. **COP25 Side Event: Climate Finance Integrity Panel on Climate Fund Collaboration.** The IIU, in collaboration with the Adaptation Fund and the Climate Investment Funds, hosted an open dialogue on integrity best practices and opportunities for the climate funds to collaborate, at COP25 in Madrid at the GCF Pavilion. The panel discussion focused on collaborative efforts, successful policies and actions, as well as common standards in integrity practice for climate finance. The leads agreed to strengthen communications and sharing of best practices, and to coordinate on capacity building actions.



Figure 3: COP25 Side Event hosted by IIU with Adaptation Fund and Climate Investment Funds

14. **Awareness-Raising Initiatives.** As part of its Fund-wide awareness-raising campaign to enhance understanding of GCF integrity standards among staff and other stakeholders, and to build a sustained culture of integrity, the IIU embarked on a media campaign and produced a periodic set of awareness-raising posters and outreach materials focused on promoting the newly-adopted integrity policies and the zero tolerance of GCF for the commission of Prohibited Practices and SEAH.



Figure 4: IIU Awareness-Raising Posters and Outreach Materials in 2019

15. **International Anti-Corruption Day.** In solidarity with the wider international community, the IIU commemorated International Anti-Corruption Day on 09 December 2019 as designated by the United Nations. GCF reaffirmed its commitment to fighting corruption and safeguarding Fund resources by circulating an e-mail newsletter to all staff to raise awareness about the GCF Integrity Policy Framework together with a short video featuring statements from the Executive Director, Chair of the EAC, the Co-Chair, and the Head of IIU. The Unit also organised an Anti-Corruption Pledge among staff to emphasise their significant role in building a culture of integrity within the Fund.

II. Investigation Activities

Highlights of 2019

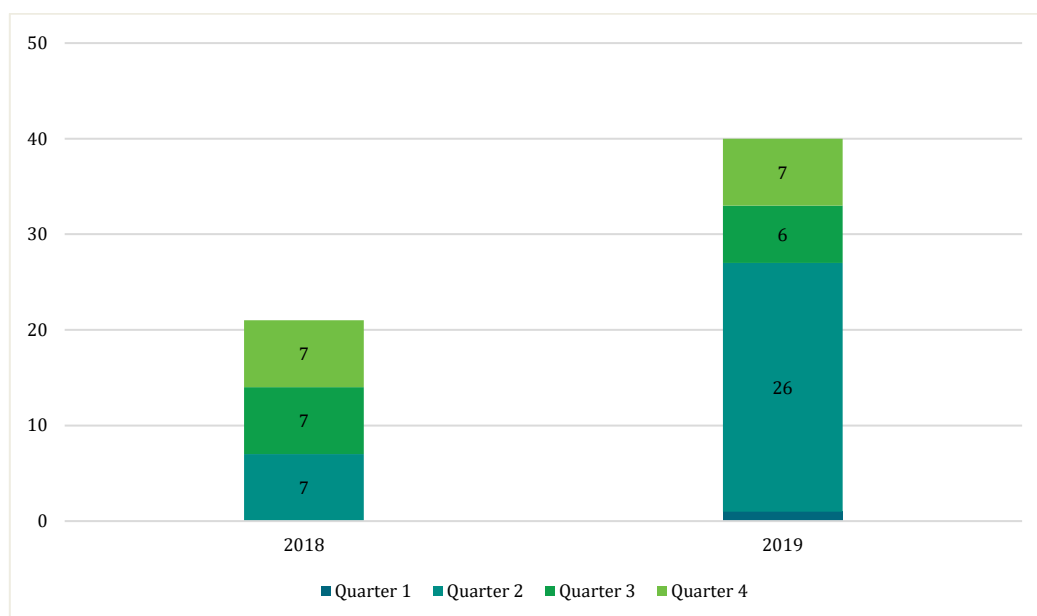


Figure 5: Number of Cases Opened by Year and Quarter

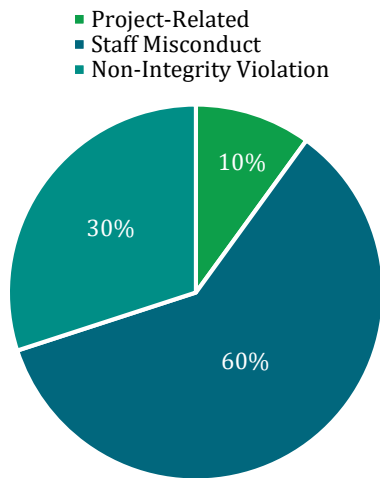


Figure 6: Types of Reports in 2019

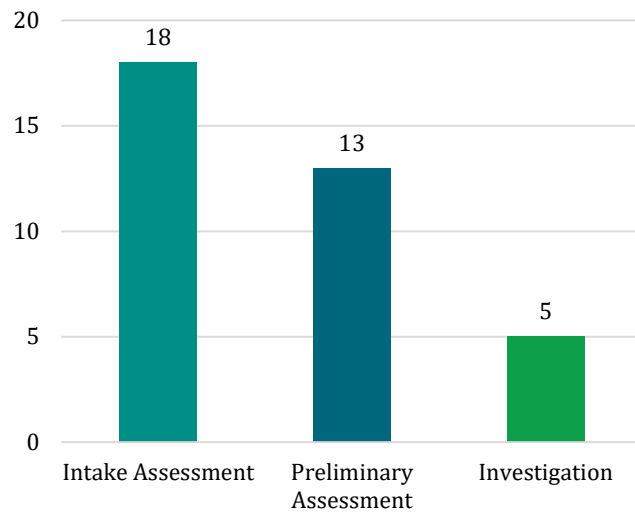


Figure 7: Number of Closed Cases per Phase in 2019

16. In 2019, the IIU registered 40 cases, marking a 90 per cent increase in the number of investigative matters addressed by the Unit, in comparison to those of the previous year. The subsequent tables provide summary statistics of opened cases, related complaint types, and closure activities.

Table 1: Number of Cases Opened by Year and Quarter

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
2018	0	7	7	7	21
2019	1	26	6	7	40

17. Four registered cases were related to GCF projects and programs; 17 related to staff misconduct; and 9 others were either operational disputes, environmental matters, or non-integrity related issues. Table 2 provides a comparative summary of the registered complaints by case type.

Table 2: Number of Cases by Type

Types of Cases	2018	2019
Project-related reports	3	4
Fraud	2	1
Corruption	1	2
Collusion	0	1
Staff misconduct	15	24
Abuse	4	8
SEAH	1	2
Harassment	4	6
Fraud	0	1
Collusion	0	1
Retaliation against whistleblowers and witnesses	1	1
Conflict of interest	5	5
Non-integrity violation	3	12
Total	21	40

18. In 2019, the number of cases closed by the IIU increased to 36, in comparison to the three that were closed in the previous year. Of these, 14 cases were those carried over from 2018. A summary of the number of closed cases segmented by quarter can be found in Table 3.

Table 3: Number of Cases Closed by Year and Quarter

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
2019	1	1	15	19	36

19. **Investigations Lifecycle.** Currently, the investigative process of the IIU consists of three phases: (1) intake assessment, (2) preliminary assessment, and (3) investigations phase. Table 4 illustrates at what phase the cases were closed and their associated periods.

Table 4: Number of Cases Closed per Phase

Year	Intake Assessment	Preliminary Assessment	Investigation	Total
2018	0	2	3	5
2019	18	13	5	36
Total	18	16	5	39

20. **Investigations Standards.** The IIU conducted a review of its investigative procedures, which culminated in a draft Investigation Standards document. This document is intended to define and formalise investigative principles, provide guidance, and serve as a framework for conducting investigations into reports of Wrongdoing. In the process of developing these Standards, the IIU considered international best practices and adopted the *Uniform Principles and Guidelines for Investigations*⁹ endorsed by the Conference of International Investigators. The Investigation Standards was submitted to the Ethics and Audit Committee of the Board for its consideration and comments.

21. **On the Protection of Whistleblowers and Witnesses.** In 2019, the IIU requested the GCF Secretariat to provide whistleblower and witness protection for two individuals. One case of retaliation was registered during the reporting period which currently is under preliminary assessment.

III. Internal Capacity Growth

22. **Recruitment.** In the course of 2019, the IIU has made significant growth in terms of staff capacity. The Unit welcomed two Junior Investigators in February and April 2019, respectively and an IT Forensic Investigator in October 2019 as a response to the growing demands of its investigative function. Meanwhile, the onboarding of the Integrity and Compliance Officer in August 2019 supplemented the operations from the prevention side. The recruitment for the Lead Investigator position concluded in July 2019 and the successful candidate is scheduled to be onboarded in early February 2020.

23. In total, the IIU has now grown into a diverse team of nine comprising six staff members, one part-time consultant, one full-time consultant, and one intern.

⁹ Available at <http://www.conf-int-investigators.org/cii-guidelines/>.

IV. Resource Utilisation

4.1 Budget Execution

24. A significant part of the budget approved for the IIU for 2019 has been earmarked for staffing expenses required to set up and support the operations of the Unit, the hosting of the GCF Integrity Forum, and the acquisition of related tools and infrastructure to scale up its investigation capacity.

25. In interpreting the level of budget utilisation, it is important to make the connection between the 2019 workplan and the 2019 budget, the latter of which allocated the resources to achieve the activities and operations set out in the workplan. As set out in this report, IIU successfully accomplished its 2019 workplan without expending all of the resources that were allocated, achieving more for less.

Table 5: IIU Budget Execution for 2019¹⁰

		2019 Approved Budget (USD)	Actual Expenditures in 2019 (USD)	% Spent
1	Staff Costs			
1.1	Full-time Staff	1,300,000	931,350	72%
1.2	Consultants and Interns	200,000	161,677	81%
	Sub-total (1)	1,500,000	1,093,028	73%
2	Travel			
2.1	General	200,000		
	Sub-total (2)	200,000	125,920	63%
3	Professional Services			
3.1	Operating Costs (workshops, translation services, etc.)	30,000	9,175	31%
3.2	Climate Finance Integrity Summit	170,000	26,258	15%
3.3	Proactive Integrity Reviews	200,000	66,781	33%
3.4	Visibility Activities	100,000	9,940	10%
3.5	Information Technology and Infrastructure	100,000	53,558	54%
	Sub-total (3)	600,000	165,712	28%
	Grand Total (1+2+3)	2,300,000	1,384,659	60%

V. Moving Forward

26. In its first three years of existence from 2016-2019, IIU laid the foundation for a robust and innovative integrity system that effectively safeguards the resources entrusted to the GCF to deliver financing for projects that address the adverse effects of climate change in the most vulnerable regions in the world. The success of the GCF to deliver on its global mandate rests, to a large degree, on its ability to demonstrate integrity and financial accountability in all of its operations.

¹⁰ These numbers are unaudited.

27. IIU is committed to supporting the Secretariat to achieve its objective to make an ambitious contribution to the united global response to climate change. To do this, IIU is aligning its workplan with the GCF Strategic Plan 2020-2023 and will be working closely with the Secretariat to embed the highest standards of integrity in all of the operations of the Fund.

28. The IIU Strategic Plan for 2020-2023, currently under development, is prefaced on setting the GCF as a global leader in climate finance integrity. The goal is for GCF to build strategic alliances at every level with its counterparts and counterparties, and to provide strategic leadership in the global climate finance integrity space. We are creating networks of best practices in integrity systems and controls across the spectrum of institutions involved in superintending climate finance and delivering climate change projects.

29. Building on this, the key priorities of the IIU for 2020 are:

- (a) Upscale of investigative responses in line with increasing project disbursements;
 - (b) Establishment of the GCF administrative remedies and exclusions framework;
 - (c) Monitoring the implementation of integrity policies;
 - (d) Proactive integrity risk assessments and project/program reviews;
 - (e) Technical support and assistance for Accredited Entities; and
 - (f) Awareness raising and training.
-