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Work Programme and Budget of the Independent Integrity Unit for 2021

Summary

This document contains a draft work programme and budget for the Independent Integrity Unit for Budget Year 2021. Building on the achievements of previous years, this report sets out new targets for 2021.

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I. Introduction

1. This document contains a draft work programme and budget for the Independent Integrity Unit for Budget Year 2021 in annexes II and III, respectively.
2. Building on the achievements of previous years, this report sets out new targets for 2021.
3. This document is formally endorsed by the Ethics and Audit Committee, and the Budget Committee for consideration by the Board at its twenty-seventh meeting as conveyed in annexes V and VI, respectively.
4. The Board is invited to consider the draft decision in annex I to this document.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.27/08 titled “Work Programme and Budget of the Independent Integrity Unit for 2021”:

- (a) Approves the Work Programme and Budget of the Independent Integrity Unit for 2021 as contained in annexes II and III to this document, respectively (total budgeted amount of USD 2,796,393); and
- (b) Requests the Budget Committee and the Ethics and Audit Committee to review the budget execution during 2021 and acknowledge that the Independent Integrity Unit may present to the Board, for its consideration at its twenty-ninth meeting, an additional budgetary request to execute its Work Programme for 2021.

Annex II: Work Programme and Budget of the Independent Integrity Unit for 2021

I. Introduction

1. The Independent Integrity Unit (IIU) was established by the Board of the Green Climate Fund (GCF) under the authority of Article 69 of the Governing Instrument, with a detailed Terms of Reference (ToR).¹ The IIU commenced operations in November 2016 and has executed its mandate based on the work programmes and budgets approved by the Board from 2017 to 2020.
2. The IIU was created as an Independent Unit under the authority of the Board to provide integrity oversight on and support to the Secretariat in establishing safeguards that ensure accountability in the use of GCF resources. In line with its ToR, the vision of the Unit has therefore been to support the achievement of GCF objectives by working closely with the Secretariat in formulating strategies, policies, and activities to safeguard Fund resources and prevent the occurrence of integrity violations, and in investigating any violations that occur.
3. Following its first three-year term, the IIU has undertaken to evolve a progressive new three-year strategy for until 2022. The strategy development initiated in 2020 and will set a transparent vision for future achievements aligned with the Fund's business model and deriving from the Governing Instrument. It will seek long- and short-term goals whereby key actions are prioritised following a risk-based, incremental approach to ensure efficiency, effectiveness, and accountability of the Unit moving ahead.

II. Review of 2020 Work Programme and Achievements

4. The unexpected COVID-19 pandemic greatly impacted GCF operations and those of Counterparties. The necessary responses and imposed global restrictions severely limited the capabilities of the IIU to engage with relevant stakeholders and to effectively execute the planned activities reflected in its 2020 Work Programme. Risk assessment activities have been delayed and most capacity building or awareness raising initiatives have similarly been deferred to 2021, for implementation either through online or hybrid mechanisms. Infrastructure challenges still exist with some Counterparties and IIU partners; issues that are currently being considered by the Unit in the determination of the most effective modes of delivery.
5. Notably however, the IIU continued to deliver successfully on its mandate. Very early on at the onset of the public health crisis, the Unit initiated a Business Impact Analysis and developed a corresponding Business Continuity Plan. These documents were shared with the Secretariat for their incorporation. The IIU subsequently drafted a related COVID-19 Crisis Communication Plan that it actioned and regularly updates to enhance team connectivity and communication with stakeholders during emergency situations. Concurrently, the Unit continued with its investigative activities, provided integrity advisories, carried on with the development of the draft Administrative Remedies and Exclusions Policy, drafted the Investigations Standards, conducted evaluations of prospective Case Management Systems; and proceeded with its recruitment efforts.

¹ Available at

https://iiu.greenclimate.fund/documents/1226411/1237082/Terms_of_Reference_of_the_Independent_Integrity_Unit.pdf/50c468f6-bc58-9e7f-0f5f-17834705a7fa.

6. Despite the unexpected impediments, the IIU continuously strived to implement its mandate. The details of such activities and consequent milestones are set out below.

- (a) **Increased investigative response.** With an increase in GCF project disbursements and subsequent heightened risks of integrity violations such as financial loss and reputational damage and the continued receipt of various complaints of integrity violations and misconduct by staff, the IIU reinforced its efforts in ensuring the accountable use of GCF resources by applying both proactive and reactive responses. From January to July 2020, the IIU registered 22 new cases of which 13 involving staff misconduct, three project-related integrity violations, and 6 non-integrity violations. During the same period, the IIU completed its review of 13 cases following their respective assessments and investigations. Comparative IIU statistics on opened and closed cases for the seven-month period from January to July 2019 and 2020 are presented in Table 1 below:

Table 1. No. of Closed and Opened Cases for the Seven-Month Period of January-July 2019 and 2020

	2019	2020
Cases closed (including those carried over from previous periods)	2	13
New cases opened	28	22

- (b) **GCF Administrative Remedies and Exclusions Policy.** In 2020, the IIU made significant strides in completing the GCF Integrity Policy Framework by developing the proposed *Administrative Remedies and Exclusions Policy* following guidance from the Ethics and Audit Committee (EAC) of the Board and in close cooperation with the Secretariat, more specifically with the Office of General Counsel (OGC). The draft Policy aims to set out the principles and procedures to be followed in the administrative process by which the Fund determines whether to apply remedies, including exclusion or debarment, against parties alleged to have engaged in Prohibited Practices in connection with projects, programmes, and other activities funded by the GCF. With the projected increase in climate-financed projects and programmes, GCF has to ensure it has a robust system in place to effectively sanction integrity violations in all Fund-related activities. The absence of a formal administrative framework to resolve these cases and address integrity violations exposes the GCF to significant risks and may erode the trust from various stakeholders and donors. The draft Policy is under consultation and development and is scheduled to be presented to the Board for its consideration at its twenty-seventh meeting.
- (c) **Development of the Investigation Standards.** To ensure consistent, objective, and effective investigations aligned with international best practices, the IIU developed the *Investigation Standards* that define the principles and general procedures for investigations conducted by the IIU into reports or allegations of Prohibited Practices. Various GCF offices were invited for strategic consultations and the feedback received have been incorporated. The Standards were also benchmarked against international best practices of a wide network of peer organisations.
- (d) **Monitoring the implementation of integrity policies.** To fulfil the responsibilities of reporting to the Board on the implementation status of integrity policies on an annual basis, the IIU drafted its first reports on the implementation of the *Policy on Prohibited Practices* and the *Policy on the Protection of Whistleblowers and Witnesses*. The Unit engaged with different stakeholders to gather relevant data and solicited feedback from various Secretariat divisions to accurately assess the implementation status of said Policies. The reports aim to address the effectiveness of the Policies in achieving their

respective goals and to recommend improvements for better implementation. The key elements of the reports include an assessment of measures taken by responsible parties to fulfil policy-defined goals, compliance with obligations stipulated in each of the Policies, and the identification of areas for improvement. The reports will be presented to the Board as information documents at its twenty-seventh meeting.

- (e) **Integrity Advisories.** As an important tool to prevent and mitigate risks of Prohibited Practices in Fund-related activities, the IIU continued to provide advisories on integrity-related matters to the Secretariat. This include providing advisories to ensure the inclusion of integrity safeguards in contracts with Counterparties compliant with the GCF Integrity Policy Framework. In the period under review (January-July 2020), the IIU received a total of approximately 70 advisory requests and provided advisories on diverse matters such as compliance by Counterparties with GCF standards regarding money laundering and terrorist financing and Prohibited Practices in the context of GCF-funded projects and programmes, the application of screening against the United Nations Sanctions List, and investigation jurisdictions and arrangements between the GCF and Counterparties with respect to GCF-funded activities.
- (f) **Proactive integrity risk assessments.** As mandated in the Unit's Work Programme in 2020, the IIU developed a Proactive Integrity Review (PIR) methodology based on data-driven integrity risk assessments to conduct proactive oversight on GCF-funded projects and programmes. The PIR model of the IIU entails a two-tier approach of integrity risk assessment which will enable an intelligence-led selection of projects/programmes to review and also facilitate in-depth reviews of projects/programmes based on their risk ratings. During the reporting period, the Unit commenced a pilot review by conducting preliminary risk assessments on projects based on data provided by the Secretariat. In doing so, a set of objective integrity risk criteria was used which aligns with obligations defined by GCF integrity policies. However, limited capacities and global shutdown hampered efforts to further advance reviews as initially planned. As of August 2020, the conduct of reviews has been delayed while the IIU works to resolve varying views within the GCF on the Unit's access to data necessary to carry out the PIRs.
- (g) **Technical support and assistance for Accredited Entities.** In 2020, travel restrictions imposed by the COVID-19 pandemic resulted in the postponement of onsite capacity-building events initially set out in the 2020 Work Programme. Instead, the IIU continued to lead in concluding Memoranda of Understanding (MoU) with IIU counterparts of Accredited Entities to agree upon cooperation modalities. The MOUs cover areas ranging from information sharing to preventing Prohibited Practices in GCF projects, and modalities for potential joint investigations. By the end of 2020, IIU aims to conclude MoUs with approximately 30 Accredited Entities with effective Accreditation Master Agreements. During the remainder of 2020, to compensate for deferred events due to the ongoing public health crisis, the IIU will keep exploring various options for organising capacity-building events such as transitioning into a digital mode of delivery to advance engagements.
- (h) **Awareness-raising and training.** As part of its Fund-wide awareness-raising campaign on SEAH issues and to advance a sustained culture of integrity, the IIU participated in a series of training sessions organised by the Secretariat. The interactive training raised awareness on staff's reporting obligations through case studies and exercises to help assess reporting requirements, protections available for reporting such as anonymity and confidentiality, and the procedures that follow when cooperating with IIU investigations. Additionally, in collaboration with the Secretariat, the Unit actively participated and

published entries in the GCF internal weekly newsletter raising awareness on IIU's mandate and the Fund's integrity policies.

- (i) **Communications.** In 2020, communications by the IIU adapted to the changing situation through active information response during the crisis, strategic messaging, and use of creative communication platforms available to the GCF. Targeted, engaging knowledge products were developed while increasingly moving towards a digital delivery. The IIU also produced its first explainer video discussing Prohibited Practices.
- (j) **Budget Utilisation.** While achieving key milestones of its 2020 Work Programme, the IIU would have underspent its approved budget by 35%² projecting to year-end 2020 as a consequence of the deferral of a significant number of activities and the postponement of some staff recruitments considering restrictions in the current public health situation. Despite the extraordinary circumstances, the IIU remains on track and is expected to indicate better performance than in the previous year in terms of budget utilisation when it reported an under expenditure of 40%.³

III. Work Programme of the Independent Integrity Unit for 2021

7. Building on the work of previous years, the key priorities for 2021 are as follows:
 - (a) Maximising impact and effectiveness of investigations;
 - (b) Integrity policy implementation guidance and oversight;
 - (c) Integrity risk assessment and Proactive Integrity Reviews;
 - (d) Capacity building technical assistance; and
 - (e) Awareness raising and communications.

3.1 Investigations

3.1.1 Maximising Impact and Effectiveness of Investigations

8. **Streamlining investigation processes and protocols.** To meet the increased demand for investigative response and complexity of the complaints reported to the IIU, it is important to streamline and expedite resolution of investigative matters by improving efficiency of investigation processes, applying prioritisation criteria, enhancing protocols, and deploying templates and standard forms.

9. Following the development of the Investigation Standards which define general principles and procedures for investigations, the IIU is expected to roll out a comprehensive Investigation Manual. The Manual aims to standardise detailed operating procedures and protocols to further guide and harmonise the investigation process throughout different cases investigated by the IIU. The Unit will also propose to align its Terms of Reference with new responsibilities and obligations introduced in approved integrity policies, the Investigation Standards, and the Investigation Manual.

² As projected by the Division of Support Services (Finance) following an analysis of estimates for staff costing, travel, professional services, and operations costs of the IIU by year-end 2020.

³ As in GCF/B.25/Inf.10 *Independent Integrity Unit Annual Report 2019*. The IIU reported a budget utilisation rate of 60% for Budget Year 2019.

10. The IIU will upgrade its complaint reporting system with new reporting channels which will be widely publicised among executing and implementing entities and communities in GCF project implementation sites. This forms as a feature of a new Case Management System (CMS) which integrates a 24/7 multilingual complaints intake hotline and will serve as IIU's primary platform to manage the investigations process including but not limited to complaint registration, eligibility check, case assignment, evidence-tracking, case reviews and approval, and case referral. The system's analytic capabilities and flexible reporting dashboard will also allow for improved efficiencies by providing real-time access to case data and pertinent performance indicators.

11. **Prioritising high-risk and high-impact investigations.** The IIU's ToR⁴ provides that it will determine the priority of a case taking into account the monetary value of the integrity violation, media and other sensitivity, and relevance to possible financial and reputational risks. Following IIU's priority to maximise impact and effectiveness of its operations, the Unit will focus its investigative resources into cases which can address high systemic risks and financial and reputational exposure in GCF projects and programmes, and serious staff misconduct and workplace violations. Taking these into consideration, the IIU will identify criteria and define integrity risk assessment methodology for determining high-impact cases and develop a fast-track system for their resolution.

12. IIU will continue its close engagements and cooperation with internal operational divisions, key Secretariat offices, and external partners. To-date, the IIU has signed over 30 MOUs that have provided for collaborative platforms with other entities and partner organisations. In investigative matters, the IIU has made referrals to Accredited Entities including the UN Development Programme (UNDP), engaged with peer organisations such as the Global Fund to Fight AIDS, Tuberculosis, and Malaria on operational best practice discussions, partnered with the Conference of International Investigators (CII), and entered into an agreement with the Independent Redress Mechanism (IRM) of the GCF on cooperation and coordination during fact-finding inquiries and in handling retaliation claims. The IIU will also continue to invest in enhancing internal capacity for conducting project-related inquiries and complex financial investigations.

13. For this cycle, the IIU has requested additional staff positions for investigators. With increased awareness among staff and effective implementation of GCF integrity policies and proactive initiatives, the Unit anticipates an overall increase in reported cases. Similarly, increased disbursement is inextricably linked to an increase in reported cases. These relationships are evident in a comparative study of peer institutions that benchmarked disbursements versus complaints received between 2007 to 2019. The Asian Development Bank for instance took between 20 and 35 complaints per billion USD in disbursements every year for 12 straight years.⁵ Similarly, the Global Fund to Fight AIDS, Tuberculosis, and Malaria also reflects this upward trajectory.⁶ Notably, in 2018, both organisations started separate workplace complaints units and promoted them to staff. The reflected increase in that year suggests that increased awareness and visibility led to increased complaints, as it provided an avenue for

⁴ As in IIU ToR, paragraph 15(b): "Register all complaints and review them to determine whether they fall within the authority of the IIU (or require referral to another body), and determine the priority of a case with respect to other cases, taking into account the monetary value of the integrity violation, media and other sensitivity, and relevance to a possible financial risk and reputational risk. Where practical, the IIU will acknowledge receipt of all complaints".

⁵ Calculated based on Asian Development Bank Office of Anticorruption and Integrity statistics derived from the annual reports of 2007 to 2019, and disbursement details from the ADB 2011 and 2015 to 2019 Annual Reports.

⁶ Based on the Global Fund Ethics Office Annual Reports, the Global Fund OIG Annual Report benchmarked against the Global Fund Annual Financial Reports (2008-2019).

remedy. One Global Fund integrity report suggests that the rises in their complaints received can be attributed to "a culture of speaking out" which transpired because of its awareness-raising activities.⁷

14. Between 2018 and 2019, the IIU investigative function was supported by two Junior Investigators, both at IS level 1. In late 2019 and early 2020, the IIU onboarded two additional senior staff to complement the investigative function, which has marked increased effectiveness in the conduct of its investigations. However, this current staffing complement is insufficient given the number of increasing cases and as benchmarked with comparable units in other organisations. The Association of Certified Fraud Examiners estimates that an organisation with between 100 and 999 staff ought to have 10 in-house investigators at the minimum.⁸ With an estimated staff strength of 240, the GCF currently has four investigators.

15. If not aptly addressed, the current understaffing will likely lead to unfavourable results, such as delays in processing of complaints, unreasonable lead times in the conduct of investigations, disenchantment with GCF remedial mechanisms, and increased reliance on external entities to supplement investigation activities, which will entail a heavier burden on the IIU budget.

16. IIU anticipates that in the near term, the following additional key drivers will result in continued increased demand for investigative services:

- (a) As the Secretariat attempts to enhance the various internal grievance mechanisms, which will admittedly take time, the IIU will continue to receive and process the increase in workplace-related complaints, especially in light of the recent publicity surrounding these issues and the acknowledged institutional independence and impartiality of the IIU as an objective and honest referee on these issues;
- (b) IIU expects a more robust surfacing of related complaints given the roll-out of a comprehensive set of Board-approved and IIU-initiated policies, including the *Policy on the Prevention and Protection from SEAH* (decision B.23/16), *Policy on the Protection of Whistleblowers and Witnesses* (decision B-BM-2018/21), and the *Policy on Prohibited Practices* (decisions B.22/19 and B.23/08). Measures taken by the IIU to increase awareness, deploy training, and enhance internal communications will help guide and assure GCF Personnel to report matters to the right channels without fear of retaliation; and
- (c) IIU anticipates receiving more project-related cases as GCF increases project disbursements. Investigating Prohibited Practices in projects, including fraud and corruption allegations, require labour-intensive investigative work, complex financial forensics, and various other resource-extensive activities like audits, field missions, and engagement with external firms and partners. These types of cases also present heightened reputational risks to the GCF and demands immediate action by the IIU, since the allegations may surface in the public and be covered by media from various geographic locations.
- (d) In 2020, the IIU made significant strides in completing the GCF Integrity Policy Framework by developing the proposed *Administrative Remedies and Exclusions Policy* following guidance from the EAC and in close cooperation with the Secretariat, more specifically with the Office of General Counsel (OGC). The draft Policy aims to set out the

⁷ Office of the Inspector General 2014 Annual Report.

⁸ See Association of Certified Fraud Examiners (2015), "Benchmarking Your In-House Fraud Investigation Team". Available at https://www.acfe.com/uploadedFiles/ACFE_Website/Content/documents/Benchmarking-Your-In-House-Fraud-Investigation-Team.pdf.

principles and procedures to be followed in the administrative process by which the Fund determines whether to apply remedies, including exclusion or debarment, against parties alleged to have engaged in Prohibited Practices in connection with projects, programmes, and other activities funded by the GCF. With the projected increase in climate-financed projects and programmes, GCF must ensure it has a robust system in place to effectively sanction integrity violations in all Fund-related activities. The subsequent roll-out of this major policy will require increased investigative staffing to support the various activities.

17. Presented in annex IV to this document is the proposed IIU structure, which also reflects where in the Unit's organogram the envisaged additional positions will fall under. The additional investigator positions are intended to service the above-mentioned anticipated increase in the demand for investigative services.

18. It is important to note that these figures reflect performance based on the current caseloads and investigative resources. The efficiency gains are a direct result of increased staffing capacity over the indicated periods. However, once the number of cases increase, particularly in more complex project cases, it can be expected that unless the IIU increases its investigative resources, the reflected numbers will begin to trend much less favourably. The utilisation rate of current investigative staff on misconduct cases is relatively high, and with anticipated increase of project cases, the IIU may not have the resources to adequately respond to raised concerns, potentially adding to the already strained situation.

19. **Enhancing investigative capacity in digital forensics and data analytics.** Digital forensics and data analytics are complimentary domains that transform data into comprehensible information and valuable insights. The capabilities allow the IIU to enhance the effectiveness of the investigative process by expediently analysing large volumes of data to discover relevant evidentiary items that would otherwise be missed. This transformative approach establishes relationships between disparate data sources; recovers information that has been purposefully or inadvertently obfuscated, modified, or deleted; and feeds information to integrity tools that identify those areas that may be more vulnerable to integrity violations. This application of forensics and analytic strategies bolsters the IIU's mandate by interjecting scope for the early detection of Prohibited Practices.

20. With the onboarding of staff with substantive experience in the conduct of complex digital forensic investigations and in the development of data analytic solutions, the IIU has embarked on its upskilling efforts to address the modern and dynamic data-driven landscape. The Unit has begun work on its needs-analysis and the establishment of an infrastructure that will interpret large datasets efficiently and cost effectively. The goal is to establish mechanisms that will help identify relevant information and determine the facts more expeditiously, leading to reduced lead times and more effective investigative responses.

21. In its related prevention work, the IIU intends to commence the development of an integrity due diligence platform designed to identify risk vectors and intervention opportunities. The platform is expected to handle both structured and unstructured data and derive information from various proprietary and open source datastores (e.g. databases, websites, social media outlets, etc.).

22. **Sharing insights and lessons learned from investigations.** The ToR⁹ of IIU provides that the Unit shall recommend improvements to policies, procedures, and controls to mitigate the opportunities for integrity violations in Fund-related activities, including activities implemented through implementing agencies and intermediaries. The IIU will endeavour to develop a feedback loop to the Fund's management and operational divisions to communicate gathered insights and lessons learned following conclusion of investigations. Apart from issuing recommendations, the IIU will also establish monitoring systems for post-investigative activities and implementation of its recommendations. The Unit's Investigation Standards and Investigation Manual will further reflect IIU's mandate to make recommendations to the Funds' management that are derived from its investigative findings consistent with the Conference of International Investigators' Uniform Principles and Guidelines for Investigations.

3.2 Prevention

3.2.1 Integrity Policy Implementation Guidance and Oversight

23. **Implementation of the Administrative Remedies and Exclusions Policy.** With the anticipated approval by the Board of the Administrative Remedies and Exclusions Policy at its twenty-seventh meeting in November 2020 and to enable the implementation of the Policy, the IIU will lead in developing a set of policy implementation procedures and guidelines in collaboration with the Secretariat and under the guidance of the EAC. The Policy enables a comprehensive system for the application of corrective remedies in situations involving integrity violations by Counterparties. The procedural documents expected to be developed include Procedures for Integrity Enforcement, Criteria for Imposition of Administrative Remedies and Exclusions, Integrity Compliance Guidelines, and Negotiated Settlement Guidelines.

24. **Provision of advisories on the policy implementation.** The IIU will continue to provide policy advice and guidance regarding the interpretation and implementation of GCF Policies on Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT); the Protection of Whistleblowers and Witnesses; Prohibited Practices; the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment; and on specific Ethics and Conflicts of Interest. Advisories can be categorised as those related to:

- (a) Reporting and investigation of Wrongdoing;
- (b) Contracts with Counterparties on projects, accreditation, and services concerning integrity safeguard provisions;
- (c) Interpretation and application of integrity policies and procedures; and
- (d) Conflicts of interests for Board Members, Board-Appointed Officials, and External Members.

25. In 2021, the IIU will seek to upgrade and consolidate its advisories in an advanced case management and tracking system which will enable greater efficiency and effectiveness.

26. **Policy briefs.** To facilitate policy implementation, the IIU aims to produce both web- and print-based policy briefs and guidance notes which build on general best practices as well as case

⁹ As in IIU ToR, paragraph 15(h): *"In consultation with the Executive Director and other designated officials of the Fund, recommend improvements to policies, procedures, and controls to mitigate the opportunities for integrity violations in the Fund's activities, including activities implemented through implementing agencies and intermediaries, to ensure that all staff, external stakeholders, and implementing entities and intermediaries adhere to the highest integrity standards; and document all investigative findings and conclusions"*.

precedents. It is intended to help stakeholders better understand what is required by GCF integrity policies and how those requirements may be realised in day-to-day situations and operations. In 2021, the IIU will apply a generalised risk-based approach and focus on producing briefs according to integrity policy subject matters and various themes such as financial management fraud and different forms of harassment and abuse.

27. **Policy implementation monitoring.** Continuing from the first implementation reports drafted in 2020 on the Policies on Prohibited Practices and on the Protection of Whistleblowers and Witnesses, the IIU will monitor the implementation of each Policy by providing periodic implementation reports to the Board in 2021. The reports aim to assess measures taken to implement the policies and recommend improvements for better implementation.

28. **GCF Fiduciary Principles and Standards.** To incorporate integrity policy provisions adopted pursuantly and to fulfil Board decisions¹⁰ B.07/02, paragraph (b); B.14/01, paragraph (f); B.BM-2018/21, paragraph (c); B.23/15, paragraph (b); and B.23/16, paragraph (b)(i), the IIU will lead, in collaboration with the Secretariat and under the guidance of the EAC and the Accreditation Committee of the Board, in proposing and seeing through necessary updates in line with principles enshrined in the Governing Instrument. Board decision B.23/15, paragraph (b) mandates the Accreditation Committee, in consultation with the Head of the IIU, to present a proposal for an update to the Board as a matter of urgency in 2019. However, due to amendments in the Board's work programme, the updated Fiduciary Principles and Standards is now scheduled to be presented to the Board for its consideration and approval in 2021.

3.2.2 Integrity Risk Assessments and Proactive Integrity Reviews

29. **Establishment of integrity risk assessment tools.** Building on the Integrity Risk Assessment Framework (IRAF) introduced in 2020, the IIU will develop a transformative capability to identify, at as early a stage as possible in the funding cycle, which GCF-funded activities are most highly susceptible to integrity risks. Prior to the employment of PIRs as mitigating measures, the IIU will invest in targeting such interventions towards the most susceptible projects ranked by propensity to exhibit integrity violations, both in aggregate and broken down into constituent integrity risk types. To this end, the IIU will develop, inside its own secure virtual-private-cloud, a set of applications with which to support data-intensive integrity due-diligence workflows. Among such applications will be a red-flagging service, an integrity alerting system, a machine-learning studio capable of both training and serving integrity risk models, and other watchlists.

¹⁰ Decision B.07/02, paragraph(b): "Also decides to adopt the initial fiduciary principles and standards contained in Annex II to this document, and will conduct a review of these standards within three years"; Decision B.14/01, paragraph (f): "Further requests the Accreditation Committee in consultation with the Head of the Independent Integrity Unit to consider the best way to integrate such policies in the interim fiduciary standards, and present to the Board a proposal for its consideration as early as feasible in 2017 as a matter of urgency"; Decision B.BM-2018/21, paragraph (c): "Requests the Secretariat, in consultation with the Accreditation Committee and the Independent Integrity Unit, to revise the initial basic fiduciary standards (as adopted through decision B.07/02, paragraph (b)) to ensure that that Counterparties have effective whistleblower and witness protection and practices in place that are comparable to those set out in this Policy"; B.23/15, paragraph (b): "Reiterates its request (decision B.14/01, paragraph (f)) for the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best way to integrate the Anti-Money Laundering and Countering the Financing of Terrorism Policy in the interim fiduciary standards and present to the Board a proposal for its consideration in 2019 as a matter of urgency"; Decision B.23/16 (b)(i): "(b) Requests the Accreditation Committee, in consultation with the Head of the Independent Integrity Unit, to consider the best ways to update and amend as appropriate, the requirements placed on Accredited Entities in the Fund's relevant standards, safeguards, and policies so as to integrate the obligations set out in this Policy, including but not limited to the: (i) Initial Basic Fiduciary Standards pursuant to decision B.07/02, paragraph (b)".

30. These applications will be built upon a foundation of data engineering work which will not only extract and encode integrity-related events from GCF operational documents and reports, but also push such events into both an automated alerting system and an integrity due diligence web application (IDD webapp). Wherever such events cannot be automatically encoded, the IDD webapp will enable manual red-flagging of GCF-funded activities by IIU Prevention staff, work which will be done as such events occur or are made known to the IIU during the ordinary course of integrity operations. In addition, to enable greater visibility within IIU prevention work, the IDD webapp will expose a graph-visualisation service to allow IIU staff to traverse relationships among projects, staff, Counterparties, documents, reports, disbursements, and other objects material to enabling an integrity-focused assessment of GCF-funded activities.

31. **Proactive Integrity Reviews.** The integrity risk tool described above will help determine which GCF-funded activities require further examination for Proactive Integrity Reviews including in-depth desktop reviews focusing on compliance with GCF integrity policies and books-and-records inspections on financial distribution outputs and milestones, and potential on-site integrity reviews. As demonstrated by peer organisations' similar reviews¹¹, the PIRs are intended to ensure that GCF funds are used for their intended purposes by proactively identifying vulnerabilities and major integrity risks in GCF operations and projects before they are escalated to integrity violations which trigger investigations. Once risks are identified, the IIU recommends measures to mitigate or remedy such risks including strengthening the capacities of Accredited Entities, Delivery Partners and other GCF Counterparties in order for them to effectively prevent, mitigate, and remedy Prohibited Practices in GCF-funded activities. As an effective proactive prevention measure, PIRs are mandated by various GCF integrity policies¹² and in 2021, the IIU plans to conduct two PIR projects with a view to making recommendations for the better implementation of GCF-funded activities.

3.2.3 Capacity Building Technical Assistance

32. **Technical support for Accredited Entities.** The IIU will continue to support Counterparties in building their capacity to better deal with and address more effectively integrity issues when implementing GCF-funded activities. Capacity-building initiatives by the IIU include:

- (a) **E-learning tools.** In providing policy guidance and executing other activities in the 2021 Work Programme, the IIU will seek to expand its informational and technical resources to operate as responsively and efficiently as possible especially given expected travel constraints and limited in-person engagements. To give effect, the IIU will undertake to employ online tools such as webinars and develop a roster of experts to help engage more proactively with Accredited Entities. These learning exercises will be on a request basis and focus on providing technical support especially for Direct Access Entities in putting in place policies and procedures that enable compliance with GCF integrity standards in carrying out GCF projects and programmes.
- (b) **Peer learning alliance.** Continuing from 2020, the IIU will build cooperative expertise and practice-sharing alliances with counterpart integrity offices of Accredited Entities through a series of hybrid trainings and workshops. Additionally, the Unit will continue to promote peer learning among GCF Accredited Entities through the international Peer-

¹¹ Endorsed by the Conference of International Investigators as international best practice. Other multilateral international organisations such as the European Investment Bank and the Asian Development Bank pioneered the model and successfully demonstrated its effectiveness in identifying integrity risks in projects early on.

¹² Mandated by the Policy on Prohibited Practices, paragraph 11 and the Policy on the Protection of Whistleblowers and Witnesses, paragraph 10.

to-Peer Learning Alliance (P2P-LA) on Climate Finance Integrity (CFI) led by the German cooperation agency, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). The learning platform aims to enhance exchange of learning opportunities in climate finance integrity.

- (c) **Cooperation with Accredited Entity integrity offices.** The IIU will also continue to pursue collaborative arrangements with investigative offices of Counterparties such as through MoUs reflecting on investigative demands in GCF projects and programmes. These arrangements are an important part of establishing a system of referrals on investigative matters, information sharing, and conducting joint or parallel investigations with external parties. By the end of 2021, the IIU aims to advance negotiations of MoUs with approximately 70 Accredited Entities with effective Accreditation Master Agreements.

3.2.4 Awareness Raising and Communications

33. **Communications.** The IIU will continue to engage in a series of communication and visibility campaigns to support awareness raising on GCF integrity standards and sustain a culture of integrity across the Fund. Such activities include production of guidance materials and FAQs on integrity issues in multiple languages, and quarterly information campaigns highlighting certain themes on the GCF integrity policy framework through a mix of media including print, posters, explainer videos, and email newsletters.

34. **Crisis communications.** The Crisis Communication Plan that enabled the Unit to operate during the blanket COVID-19 special flexible working arrangement (while the IIU Business Continuity Plan is in effect) will be updated and implemented as necessary. Such plan will remain a standard feature of the Unit's communication strategy going into 2021 considering the uncertainties of the public health situation. The IIU will also continue to engage with stakeholders through regular communication during the crisis.

35. **Cooperation with the international community.** In order to ensure that the IIU is at the frontier of relevant practice and that it benefits from initiatives undertaken by the international community, IIU will continue to actively participate in the communities of integrity offices from International Financial Institutions and Multilateral Development Banks including the Conference of International Investigators. IIU Personnel will also undergo training as necessary to ensure that they are up to date on developments on integrity policies and practices, necessary to enable their efficient and effective performance.

36. **Building synergies with GCF stakeholders.** To increase efficiency of its investigative activities, the IIU will further build on close cooperation with key administrative and operational divisions of the GCF and explore standardising and streamlining working arrangements. The IIU will also work in cooperation with the Independent Redress Mechanism (IRM) on retaliation investigations. In relation to external parties, the IIU will increase efforts to reach out to GCF beneficiary communities, civil society, and private sector stakeholders to achieve greater awareness of integrity functions and reporting channels.

IV. Budgetary Implications

37. The COVID-19 global health crisis served to interrupt the IIU's 2020 Work Programme. Although its investigative activities and recruitment efforts continued through the operational disruptions, the necessary curtailment of its in-person engagements affected the execution of its outreach and preventative mandate. The limited engagements and planned activities have

conversely led to the underutilisation of the 2020 budget, but it has also inevitably affected the exponential increase in the 2021 Work Programme by the necessitated deferment of activities. Concomitantly, the IIU intends to onboard positions approved under the work programmes from previous years but have thus far not had a budgetary implication.

38. To accommodate the activities carried forward from 2020, and implement those already planned for the coming year, the IIU has pivoted its efforts to account for some of those limitations brought on by the pandemic. The Unit is exploring avenues to deliver content and support through available technical implementations. Moreover, the IIU is likewise developing a contingency plan on how its investigative activities may be accomplished remotely to address the challenges and realities of a COVID-constrained world.

39. A significant portion of the increase in the annual budget is attributed to staff costs. The IIU intends to commence the recruitment of those positions already approved by the Board in previous IIU work programmes but without financial commitments from previous yearly budgets. This is to align the staff complement with the growing demands of IIU operations. With near completion of the GCF Integrity Policy Framework, the IIU is responsible for overseeing and ensuring the implementation of these Policies. As GCF-funded activities also expand, IIU-mandated investigative work to handle reports and support its partners grows. Increased staff complement is essential to fulfilling these obligations as reflected in the Work Programme elaborated above.

40. As discussed above, the addition of investigator positions seeks to respond to increased demand for investigative activities, the projected trajectory of continued increase in complaints filed, the roll-out of new IIU-initiated policies (SEAH, Whistleblowing, Prohibited Practices, draft Administrative Remedies and Exclusions Policy) and, with the increase in disbursements, the anticipated growth of project-related allegations. The additional positions also align with comparable data from other organisations and benchmarked with other institutions. While IIU can alternatively pursue outsourcing such services to private firms, such an option: may present a heavier impact on the budget in the long term; will not help build in-house capacity within IIU; may not help promote trust and confidence amongst staff in the integrity function; and may not be able to sufficiently address various other institutional considerations.

41. The reductions in travel and operating costs are expected as an outcome of COVID-19 uncertainties and restrictions. Operating costs include budgetary provisions for the following key items:

- (a) Organisation of outreach and capacity-building initiatives (webinars, hybrid trainings/workshops, and e-learning modules);
- (b) Supplementary subscriptions to specialised software/tools (such as Dow Jones Factiva, AML/CFT monitoring tool, and content management platforms for communications);
- (c) Maintenance of a case management system and complaints hotline; and
- (d) Development of infrastructure and integrity tools to support IIU operations (including developer and technical services, staging and production, integrity risk analytics, data hosting, and GIS analysis and hotspot mapping).

42. The annual budget also includes an allocation for shared costs as determined by the Secretariat. These costs include overhead charges for ICT services, general utility costs and supplies, applicable insurances, and depreciation.

43. The cost allocation to IIU is increased by USD 132K. Of this increase, 31% (USD 42K) relates to additional costs such as utilities, insurance, and security that were added as part of a

step wise approach to add additional cost elements in the costs allocated to Independent Units. The 40% (USD 52K) of the increase relates to ICT costs due to change in the staffing level of the IIU, and the balance of 29% (USD 38K) relates to increase in the ICT costs mainly due to increased ICT support, additional ICT tools and software, and more sophistication in the ICT calculations that allowed determination of usage and allocation of costs more appropriately to the Independent Units.

Annex III: Independent Integrity Unit Draft Budget for 2021

1. This Work Programme and Budget was submitted to and approved by the Ethics and Audit Committee.¹ Subsequently, the Budget Committee² also considered and approved the IIU budget for 2021. Below is a general overview of the 2021 budget:

Table 2. Draft Budget of the Independent Integrity Unit for 2021

		Approved Budget for 2020	Draft Budget for 2021	Increase (%)
1	Salaries and Consultants			
1.1	Full-Time Staff	1,867,398	2,299,390	23.1
1.2	Consultants	110,100	102,300	-7.1
	Sub-total: Salaries and Consultants (1)	1,977,498	2,401,690	21.5
2	Travel			
2.1	Travel	207,046	41,430	-80
	Sub-total: Travel (2)³	207,046	41,430	-80
3	Contractual Services			
3.1	Operating Costs	130,000	66,000	-49.2
3.2	Professional Services	130,000	-	-100
3.3	Brand Promotion	20,000	10,000	-50
3.4	Information Communication and Technology	95,000	66,600	-29.9
	Sub-total: Contractual Services (3)⁴	375,000	142,600	-62
	Total (1+2+3)	2,559,544	2,585,720	1
4	Shared Costs' Allocation			
4.1	Shared Costs' Allocation	78,500	210,673	168.4
	Sub-total: Shared Costs' Allocation (4)⁵	78,500	210,673	168.4
	Grand Total (1+2+3+4)	2,638,044	2,796,393	6

¹ As presented in annex V to this document.

² As presented in annex VI to this document.

³ Estimated at 25 days of official travel for 6 staff members.

⁴ Includes costs associated with the development of risk assessment and due diligence tools, infrastructure design and implementation, and data hosting services. All purchases will be conducted according to GCF procurement rules.

⁵ Allocated shared costs with the Secretariat include ICT overhead charges, general utility costs and supplies, applicable insurances, and depreciation.

2. The following table elaborates on the expenditure framework by presenting the cost allocation per identified output:

Table 3. Draft 2021 IIU Budget: Cost Allocation per Identified Output

Output	Output Description/ Budget Categories	Total Budgeted Amount	Budget Allocation (%)
1	Maximising Impact and Effectiveness of Investigations		
1.1	Full-Time Staff	740,825	
1.2	Consultants	18,840	
1.3	Travel	24,510	
1.4	Professional Services	-	
1.5	Other Operating Costs	20,000	
	Sub-total: Maximising Impact and Effectiveness of Investigations (1)	804,175	28.8
2	Integrity Policy Implementation Guidance and Oversight		
2.1	Full-Time Staff	521,690	
2.2	Consultants	9,240	
2.3	Travel	-	
2.4	Professional Services	-	
2.5	Other Operating Costs	5,000	
	Sub-total: Integrity Policy Implementation Guidance and Oversight (2)	535,930	19.2
3	Integrity Risk Assessment and Proactive Integrity Reviews		
3.1	Full-Time Staff	327,518	
3.2	Consultants	2,040	
3.3	Travel	-	
3.4	Professional Services	-	
3.5	Other Operating Costs	-	
	Sub-total: Integrity Risk Assessment and Proactive Integrity Reviews (3)	329,558	11.8
4	Capacity Building Technical Assistance		
4.1	Full-Time Staff	295,664	
4.2	Consultants	7,296	
4.3	Travel	-	
4.4	Professional Services	-	
4.5	Other Operating Costs	66,000	
	Sub-total: Capacity Building Technical Assistance (4)	368,960	13.2



Output	Output Description/ Budget Categories	Total Budgeted Amount	Budget Allocation (%)
5	Awareness Raising and Communications		
5.1	Full-Time Staff	211,809	
5.2	Consultants	27,162	
5.3	Travel	-	
5.4	Professional Services	-	
5.5	Other Operating Costs	10,000	
	Sub-total: Awareness Raising and Communications (5)	248,971	8.9
6	Operations Support Services		
6.1	Full-Time Staff	201,885	
6.2	Consultants	37,722	
6.3	Travel	16,920	
6.4	Professional Services	-	
6.5	Other Operating Costs	252,273	
	Sub-total: Awareness Raising and Communications (6)	508,800	18.2
	Grand Total (1+2+3+4+5+6)	2,796,393	

3. The table below further describes the expenditure framework with a breakdown of the budget into contingent and non-contingent costs:

Table 4. Draft 2021 IIU Budget: Contingent and Non-Contingent Costs

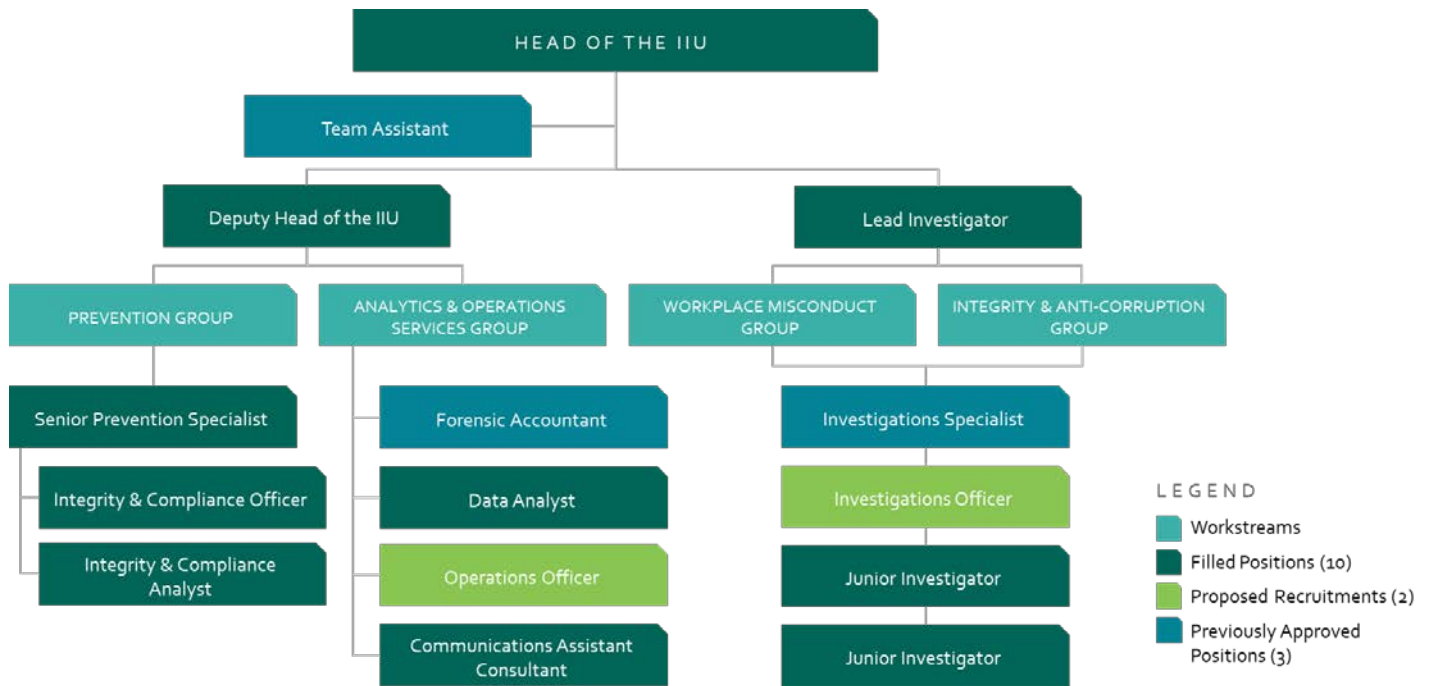
Cost Categories		Draft Budget for 2021	Budget Allocation (%)
	NON-CONTINGENT COSTS		
1	Salaries and Consultants		
1.1	Full-Time Staff	2,299,390	
1.2	Consultants	78,300	
	Sub-total: Salaries and Consultants (1)	2,377,690	
2	Contractual Services		
2.1	Operating Costs	66,000	
2.2	Professional Services	-	
2.3	Brand Promotion	10,000	
2.4	Information Communication and Technology	66,600	
	Sub-total: Contractual Services (2)	142,600	

Cost Categories		Draft Budget for 2021	Budget Allocation (%)
3	Shared Costs' Allocation		
3.1	Shared Costs' Allocation	210,673	
	Sub-total: Shared Costs' Allocation (3)	210,673	
A	TOTAL NON-CONTINGENT COSTS (1+2+3)	2,730,963	97.7
CONTINGENT COSTS			
4	Salaries and Consultants		
4.1	Full-Time Staff	-	
4.2	Consultants	24,000	
	Sub-total: Salaries and Consultants (4)⁶	24,000	
5	Travel		
5.1	Travel	41,430	
	Sub-total: Travel (5)⁷	41,430	
B	TOTAL CONTINGENT COSTS (3+4)	65,430	2.3
	Grand Total (A+B)	2,796,393	

⁶ Includes consultancy fees for external investigations and policy development.

⁷ All anticipated travel costs have been considered contingent due to uncertainties on whether and when travel restrictions will be lifted, and regular flight operations will resume. Taken into account are official missions related to investigations, possible staff engagements in international meetings and conferences, and participation at GCF Board Meetings.

Annex IV: Proposed Organogram of the Independent Integrity Unit



Annex V: Endorsement by the Ethics and Audit Committee of the Board


14 October 2020

Dear Nauman and Sue,

Following extensive review and consultations, I am pleased to formally present to the Co-Chairs the document titled **“Workplan and Budget of the Independent Integrity Unit for 2021”**, which has been cleared for publication by the Ethics and Audit Committee during its 86th meeting on 07 October 2020.

As the Ethics and Audit Committee Chairperson, I endorse the content of the document and request that it be transmitted to the Board for consideration at its twenty-seventh meeting.

Yours sincerely,



Stefan Schwager
Chairperson
Ethics and Audit Committee

Annex VI: Endorsement Message from the Chair of the Budget Committee to the Co-Chairs

Email sent on 18 October 2020

From: Delgado Jiménez, José Gabriel <jose.delgado@bmf.gv.at>
Sent: Sunday, October 18, 2020 1:51 AM
To: Nauman Bhatti <nauman.mfa@gmail.com>; sue.szabo@international.gc.ca
Cc: Ibrahim Pam <ipam@gcfund.org>; stefan.schwager@bafu.admin.ch; Sunil JhunJhunwala <sjhunjhunwala@gcfund.org>
Subject: BC Endorsement - IIU 2021 Budget and Workplan

Dear Co-Chairs,

This is to certify that the Budget Committee of the Board considered and approved the 2021 IIU Work Plan and Budget via written procedure on October 16, and submits the same for Board consideration and adoption.

Best,

Jose Delgado

Chair of the Budget Committee

Dr. Jose Delgado

Austrian Federal Ministry of Finance

Federal Budget for Climate Action, Environment, Energy, Mobility, Innovation and Technology