



**GREEN
CLIMATE
FUND**

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GCF/B.27/Inf.05

23 October 2020

Report on the activities of the Independent Integrity Unit

Summary

This report provides an update on the progress made by the Independent Integrity Unit in the implementation of its 2020 Workplan as approved by the Board. The reporting period is from 1 July to 30 September.

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 2020 as approved by the Board.¹ Focus is given to progress made on key priority initiatives identified in the Workplan. The reporting period is from 1 July to 30 September 2020.

2. As per the Workplan of the IIU, activities during the reporting period were focused particularly on the following priorities:

- (a) Establishment of the administrative remedies and exclusions framework;
- (b) Development of the Investigation Standards;
- (c) Monitoring the implementation of integrity policies;
- (d) Proactive integrity risk assessments and project/programme reviews;
- (e) Awareness raising; and
- (f) Investigations.

II. Activities of the Independent Integrity Unit during the Reporting Period

2.1 Establishment of the Administrative Remedies and Exclusion Policy

3. The purpose of the *Administrative Remedies and Exclusion Policy* (ARE Policy) is to set out the principles and general procedures to be followed in the administrative process by which the Fund determines, through an administrative proceedings or settlements, whether or not 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. In the third quarter, the IIU continued its engagement with the Secretariat in reviewing the draft Policy and in identifying its implications to GCF operations. Bilateral meetings were also held with members of the Ethics and Audit Committee (EAC) to discuss the main features of the ARE Policy. The guidance and advice provided by EAC members were insightful and constructive in producing a revised draft Policy.

2.2 Development of the Investigation Standards

4. The IIU completed additional rounds of consultations on the draft Investigation Standards (Standards) with all GCF staff, relevant Divisions of the Secretariat, and Independent Units on 19 August 2020. The draft Standards were shared with GCF personnel for their comments during stakeholder consultations facilitated by the GCF Staff Council. The consultations yielded valuable feedback which have been considered and incorporated in subsequent revisions to the document.

5. The IIU also continued development of the Investigations Manual (Manual) which is intended to support the Standards and articulate the numerous operating procedures of the investigation function of the IIU.

¹ As in decision B.24/07.

6. In addition to the development of the Standards and Manual, the IIU continued its periodic self-assessment and further improved investigation protocols, templates, and standard forms to streamline the investigation function.

2.3 Monitoring the Implementation of Integrity Policies

7. **Reports on policy implementation.** To assess the measures taken to implement decision B.22/19 *Policy on Prohibited Practices* and decision B.BM-2018/21 *Policy on the Protection of Whistleblowers and Witnesses* in 2019, the IIU drafted the first annual implementation reports on these Policies with a view to present to the Board at its twenty-seventh meeting. In doing so, the relevant GCF offices charged with the implementation of such policies have been consulted. The reports aim to address the effectiveness of the policies in achieving the goals and recommend actions for improvement.

8. **Provision of advisory.** As an important tool to prevent and mitigate risks of Prohibited Practices in Fund-related Activities, the IIU continued to provide advisories and guidance to relevant stakeholders including various Divisions of the Secretariat and Accredited Entities. Such advisories mainly concerned the interpretation and implementation of GCF integrity policies in the context of Fund-related Activities as categorised those related to:

- (a) Reporting and investigation of Wrongdoing;
- (b) Integrity safeguards in contractual agreements with Counterparties;
- (c) Interpretation and application of integrity policies in Fund-related Activities; and
- (d) Conflicts of interests for Board Members, Board-Appointed Officials, and External Members.

2.4 Proactive Integrity Risk Assessments and Project/Programme Reviews

9. **Proactive Integrity Risk Assessments.** To support delivery of the 2020 Workplan, the IIU developed the first iteration of a prototype web application to enable project-level integrity risk assessment. At the first iteration, the prototype modelled relational data on implementing entities, approved funded activities, and project conditions. The prototype database was populated with data extracted by hand from the Integrated Portfolio Management System (iPMS) database of the Secretariat. To enable both automated and manual data annotation by the IIU Prevention team, a red flag data model was created and the first few hundred automated red flags were written to the prototype database. Further iterations of the prototype will be produced in the fourth quarter through collaboration between the Data Analyst and IIU Prevention staff.

2.5 Awareness Raising

10. In this reporting period, the Unit continued to develop communication materials for use in general outreach and promoting awareness on GCF integrity standards among staff and other relevant stakeholders. The IIU contributed regular entries to the weekly staff email newsletter with topics ranging from brief reminders on integrity policies to updates on IIU activities. The Unit also actively collaborated with colleagues from the Secretariat on future communications initiatives and the development of the Staff Grievance Handbook.

11. To this end, the Head of the IIU co-convoked a panel session at the *Week on Water for Development (WW4D) Virtual Conference* held in August hosted by the Deutsche Gesellschaft für

Internationale Zusammenarbeit (GIZ). The session discussed integrity readiness and challenges in climate finance with a focus on the water sector. Representatives from the Water Integrity Network (WIN) and the Central American Bank for Economic Integration (CABEI) were also present, and over 30 participants attended the forum as part of the five-day event.

12. **Engaging with Accredited Entities.** Continuing from the previous quarter, the IIU led the conclusion of Memoranda of Understanding (MoUs) with three Accredited Entities: Fondo Mexicano para la Conservación de la Naturaleza A.C. (Mexico), Landbank of the Philippines (Philippines), and National Rural Support Programme (Pakistan). An additional 23 Accredited Entities are in the late stages of MoU consultations, which are expected to conclude in the final quarter of the year.

2.6 Investigation Activities

13. **Case Management System.** The IIU continued the procurement process for a robust and secure case management system (CMS) to support the investigation function of the Unit. The CMS integrates a complaints intake function and will serve as the primary platform of the IIU to manage the investigations process including but not limited to complaint registration, eligibility check, case assignment, evidence tracking, case reviews/approval, and case referrals. 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. Working in partnership with the Procurement team, the Independent Redress Mechanism, and Information and Communications Technology team, the IIU commenced an evaluation of bids submitted by various service providers. It is expected to complete the procurement process and begin an implementation of the CMS by the end of 2020.

14. The IIU registered 9 new cases during the reporting period, taking the total for the year to 26 cases as presented in Table 1 below. Four new cases involved allegations of staff misconduct, one alleged a project-related integrity violation, and the other four were non-integrity violations. These cases are currently under preliminary review.

15. The IIU closed eight cases during the reporting period. Three cases were determined to be unsubstantiated after preliminary reviews while other five cases were transitioned to full investigations and were substantiated. Among these five cases which warranted full investigations:

- (a) Two cases related to allegations of sexual harassment against a GCF staff member. The IIU substantiated that the GCF staff member engaged in multiple serious misconduct and recommended to the relevant decision-making authorities to initiate disciplinary proceedings as required per the *Administrative Guidelines on Human Resources*; and
- (b) Three cases related to allegations of various forms of persistent and recurrent harassment against a GCF staff member which were also substantiated. As a result, appropriate recommendations to initiate disciplinary proceedings were submitted to the relevant decision-making authorities.

Table 1. Count of Cases Opened by Type

Type of Cases	2018	2019	2020
Project-related Reports	3	4	3
Fraud	2	1	2

Type of Cases	2018	2019	2020
Corruption	1	2	1
Collusion	0	1	0
Staff Misconduct	15	24	14
Abuse*	4	9	1
SEAH	1	2	2
Harassment	4	6	8
Fraud	0	1	1
Collusion	0	1	0
Retaliation against Whistleblowers and Witnesses	1	1	1
Conflict of Interest	5	4	1
Non-integrity Violation	3	12	9
TOTALS	21	40	26

**Including cases related to abuse of power and authority*

16. Over the current reporting period, the IIU has engaged with GCF staff on reported matters unrelated to integrity violations. In the absence of an effective organisational grievance mechanism, the IIU became the default outlet for staff members seeking remedy for management, performance, and other issues that fall outside the Unit's jurisdiction. In those other areas within the purview of the IIU, the Unit has and continues to engage with current, departing, and former GCF staff to move these cases forward.

17. The limited opportunities for staff members to seek redress and other considerations ultimately led to public media articles highlighting these issues. Notably and at the very early stages even before the media attention, the IIU undertook active investigations and provided recommendations to the Ethics and Audit Committee. The GCF has since instituted numerous measures to address staff concerns and implemented a fuller grievance mechanism.

2.6.1. Upscaling of Investigations

18. **Benchmarking Performance of Similar Offices at Peer Institutions.** As indicated in the annual reports of the IIU, the GCF saw a spike in reported misconduct cases between 2018 and 2019. With increased awareness and effective implementation of GCF integrity policies and proactive initiatives, the IIU anticipated 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. This upward trend is illustrated in Figure 1 below.

19. The Asian Development Bank (ADB) for instance took between 20 and 32 complaints per billion USD in disbursements every year for 12 straight years. Similarly, the Global Fund also reflects this upward trajectory. Notably, in 2018, both organisations started separate

workplace complaints units and promoted them to staff. The reflected increase in that and in subsequent years suggests that increased awareness and visibility leads to increased complaints as it provides an avenue for remedy. A 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.

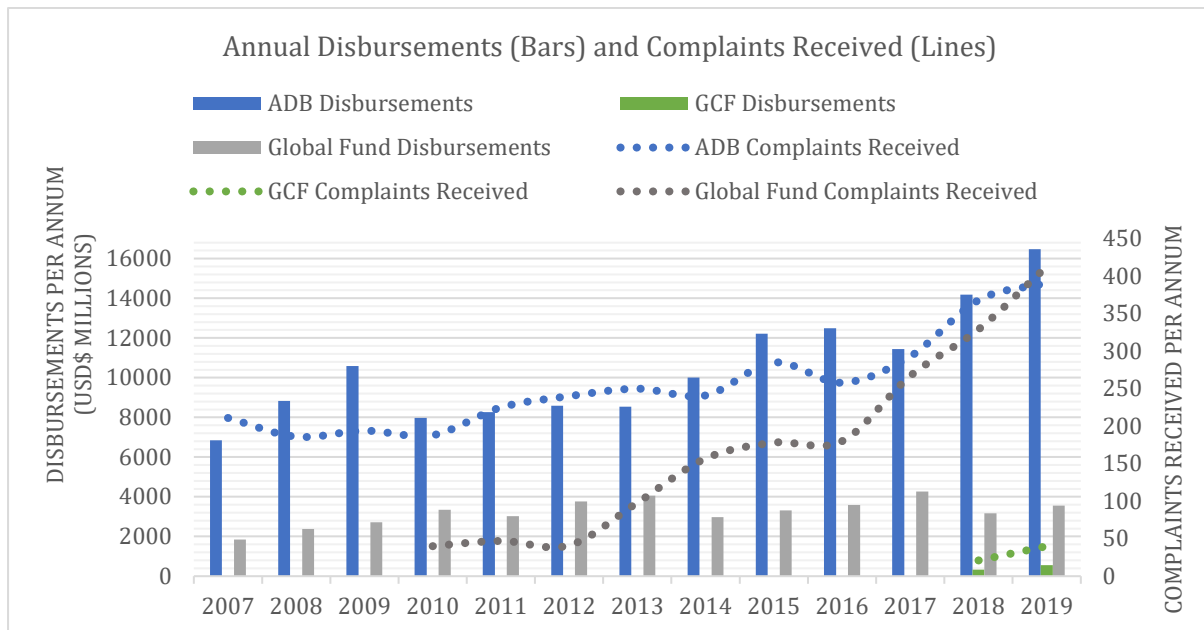


Figure 1. Comparative Analysis of Annual Disbursements vs Complaints Received

20. In late 2019 and early 2020, the IIU onboarded two additional senior staff who complemented the investigative function, and whose entry has marked increased efficiency gains in the conduct of its investigations as demonstrated in the succeeding sections of this document. However, the IIU anticipates that as it becomes increasingly effective in the execution of its awareness raising and prevention mandates, the GCF can expect to see an increase in cases as observed by the benchmarked international organisations and as illustrated in Figure 1 above.

21. While currently operating optimally and within similar parameters of peer institutions, a surge in cases may tip the balance and affect the ability of the IIU to expediently respond to the anticipated growth in reported cases. The potential outcomes could mean delays in processing of complaints, increased lead times in the conduct of investigations, disenchantment with GCF remedial mechanisms, and the heightened risk of adverse reputational, legal, and/or fiscal damage.

22. The IIU expects that if recruitment of necessary staff is further delayed, there will be significant reliance on external resources to address the increase in cases and the need for investigative capacity. To mitigate the stated effects, this reliance on external resources could have a concomitant budgetary implication that may belie the intended upfront savings.

2.6.2. Comparative Analysis

23. The IIU has undertaken a comparative study to benchmark its performance commensurate with those of other international peer institutions: the World Bank, the Asian Development Bank, and the Global Fund. The data was derived from publicly available reports published by the respective institutions.

24. Figures 2 and 3 below show the actual aggregate complaints received in 2018 and 2019, respectively. To reflect an equitable comparison, the IIU normalised the data to show complaints per hundred employees. This data is represented in Figure 4 further below. Notably, at 7.2 and 12.5 complaints per hundred employees, the normalised data reflects that in terms of totality of complaints received, the IIU is well within range of similar institutions.

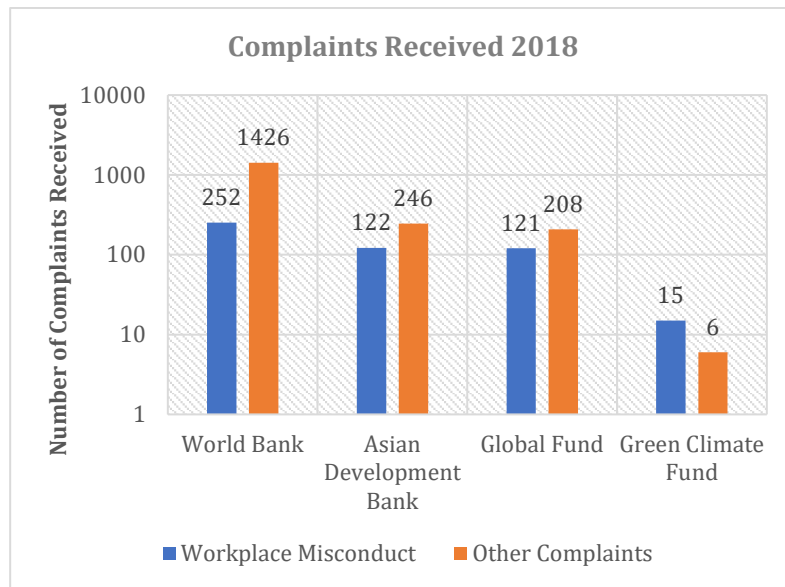


Figure 2. Aggregate Complaints Received in 2018

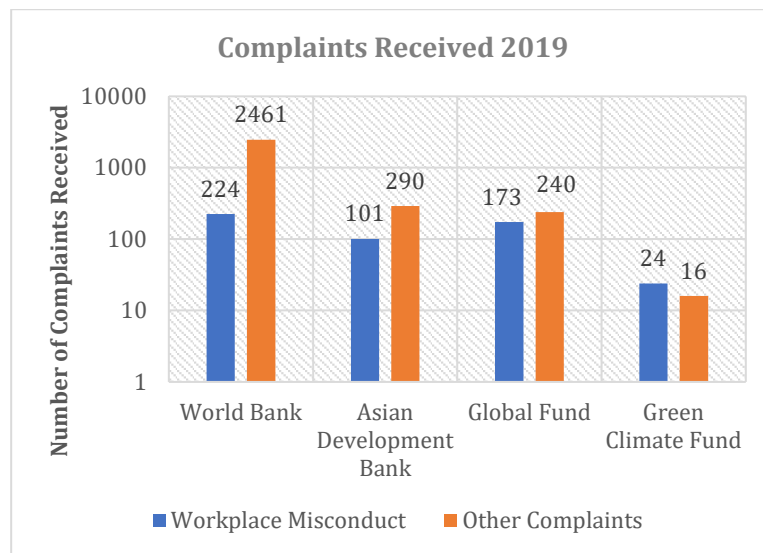


Figure 3. Aggregate Complaints in 2019

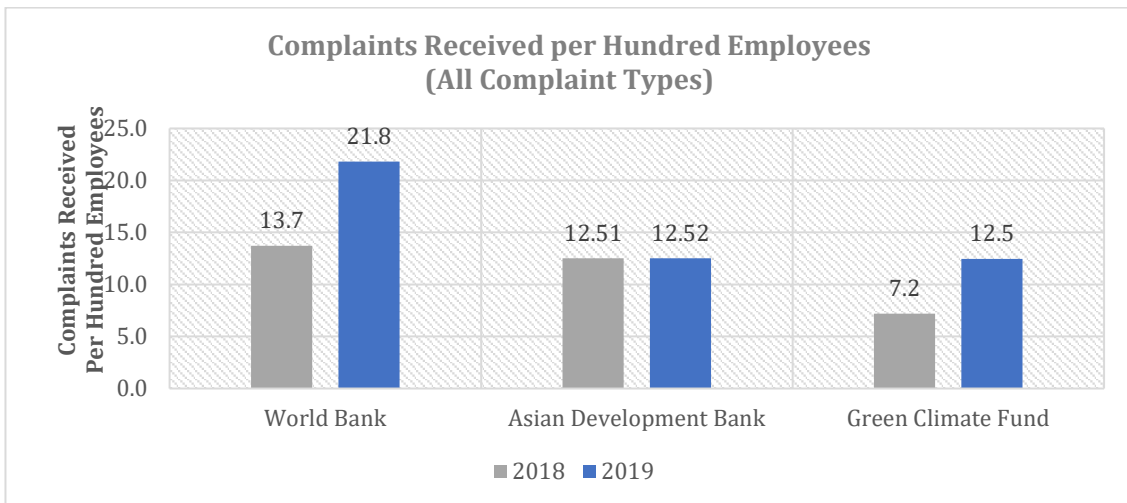


Figure 4. Complaints Received per Hundred Employees

25. Figures 5 and 6 below depict actual and normalised workplace misconduct complaints received in 2018 and 2019. Comparatively, the workplace misconduct complaints per hundred employees show that the IIU has indeed received a greater number of misconduct complaints at 5.1 and 7.5, compared to 3.6 and 2.8 of the Asian Development Bank and 2.1 and 1.8 of the World Bank. In 2018, this represents 29 per cent and 59 per cent higher than the Asian Development Bank and the World Bank, respectively. In 2019, the numbers jumped to 63 per cent and 76 per cent, respectively. Not surprisingly, however, is that the more established institutions with better entrenched internal grievance mechanisms reflect lower numbers.

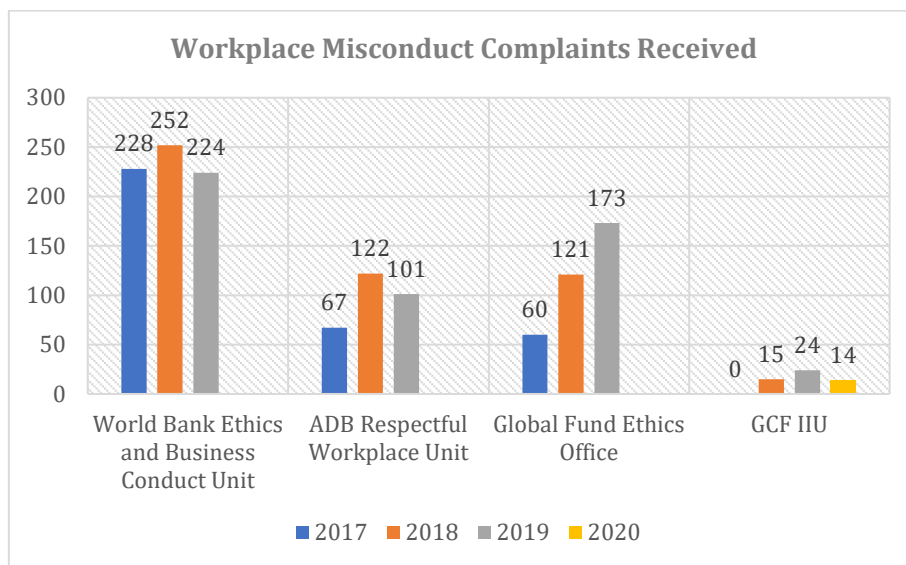


Figure 5. Workplace Misconduct Complaints Received

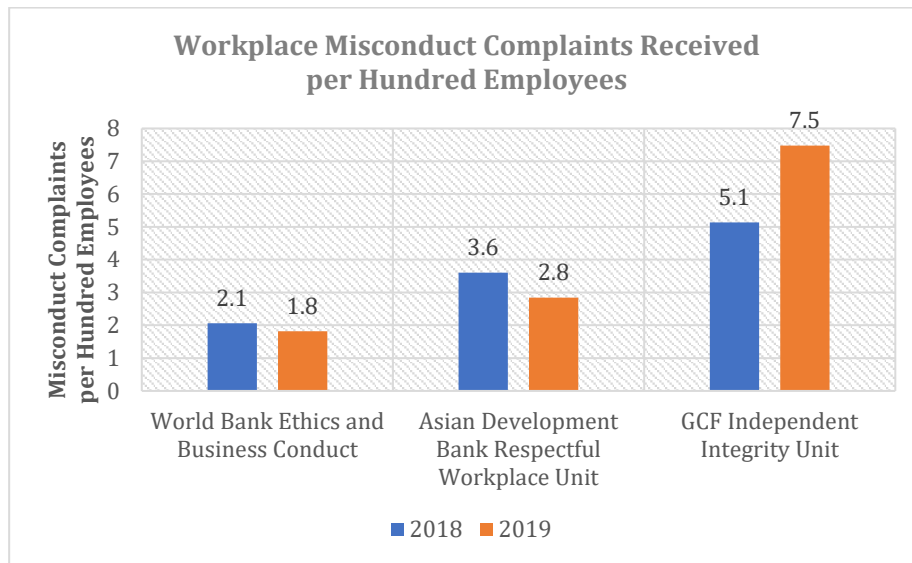


Figure 6. Workplace Complaints Received per Hundred Employees

26. The IIU also benchmarked the complaint substantiation rates per investigative office and the average complaint resolution time in days. Figure 7 below shows the substantiation rates. Notably, the higher substantiation rates are those investigations conducted into integrity violation in funded activities.

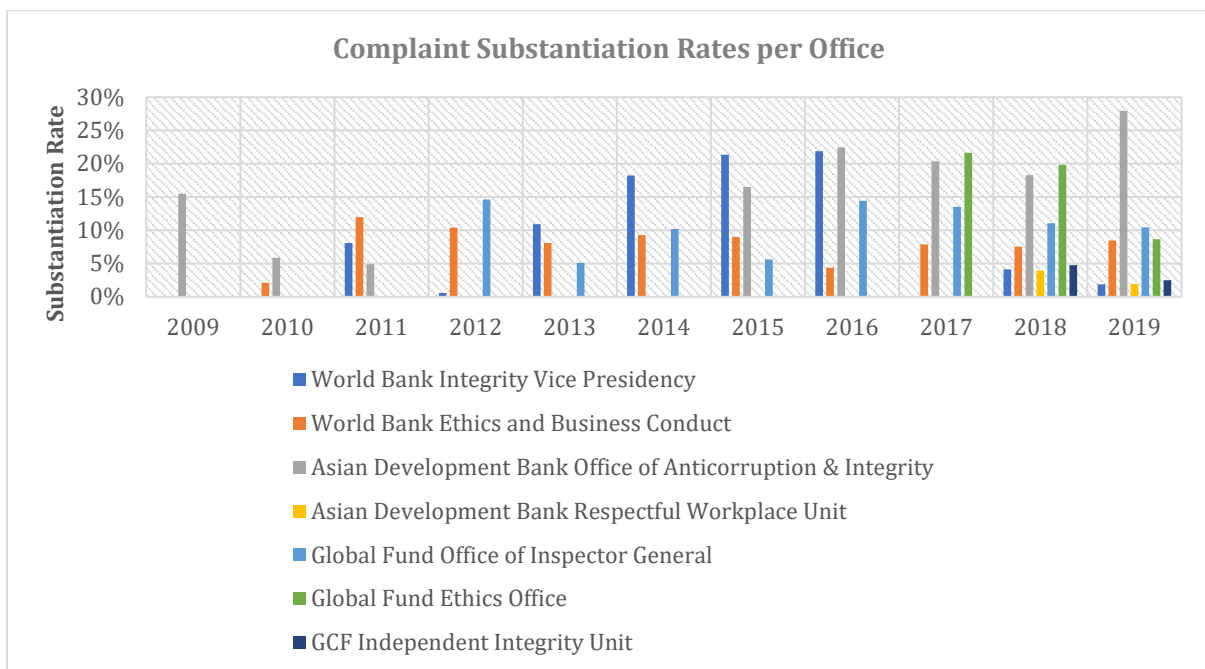


Figure 7. Complaint Substantiation Rates per Office

27. Between 2018 and 2019, the IIU did not engage in any project investigations, and therefore only reflects the misconduct substantiation rate of 4.8 per cent, which falls within range of those investigative offices engaging in misconduct investigations. In terms of complaint resolution times (see Figure 8 below), the IIU appears to have fared well owing to onboarding of staff. The Unit cut the number of days by 55 per cent from 373 in 2018 to 168 in 2019. Comparatively, the World Bank resolution days dropped 26 per cent from 227 in 2018 and

down to 175 in 2019. The IIU did not find resolution time data for the Asian Development Bank and the Global Fund. The IIU has included the European Anti-Fraud Office (OLAF) comparator as they reflect timeframes for those more complex project investigations. Where data is available for offices at peer institutions across the United Nations system, such data (see Figure 9 below) show that investigation durations at the IIU are comparable to investigation durations at peer offices within the UN system.

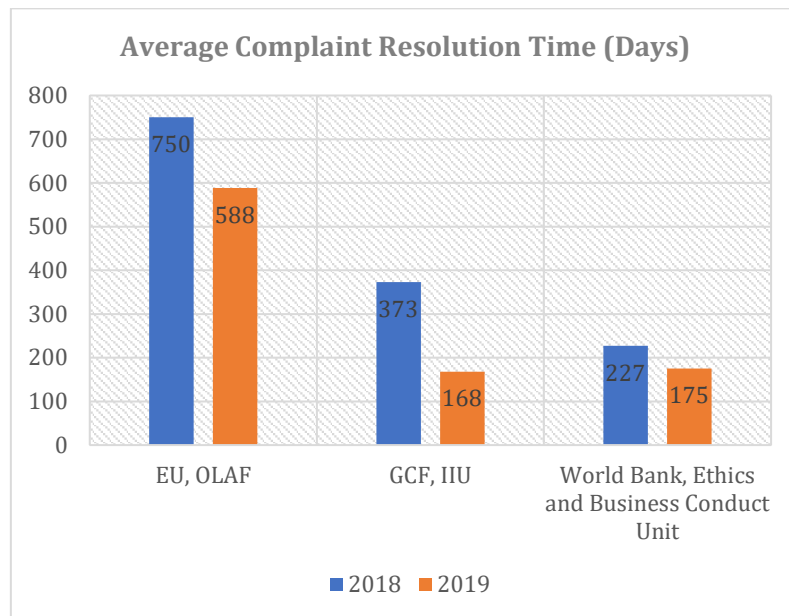


Figure 8. Average Complaint Resolution Time (Days)

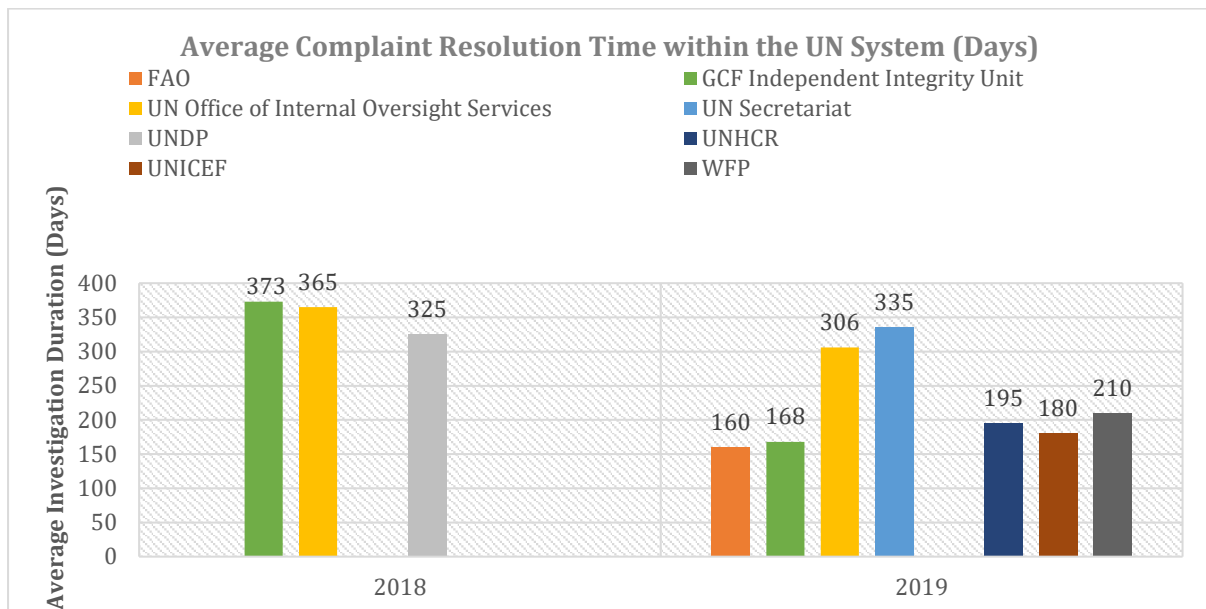


Figure 9. Average Complaint Resolution Time within the UN System (Days)

28. 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 organisational situation.
