



**GREEN
CLIMATE
FUND**

Meeting of the Board
9 – 13 November 2020
Virtual meeting
Provisional agenda item 7

GCF/B.27/Inf.07

23 October 2020

Annual Implementation Report on the Policy on Prohibited Practices

Summary

This document reports on the progress made in implementing the Policy on Prohibited Practices adopted at the twenty-second meeting of the Board in 2019. As a first annual implementation report, it assesses and measures the actions taken to implement the Policy during its first year covering the period between March 2019 and February 2020.

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Executive Summary

Recognizing the damaging impact of integrity violations on climate action, the Green Climate Fund (“GCF”) seeks to operate in a transparent and accountable manner, guided by efficiency. The GCF maintains zero-tolerance for Prohibited Practices¹ and the Policy on Prohibited Practices (“Policy”) is an expression of its commitment to uphold the highest integrity standards and fiduciary responsibilities to ensure that resources entrusted are used only for the purposes for which they were granted in accordance with the Governing Instrument. It is expected that the role of the Policy, if implemented effectively, would go beyond providing disincentives to the commission of Prohibited Practices and move the GCF towards catalysing transformation across the GCF community in establishing accountable climate governance necessary to successfully address climate change.

This report assesses the measures taken to implement the Policy in its first year² with an aim to capture the key successes, challenges and areas for improvement. The Policy outlines the conduct prohibited by the GCF and establishes the obligations required of Covered Individuals and Counterparties in carrying out GCF-funded activities. To give effect to these goals, such requirements are contractually obligated for both Covered Individuals and Counterparties and widely communicated through various means including, *inter-alia*, training sessions, peer-learning, capacity-building exercises and awareness-raising activities. During the reporting period, despite a number of reports on alleged Wrongdoing filed with the IIU concerning Covered Individuals, only one case of misconduct was found substantiated and warranted corrective measures following IIU investigation. Similarly, there has been no substantiated case of Counterparty integrity violation despite a relatively small number of reports received by the IIU concerning Counterparties.

Moving ahead, it is anticipated that the risk of integrity violations is likely to increase, proportionate to the advancement of project implementation and disbursements. Such an expansion of GCF operations and financial flow should be matched by strong monitoring and oversight. Furthermore, in order to improve the effectiveness of the Policy and its role as a deterrent against the commission of Prohibited Practices in GCF-funded Activities, it is essential to allocate more resources toward strengthening the GCF’s capacity and efforts to monitor the compliance of Counterparties with the Policy through periodic reporting by these Counterparties.

The report also indicates that to complement the business model of the GCF and its operational reliance on Counterparties, it is of critical importance to ensure that integrity standards and obligations are cascaded down to executing entities and ensure compliance throughout various stages of project implementation. Therefore, it will be important for the GCF to provide clear and consistent guidance to its implementing entities on the required integrity standards for managing GCF resources. This includes requiring due diligence obligations and applying robust data-driven monitoring mechanism to assess how such obligations are adhered to at project level, with a view to identifying risks and applying mitigating measures as needed.

The Policy sets out measures to be taken by the GCF if the Policy is violated. While grounds for seeking such remedies are provided for in contractual agreements, to enhance the effectiveness of the imposition of remedies, a mechanism³ was developed to provide a range of remedies, which seeks to serve the purpose of Counterparty rehabilitation beyond the punitive role, especially given a limited range of actors for climate projects. Furthermore, continuing from the previous

¹ Prohibited Practices mean corruption, fraud, coercion, collusion, obstruction, abuse, money laundering, financing of terrorism, and retaliation against whistleblowers and witnesses as defined by the Policy.

² The Policy came into effect in February 2019 by decision B.22/19, paragraph (a)² replacing the interim General Principles on Prohibited Practices adopted by decision B.12/31, paragraph (h) in 2016.

³ The Administrative Remedies and Exclusions Policy.

year, actions were undertaken to support capacity building of Accredited Entities to meet the GCF Fiduciary Standards and enhance their institutional capacity.

I. Introduction and Policy Overview

1. The Policy on Prohibited Practices (“Policy”) is an expression of the Green Climate Fund (“GCF”)’s zero-tolerance toward Prohibited Practices⁴ and commitment to uphold the highest integrity standards and fiduciary responsibilities. The Policy aims to ensure that GCF resources are used only for the purposes for which they were granted.

2. This annual implementation report assesses the progress made in implementing the Policy in its first year, from March 2019 through February 2020, with an aim to identifying areas where the GCF could strengthen its implementation efforts.

3. The Policy came into effect in February 2019 by decision B.22/19, paragraph (a)⁵ replacing the Interim General Principles on Prohibited Practices adopted by decision B.12/31, paragraph (h) in 2016. Building on the interim version, the Policy: establishes the conduct prohibited by the GCF; sets out obligations to be upheld by Covered Individuals⁶ and by Counterparties⁷ (Section VI, VII) involved in Fund-related activities; and subsequently the actions that the GCF may take when the Policy is violated (Section VIII). To facilitate its effective implementation, the Independent Integrity Unit (“IIU”) was mandated to communicate the Policy to relevant stakeholders and to provide necessary guidance and capacity building support (Section X).

4. The Policy also establishes the various roles and responsibilities within the GCF in implementing the Policy. The IIU is responsible for the overall monitoring and implementation of the Policy by taking preventative and reactive measures to deter occurrences of Prohibited Practices. In doing so, the IIU shall work closely with the Secretariat which is also responsible for implementing the Policy through contractual protections and by monitoring the compliance of relevant parties with the Policy (Section XI). Accordingly, the relevant GCF offices involved with the Policy’s implementation have been consulted in the preparation of this report.

II. Implementation of the Policy on Prohibited Practices

2.1 Covered Individuals - Obligations and actions to be taken by the GCF in case of violations

2.1.1. Obligations of Covered Individuals

5. The Policy requires Covered Individuals to refrain from directly or indirectly condoning, encouraging, participating and engaging in Prohibited Practices or any situations or activities that might adversely reflect on the GCF. It also establishes that Covered Individuals avoid situations that lead to real or perceived Conflicts of Interest (para 14) and report suspected Wrongdoing⁸

⁴ As defined in the Policy on Prohibited Practices, paragraph 6(o).

⁵ The Policy was adopted by the Board by decision B.22/19, paragraph (a) and later amended by decision B.23/08, paragraph(b)-(d) to include the definition of ‘Active Observers’.

⁶ As defined in the Policy on Prohibited Practices, paragraph 6(f).

⁷ As defined in the Policy on Prohibited Practices, paragraph 6(g).

⁸ As defined in the Policy on Prohibited Practices, paragraph 6(r).

in any Fund-related activities (para 16), when they become aware of such conflicts. Failure to observe such obligations would amount to Misconduct⁹ or a breach of contract (para 17).

6. To give effect to such requirements, these obligations are embedded in contractual agreements concluded between the GCF and different groups of Covered Individuals. Such contracts include a Letter of Appointment for Staff Members and Board Appointed Officials, an Individual Consultancy Contract for External Members of GCF Groups and Panels, and Declaration of Impartiality and Confidentiality and Declaration of Outside Roles and Functions for Board Members, Alternative Board Members, their Advisers. For such Covered Individuals, a breach of the obligations set out in the Policy amount to Misconduct. With respect to other GCF Personnel other than Staff, including consultants and any other individual contracted and/or engaged by the GCF to perform functions for the GCF such as interns, an Individual Consultancy Contract or other contractual arrangements set out the obligations.

7. In conjunction with the contractual agreements referred to above, Covered Individuals are also bound by relevant GCF policies and procedures that set out the standards of conduct and obligations in discharging duties to ensure the maximum discretion on all matters relating to the GCF. Such policies include the Human Resources Legal Framework, the Administrative Guidelines on Procurement and the Policies on Ethics and Conflicts of Interest for Executive Director, External Members, Board-appointed Officials, the Board and Active Observers.

2.1.2. Actions to be taken against Covered Individuals by the GCF in case of violations

8. The Policy establishes that when Staff¹⁰ or any other GCF Personnel¹¹ other than Staff violate the Policy, they may be subject to disciplinary measures or administrative sanctions, respectively as provided in the relevant contractual agreements (para 22 and 23). These remedies would be commensurate with the commission of the prohibited conduct and any such measures imposed are determined and enforced by the Executive Director, guided by the IIU investigation findings and recommendations (para 24).

9. Out of forty-five (45) cases filed with the IIU during the reporting period, thirty-two (32) cases (71%) were reported by Covered Individuals and twenty-seven (27) (60%) concerned Misconduct and Prohibited Practices alleged to have been committed by Covered Individuals. As detailed in Table 1 below, cases concerning Misconduct and Prohibited Practices constitute eighty-five percent (85%) and fifteen percent (15%) of the total cases, respectively. While harassment does not constitute a Prohibited Practice as currently defined by the Policy, proven harassment can amount to Misconduct depending on the gravity, as set out in the Administrative Guidelines on Human Resources¹². Additionally, types of behavior amounting to Misconduct include both failure to observe duties of employment including the Staff Code of Conduct and a breach of obligations set out under the Policy.

⁹ As defined in the Policy on Prohibited Practices, paragraph 6(n).

¹⁰ As defined in the Policy on Prohibited Practices, paragraph 6(p).

¹¹ As defined in the Policy on Prohibited Practices, paragraph 6(k).

¹² Administrative Guidelines on Human Resources, section H, paragraph 1.1.

Table 1. Types of reports filed with and reviewed by the IIU concerning Covered Individuals

Type of cases		Number of reports filed	Number of substantiated cases
Misconduct	Misuse of authority ¹³	7 (25.9%)	1
	SEAH ¹⁴	3 (11%)	0
	Harassment	7 (26%)	0
	Conflict of interest ¹⁵	6 (22%)	0
Prohibited Practices	Fraud	1 (3.7%)	0
	Abuse	1(3.7%)	0
	Collusion	1 (3.7%)	0
	Retaliation against whistleblowers and witnesses	1 (3.7%)	0
Total number of cases		27	1

*During the period from March 2019 to Feb.2020

10. Out of twenty-seven (27) cases registered with the IIU concerning Covered Individuals during the reporting period, following preliminary reviews, six (6) allegations fell outside the remit of the Unit. Following investigations, twenty (20) cases were found unsubstantiated failing to meet evidentiary requirements. As illustrated in Table 1, despite reports alleging Wrongdoing, there was only one (1) substantiated case of Misconduct committed by GCF Personnel not related to Prohibited Practices, to which the IIU recommended appropriate remedial measures. Moving ahead, with the expansion of the GCF and its operations, the IIU foresees an increase in cases over time. Accordingly, the effective enforcement of such recommendations can be strengthened by utilizing a system to monitor the implementation of actions recommended, including improvements to procedures and internal controls to mitigate risks of recurrences.

11. As stipulated in the Policy, the investigation of Wrongdoing and subsequent determination and enforcement of disciplinary measures of various groups of Covered Individuals are addressed through different mechanisms as set out below.

- (a) **GCF Personnel working under the IIU:** In cases where the suspected Wrongdoing is alleged to have been committed by a GCF Personnel working under the IIU, the Ethics and Audit Committee (“EAC”) is charged with addressing such cases as an interim arrangement. During the reporting period, there were no cases filed against personnel working under the IIU. Moving forward, as mandated by various policy provisions¹⁶, it will be important for the Secretariat to make progress toward developing such a mechanism to address Wrongdoing concerning IIU Personnel for the Board’s consideration and approval as soon as practicable.
- (b) **GCF Board Appointed Officials (BOAs), External Members, Board Member, Alternate Board Member or Adviser:** The investigations into reports of alleged Wrongdoing concerning the group of Covered Individuals or their Immediate Family Members (except for the Head of the IIU) referred in this paragraph shall be addressed according to the procedures set out in the set of Policies on Ethics and Conflicts of

¹³ “Misuse of authority or official position” as stipulated in the Administrative Guidelines on Human Resources, section G.

¹⁴ Sexual Exploitation, sexual abuse and sexual harassment.

¹⁵ Non-compliance with the disclosure of conflicts of interest requirement.

¹⁶ The Policy on Prohibited Practices, para 24, the Terms of Reference of the IIU, paragraph 7 and the Policy on the Protection of Whistleblowers and Witnesses, paragraph 22.

Interest¹⁷ as appropriate (para 25 and 28). During the reporting period, there were four (4) cases registered with the IIU concerning the said groups of Covered Individuals. Such cases were closed as falling outside of the IIU's remit or unsubstantiated.

2.1.3. Conflicts of Interest

12. Whilst Conflicts of Interest are not deemed Prohibited Practices per se, the Policy obligates Covered Individuals to disclose, mitigate or correct real or perceived conflicting interests since failure to do so may amount to Misconduct (para 9 and para 14).

13. To fulfil such requirement, the Secretariat requires that all Covered Individuals make annual declarations of any real or perceived conflicts of interests and to seek advice and/or report any such actual or potential situations. Board Members, their Alternates and Advisers, the Executive Director and the Head of the IIU are required to make their declarations to the EAC, Board-Appointed Officials and External Panel Members make their declarations to the Head of the IIU, and all other GCF Personnel make their declarations to the Secretariat.

14. During the reporting period, the IIU received all required declarations. The IIU also received three (3) disclosures and requests for advice from Board-Appointed Officials and External Panel Members concerning potential conflicts between their function as a GCF Covered Individual and their roles and interests outside the GCF. Upon assessment, the IIU outlined the potential conflicts and provided an appropriate advisory in order to adequately mitigate risks to and/or adverse impact on the GCF.

15. As illustrated in Table 1 above, the IIU also received six (6) reports from GCF Personnel concerning conflict of interests. In one case, a Staff member had failed to disclose benefits received in relation to Fund-related activities. Additionally, the Secretariat put efforts toward increasing its capacity to manage conflicts of interests of GCF Personnel by establishing an ethics function.

16. Based on the above performance, the IIU assessed that going forward, the GCF would benefit by progressing efforts to build awareness among Covered Individuals regarding what constitutes Conflicts of Interest, what their disclosure obligations are, how they can be mitigated and where they can seek advice. Additionally, advancing capacities to collect and monitor the reported and declared data will benefit the GCF's risk management portfolio.

2.2 Counterparties - Obligations and actions to be taken in case of violations

2.2.1 Obligations of Counterparties

17. The Policy obliges Counterparties to maintain the same high level of integrity and accountability as Covered Individuals in carrying out Fund-related Activities. Counterparties are, subject to the terms of legal agreements with the GCF, required to prevent, detect and investigate Prohibited Practices in relation to Fund-related Activities and cooperate with IIU investigations (para 19).

18. The requirement to declare actual or perceived Conflicts of Interest by Counterparties in Fund-related Activity is communicated to Accredited Entities, Delivery Partners and third parties through provisions in contractual agreements. Such obligations were defined and imposed in contractual agreements for various funded activities that include the procurement of goods and

¹⁷ Policy on Ethics and Conflicts of Interest for Board Appointed Officials, the Policy on Ethics and Conflicts of Interest for the Executive Director, the Policy on Ethics and Conflicts of Interest for External Members and the Policy on Ethics and Conflicts of Interest for the Board.

services, the Readiness and Preparatory Support Programmes and projects through the Accreditation Master Agreements and the Funded Activity Agreement. The GCF would further benefit from monitoring the compliance by Counterparties with such obligations by establishing regular reporting requirements

19. While the self-assessment of Accredited Entities' compliance with the Fiduciary Standards are required via the Annual Performance Report, to more effectively assess the effectiveness of the Policy in ensuring compliance by Counterparties with the obligations under the Policy, the Annual Performance Reviews can be strengthened to require information regarding the following: (i) whether Counterparties have in place policies and procedures which enable them to comply with the GCF integrity standards; (ii) whether assurances have been provided through legal arrangements which seek to ensure that GCF proceeds are not used for unintended purposes; and (iii) whether appropriate due diligence has been conducted in engaging executing entities and sub-contractors to ensure that they are capable of carrying out funded activities consistent with the GCF standards. Based on such data, monitoring efforts can be strengthened to identify gaps or risks and to subsequently support Counterparties in developing effective mitigating measures and determining the extent to which enhanced monitoring will be required.

20. The Policy requires that the IIU take measures to proactively monitor that Prohibited Practices are prevented in Fund-related Activities (para 11, 41). Accordingly, during the reporting period, the IIU developed the methodology for the Proactive Integrity Reviews ("PIRs")¹⁸, a data-driven prevention and oversight tool for the GCF projects/programs based on benchmarking international best practices set by peer organizations. Utilizing the Integrity Risk Assessment Framework¹⁹, the PIR can benefit from data referred to above. The IIU anticipates that through the conduct of these PIRs, it will be able to identify, at an early stage, and mitigate any integrity risks, recommend improvements and provide technical capacity support to Counterparties for better implementation of the GCF integrity policies.

21. To complement the business model of the GCF and its operational reliance on Counterparties, it is of critical importance to ensure that integrity standards and obligations are cascaded downstream to executing entities and sub-contractors. The Policy provides that Counterparties contractually cause the same obligations to be cascaded down to ensure that GCF funds are not used for improper purposes (para 20).

22. To comply with this requirement, Counterparties are expected to obligate their subcontractors to incorporate corresponding provisions in all subsidiary agreements. Such modalities enable the GCF integrity standards to be applied throughout all stages of GCF-funded activities. In the preparation of this report, evidence or information demonstrating that such obligations were complied with was difficult to ascertain. Given the absence of privity of contract between the GCF or Accredited Entities with executing entities and third parties further downstream, it will be all the more important to ensure that these obligations are adhered to by the parties involved in downstream activities.

23. To this end, going forward, the GCF may consider providing more guidance to Counterparties and strengthening the reporting requirements through annual reports on the compliance by Counterparties with the passing down of obligations throughout various stages of the project implementation. This can be achieved through, *inter-alia*, the standardization of integrity provisions in subsidiary agreements and ad-hoc spot checks.

¹⁸ As contained in the IIU's workplans approved by the Board.

¹⁹ A data driven integrity risk assessment which will enable an intelligence-led selection of projects/programmes for desk-top review.

2.2.2 Actions to be taken against Counterparties by the GCF in case of violations

24. The Policy sets out responsibilities of the IIU to investigate reports of suspected Wrongdoing concerning Counterparties and in doing so, the IIU may cooperate closely with relevant offices of Counterparties guided by the applicable cooperation agreements (para 29).

25. To facilitate cooperation with Counterparties, the IIU concluded a Memorandum of Understanding (MoU) with the integrity offices of Counterparties to facilitate and agree on cooperation modalities. Such cooperation activities range from information-sharing, and capacity building support to potential joint investigation modalities. During the reporting period, the IIU concluded a total of 11 MoUs²⁰ with investigation offices of Accredited Entities and entered into negotiations with additional 48 entities, including a Counterparty hired to manage the Readiness and Preparatory Support Programmes.

26. During the reporting period, no reports were made by Counterparties to the IIU of suspected Wrongdoing in GCF-funded activities. There were four (4) reports filed concerning Counterparties, two (2) of which were reported by GCF Personnel and the other two (2) by third parties. As illustrated in the table 2 below, two cases reported concerned alleged corruption in relation to GCF-funded activities and the other two related to alleged fraud and collusion.

Table 2. Types of reports filed concerning Counterparties

Type of cases	Number of reports filed	Number of substantiated reports
Corruption	2	0
Fraud	1	0
Collusion	1	0
Total number of cases	4	0

*During the period from March 2019 to Feb.2020

27. Two (2) reports were investigated by the IIU and the other two (2) by Counterparties. Following preliminary reviews, the IIU closed the two (2) cases due to lack of subject matter jurisdiction and being unsubstantiated and referred the other two (2) cases on alleged corruption, fraud and collusion to the investigative offices of concerned Accredited Entities for further examination. Subsequently, preliminary and final findings of such investigations were reported back to the IIU by the Accredited entities.

28. However, no joint investigations were undertaken by the IIU and Counterparties and none of the cases warranted administrative remedies or exclusions²¹ with Counterparties.

29. As shown in Table 2, since the adoption of the Policy, while there have not been any cases that warranted administrative remedies or exclusions against Counterparties, it is anticipated that going forward, the risk of integrity violations by Counterparties is likely to increase proportionate to the advancement of project implementation and disbursements.

²⁰ The average number of days took to sign MoUs is 185 days.

²¹ If a Counterparty is found to have engaged in or failed to prevent or mitigate Prohibited Practices in a Fund-related Activity, the GCF, subject to the terms of legal agreements, has the right to impose administrative remedies on or exclude any Counterparty from Fund-related Activities (para 31).

30. Aside from contractual agreements²² between the GCF and Counterparties that establish the grounds for claiming default and seeking remedies in cases of Prohibited Practices, the IIU, in cooperation with the Office of General Counsel, developed the draft Policy on Administrative Remedies and Exclusions (“ARE Policy”),²³ in order to enhance the effectiveness and impact of the imposition of remedies. The draft ARE Policy sets out the principles and procedures by which the GCF determines, through an administrative proceedings or settlements, whether or not to apply remedies. The IIU envisages that this mechanism (beyond its punitive role) will ultimately seek to serve the purpose of Counterparty rehabilitation as an outcome of a finding of wrongdoing, by providing an opportunity for a Counterparty to undertake comprehensive corrective measures before being reinstated as eligible for GCF funding. Especially given a relatively limited range of actors available for climate projects and the serious nature of debarment and exclusion, the regime focuses on building integrity safeguards of the GCF Counterparty community.

2.3 Referrals

31. As discussed above, over the course of the reporting period, the IIU referred one (1) case concerning a third party to the relevant office within the GCF as it was not related to Prohibited Practices and it was outside the IIU’s remit. Additionally, two (2) cases related to Counterparties were referred to the integrity offices of the respective Accredited Entities for further examination. However, there were no incidents where a case was recommended to the GCF Executive Director for a referral to an external authority, or where the ED issued a waiver of privileges and immunities for a Covered Individual for purposes of criminal prosecution.

2.4 Capacity building and communication

32. Over the reporting period, the IIU put significant efforts and resources toward communicating the Policy and the GCF integrity standards to Covered Individuals and Counterparties through various means which include, *inter-alia*, training sessions, peer-learning platforms and awareness raising activities as follows:

- (a) **Information/training sessions.** The IIU took steps to conduct more than twelve information and training sessions²⁴ that aimed at introducing the GCF integrity framework to Covered Individuals and familiarizing them with their obligations under the Policy. The topics covered include: the GCF integrity standards and what is required of the GCF staff to comply; what to report to the IIU and how to report; the protections available to Staff who file a report; the obligation to declare and mitigate risks of conflicts of interest; and what constitutes sexual harassment and how to report it; and preventing sexual exploitation in projects. The IIU worked closely with the relevant GCF offices, such as Human Resources, Staff Council and the Independent Redress Mechanism in carrying out these sessions, targeting various groups of Covered Individuals including GCF Personnel, Board Members, Alternate Board Members, Advisers and External Members of panels and groups.
- (b) **Policy advisory.** As part of the IIU’s overall work program to prevent and mitigate risks of Prohibited Practices and build capacity of stakeholders to address integrity issues, the

²² Accreditation Master Agreements (AMAs), Funded Activity Agreements (FAAs) and contracts for goods and services.

²³ The development of the ARE Policy was guided by the EAC and is expected to seek approval of the Board in 2020.

²⁴ Information/training sessions on Prohibited Practices and Whistleblower protection (February, May, December 2020), Conflicts of Interest (February, July 2020), sexual harassment, abuse and exploitation (February, May 2019, February 2020).

IIU provides advisories and guidance regarding the interpretation and implementation of GCF integrity policies in the context of Fund-related Activities. Such advisories are categorised in relation to:

- (i) Reporting and investigation of Wrongdoing;
 - (ii) Integrity safeguards in contractual agreements with Counterparties;
 - (iii) Interpretation and application of integrity policies in Fund-related Activities; and
 - (iv) Conflicts of interests for Board Members, Board-Appointed Officials, and External Members.
- (c) During the period under review, the IIU received advisory requests from offices within the GCF Secretariat and from Counterparties. The most frequently covered issues include: the application of Counterparties' own policies to comply with the GCF integrity standards; money laundering/terrorist financing and Prohibited Practices; preventative measures to mitigate integrity risks; the screening against sanctions lists; and investigation jurisdictions and arrangements between the GCF and Counterparties.
- (d) **Awareness raising campaigns.** Additionally, the IIU endeavoured to promote and communicate GCF integrity standards within and outside the GCF through awareness raising campaigns. Activities undertaken include the quarterly issuance of web-and-print based posters, promotional materials, newsletters and brochures, covering frequently asked questions regarding GCF integrity standards and the terms of reference of the IIU. To cover an extensive range of GCF Covered Individuals and Counterparties, these materials were displayed at the GCF Secretariat, as well as various internal and external events including Board meetings, the GCF Global Programming Conference and COP25.
- (e) **Technical capacity building assistance to Accredited Entities.** In addition to guidance and advisories, the IIU undertook actions to build capacity of Counterparties to better address integrity issues in GCF-funded activities. In discharging its advisory function, the IIU provided advisories to Counterparties on issues ranging from building institutional capacity and policy framework to investigation jurisdictions.
- (f) Additionally, with voluntary participation from the integrity offices of Accredited Entities²⁵, the IIU held its first three-day Integrity Forum in December 2019 under the theme, '*Strengthening climate finance integrity to promote climate action*'. To cater to the needs of participating entities, there were extensive pre-Forum discussions to identify areas of support pertaining to the prevention, detection and investigation of integrity risks/violations in the implementation of GCF projects. The Forum served the two overarching purposes of strengthening the capacity of Accredited Entities for implementing the GCF integrity policies and fostering continued peer-learning amongst GCF Accredited Entities. Having received a 92 percent satisfaction rate²⁶ from a survey of participants to this Forum, the IIU is committed to providing continued support²⁷.

²⁵ Participants comprised of 11 Direct Access Entities and 11 International Access Entities.

²⁶ Based on the post-Forum survey outcome.

²⁷ More details about the Integrity Forum can be found on the IIU website, <https://iiu.greenclimate.fund/>.



Figure 1. First GCF/IIU Integrity Forum with Accredited Entities

33. Additionally, the Policy charges the IIU to provide guidance with respect to the implementation of the Readiness and Preparatory Support Programmes (para 29(b)). In that regard, the IIU provided advisories on the contractual agreement provision designed to ensure accountable use of GCF resources, mostly around anti money-laundering and investigation standards. Moving ahead, with a view to bringing climate action to scale, the Readiness support should enable possibilities for technical assistance to Direct Access Entities to meet GCF Fiduciary Principles and Standards.

34. **Building an international network.** The IIU undertook actions to maintain a strong presence in the international community of integrity offices and gain insight on the latest trends and leading practices in addressing challenges. Such activities are instrumental in improving the effective discharge of its function. During the period, representing the GCF, the IIU actively participated in such communities, the United Nations Representatives of Investigation Services and the Conference of International Investigators, by presenting as a panel and joining a working group.

2.5 GCF Policy Framework

35. **Establishment of the GCF integrity framework.** To maximize the Policy's effectiveness, the IIU endeavoured to develop a subset of GCF integrity policies²⁸. Such policies address, in more detail, different types of Prohibited Practices referred to in the Policy, completing the GCF integrity framework as illustrated in Figure 1²⁹.

²⁸ As mandated by decisions B.12/3, paragraph (i) and B.14/01, paragraph (e), the policies include the Policy and Standards on Anti-Money Laundering/Countering the Financing of Terrorism; the Policy on the Protection of Whistleblowers and Witnesses; the Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse and Sexual Harassment the Policy; and the Policy on Administrative Remedies and Exclusions (to be presented to the Board in November 2020).

²⁹ The draft Investigations Standards and the draft ARE Policy pending the Board's approval in late 2020.

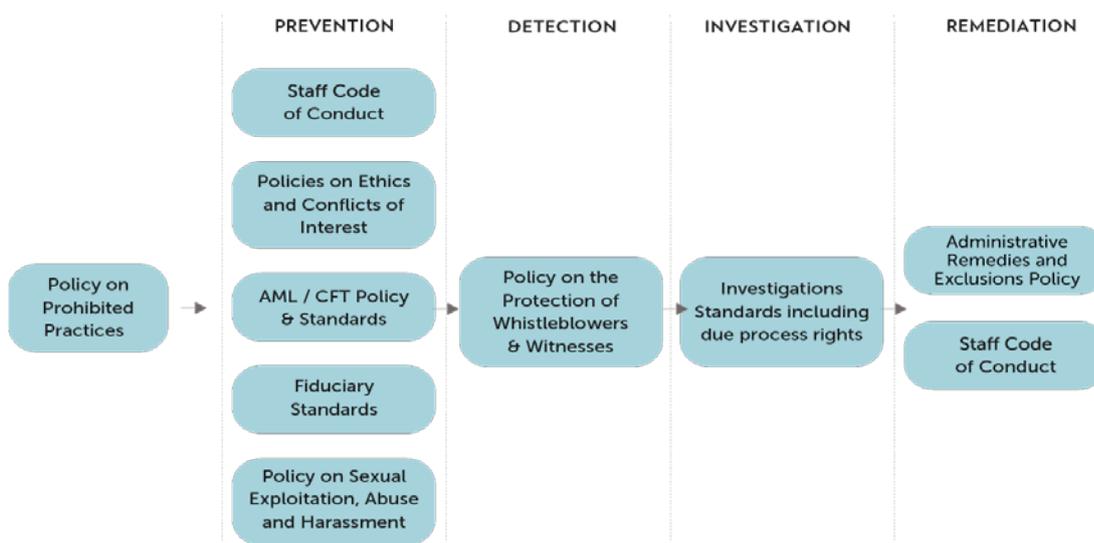


Figure 2. GCF Integrity Framework

36. **Update of the Fiduciary Standards.** Following the adoption of a suite of integrity policies, a number of Board decisions³⁰ requested the IIU, in consultation with the Accreditation Committee, to update the initial Fiduciary Principles and Standards incorporating such policies. Accordingly, the IIU developed relevant fiduciary standards with an aim to seek the Board's endorsement in 2021. The update of the fiduciary standards plays a pivotal role in accurately assessing entities' capability to implement GCF-funded activities satisfactorily to the GCF standards. Such fiduciary standards are used as a basis to inform the criteria against which entities are accredited to manage GCF resources. The IIU will continue to lead, in collaboration with the Secretariat and under the guidance of the EAC and the Accreditation Committee of the Board, in proposing and following through with necessary updates in line with principles enshrined in the Governing Instrument.

³⁰ Decisions 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).