

**GREEN
CLIMATE
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24 February 2021

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 and 2021 Work Programme as adopted by the Board at its twenty-fourth and twenty-seventh meeting, respectively. The reporting period is from 1 October 2020 to 23 February 2021.

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 2020 Workplan and 2021 Work Programme as approved by the Board.¹ It outlines the milestones on key priority initiatives in the reporting period from 1 October 2020 to 23 February 2021.

2. Consistent with the IIU 2020 Workplan and 2021 Work Programme, activities during the reporting period were focused particularly on the following priorities:

- (a) Advancement of the GCF Integrity Framework;
- (b) Integrity policy implementation guidance and oversight;
- (c) Integrity risk assessment and Proactive Integrity Reviews;
- (d) Capacity building technical assistance;
- (e) Awareness raising and communications; and
- (f) Investigations.

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

2.1 Advancement of the GCF Integrity Framework

3. **Administrative Remedies and Exclusions (ARE) Policy.** The ARE Policy is intended to set out the general principles and procedures to be followed in the administrative process by which an independent determination or decision, 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 Fund-related Activities. The IIU has finalised the draft Policy and its associated Board Covering Document in close cooperation with the GCF Secretariat and under the guidance of the Ethics and Audit Committee (EAC) of the Board. An in-depth analysis of the implications of the Policy in terms of staffing and budgetary considerations was undertaken in collaboration with the Secretariat. The draft Policy was also consulted with Accredited Entities and Observer Organisations. The ARE Policy is expected to be presented to the Board for its consideration at its twenty-eight meeting.

4. **Investigation Standards.** The IIU engaged in multiple consultations on the draft Investigation Standards (Standards) with all GCF staff, relevant Divisions of the GCF Secretariat, and Independent Units. 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. The IIU also continued development of the Investigations Manual which is intended to support the Standards and articulate the numerous operating procedures of the investigation function of the IIU.

2.2 Integrity Policy Implementation Guidance and Oversight

5. **Provision of Advisories on GCF Policies, Guidelines, and Procedures.** As an important tool to prevent and mitigate risks of integrity violations in Fund-related Activities, the IIU continued to provide advisories and guidance to relevant stakeholders upon request. Such

¹ As in decisions B.24/07 and B.27/08, respectively.

advisories encompassed the interpretation and application of GCF integrity policies in the context of Fund-related Activities as categorised those related to:

- (a) Conflicts of interests for Board Members, Board-Appointed Officials, and External Members;
- (b) Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Policy;
- (c) Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH); and
- (d) Integrity safeguards in contractual agreements with Counterparties.

6. The IIU contributed to the development of and consultations on the draft GCF Financial Manual and the revised Procurement Guidelines and Manual to ensure that integrity safeguards are appropriately incorporated in these important operational frameworks. The Unit likewise submitted a technical note to the Executive Director outlining its position on the proposed revisions to the updated SEAH Policy due for Board consideration at its twenty-eight meeting.

2.3 Integrity Risk Assessment and Proactive Integrity Reviews

7. **Significantly Expanded Analytics Capacity.** In the reporting period, the IIU significantly expanded its analytics capacity with the acquisition of a cloud computing environment and an application programming interface (API) key to a third-party Compliance and Risk Monitoring API. Armed with these tools, the IIU commenced work on developing, among other things, an Integrity Due Diligence Platform (IDDP) to support project-level integrity due diligence use cases (see Figure 1 below).

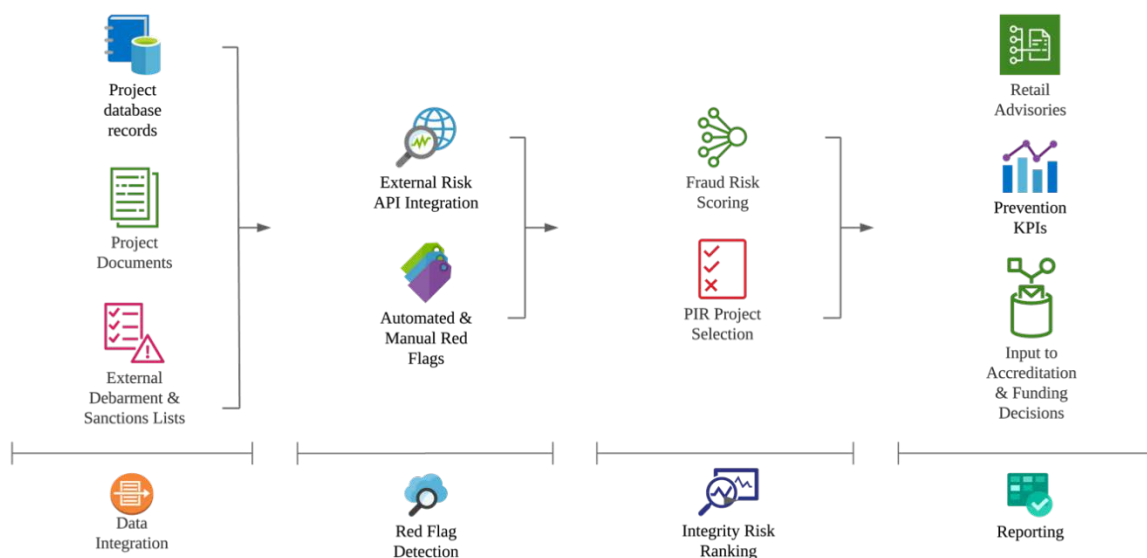


Figure 1. Project-Level Integrity Due Diligence Use Cases

8. **Cloud Infrastructure Deployment.** Building on previous configuration work, the IIU in late December 2020 began provisioning and deploying infrastructure required by the IDDP. This was done according to best practices including use of modular Infrastructure-As-Code (IAC). Modules developed and deployed during the reporting period included clusters, networking, data stores, services, and Identity and Access Management (IAM) modules. Figure 2 below presents a simplified platform architecture diagram.

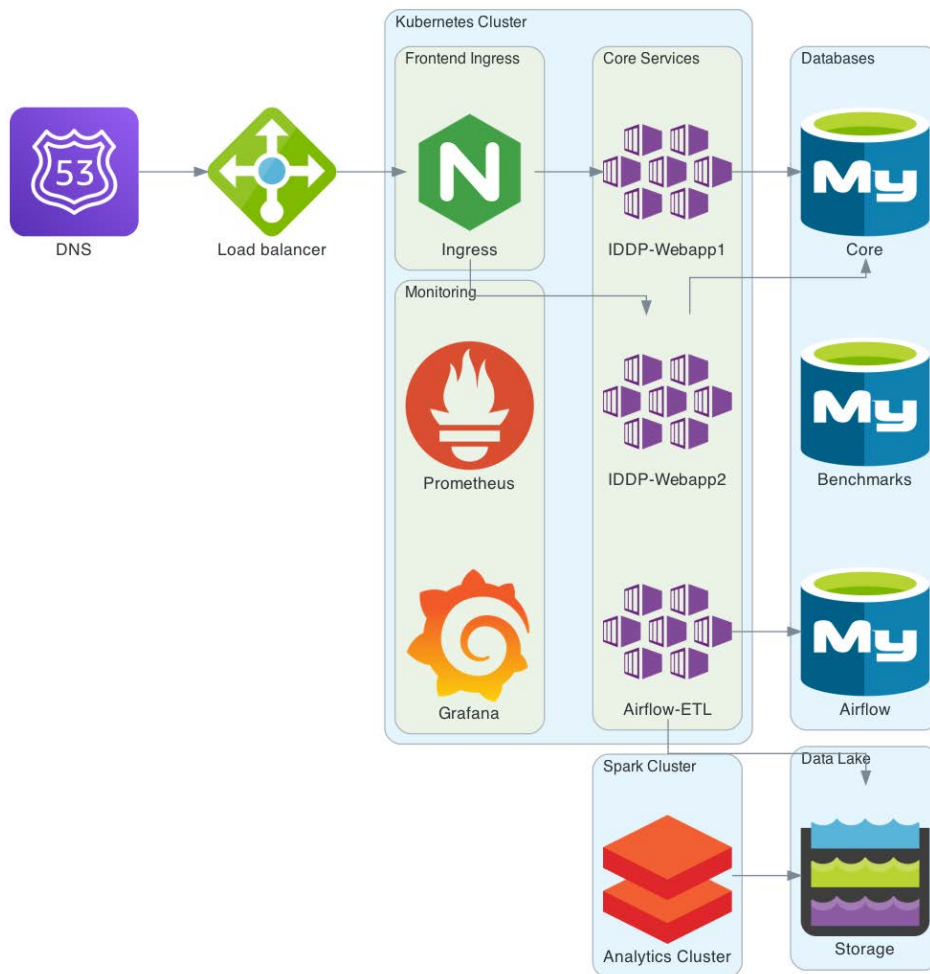


Figure 2. Simplified Integrity Due Diligence Platform Architecture

9. **Sanctions and Debarment List Extract-Transform-Load.** With the deployment of basic IDDP infrastructure, work began on one component of the data integration required to deliver the IDDP: Extract-Transform-Load (ETL) of sanctions and debarment lists (see Figure 3 below for a simplified overview of the ETL workflow). During the reporting period, one-third of the first iteration sanctions ETL code was written. It was not deployed however, due to triage in the face of other more urgent priorities.

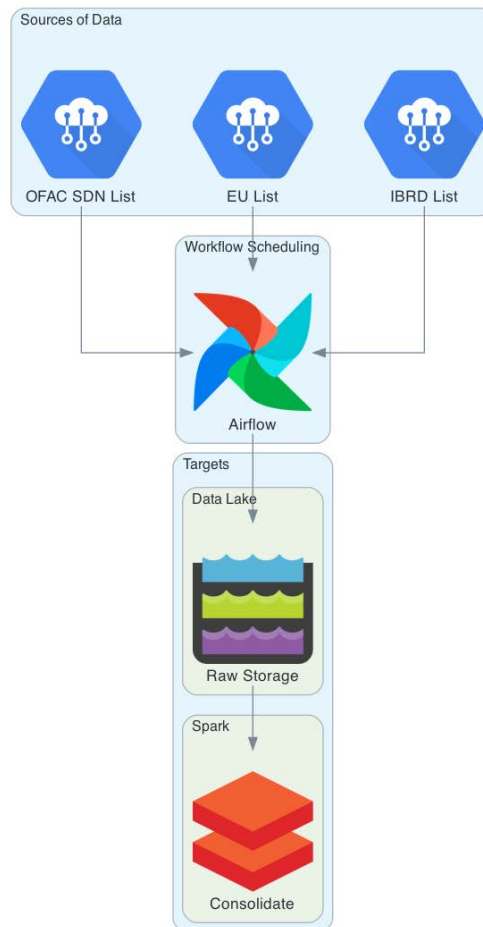


Figure 3. Sanctions List ETL

10. **Proactive Integrity Review Model Audit.** In January 2021, the IIU resumed an audit of existing approaches to project-level integrity risk scoring. In doing so, two new requirements were established:

- (a) To enable out-of-sample evaluation on the basis of model performance at the task of predicting weakness in financial controls among a set of projects similar to the set within the GCF portfolio; and
- (b) To provide stakeholders with an audit trail for the entire modelling process.

11. As such, a new approach to the development of project-level predictive models was undertaken with the explicit aim to document at every stage: assumptions made, trade-offs considered, and reasoning for decisions taken.

12. **Training Data.** Since the GCF lacks a 20-30 year-old historical set of projects for which it can be said that some projects exhibited weak financial controls and some exhibited strong or normal financial controls, the IIU took a transfer learning approach: filtering the World Bank Projects API for a relevant subset of projects (i.e. environmental, agriculture, forestry, fisheries, etc.) with a relevant subset of available public documents (i.e. audit reports, implementation reports). Once a suitable subset of projects was selected, over 70,000 project documents were downloaded to the IIU data lake (see Figure 4 below) whereupon text was extracted from each document and stored.

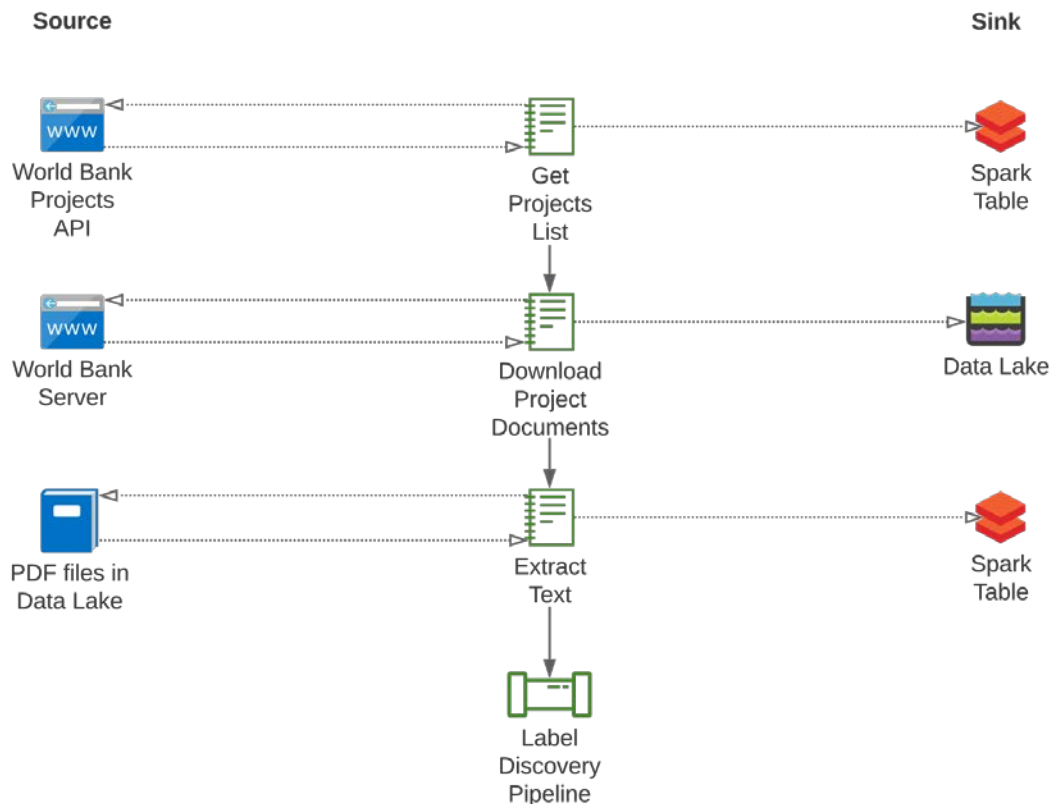


Figure 4. Training Data Ingestion Process

13. **Label Discovery Pipeline.** In order to supervise the training of a predictive model, the IIU required “labels”: meaning that for each project in the set it could be said that the project had either “weak” financial controls or “normal”/“strong” financial controls. In order to enable discovery of project labels from among the aforementioned training data, in reasonable time and with good accuracy, an iterative approach was taken through the use of a labelling pipeline in Spark (see Figure 5 below), with repeated manual reviews of candidate labels by batch. Yield from this pipeline was 1,325 labels inferred from sentences about financial controls, and 318 World Bank projects labelled with either “weak” or “normal” financial controls as a result.



Figure 5. Label Discovery Pipeline

14. **Preliminary Modelling Results.** Using the outputs of the Label Discovery Pipeline, the IIU trained a model to predict, given a sentence about financial controls from a project report (i.e. from an Audit or an Implementation Report), whether the sentence indicated “weak” financial controls or whether it indicated “strong”/“normal” financial controls. Based on out-of-sample evaluation metrics, the model significantly outperformed a baseline model, suggesting that it may

be useful in assessing the quality of the GCF portfolio with regards to integrity risk. Further detailed reporting on this and other models will follow in subsequent reports.

15. **Project Risk Management System.** As a third line of defence in the GCF Project Risk Management System (PRMS), the IIU plays an oversight role in managing GCF project risks by taking proactive preventive measures. Although the global health crisis provided certain challenges and necessitated the curtailment of activities, the IIU used the opportunity to conduct detailed assessments of its analytic models, test against available data, and ensure that the methodology is validated.

16. In this reporting period, the IIU prioritized its prevention efforts in developing a defensible Proactive Integrity Review model, and producing supporting documentation for every step of the modeling process.

2.4 Capacity Building Technical Assistance

17. **Follow-up Actions on the GCF Integrity Forum.** Following the success of the inaugural GCF Integrity Forum in Madrid in late 2019, the IIU produced a meeting report and action plan to evolve peer learning and support the exchange of best practices for the growing network of Accredited Entities. However, due to the global health pandemic, discussions to hold a second Integrity Forum in 2020 were postponed and plans to shift the Forum to an online environment are being explored.

18. **Engaging with Accredited Entities.** The IIU continued to engage in important dialogues with counterpart offices of Accredited Entities to facilitate cooperative activities ranging from information sharing and joint investigative activities to providing technical assistance on capacity building. During the reporting period, the IIU has advanced its efforts on establishing cooperation modalities by signing Memoranda of Understanding (MoUs) with six additional AEs. Meanwhile, the total number of AEs under MoU negotiations has increased to 30.

19. **Peer-to-Peer Learning Alliance Engagement.** The IIU engaged in peer learning initiatives with comparator organisations to remain at the frontier of relevant integrity prevention and investigation practices. The Unit supported the ongoing work programme of the Deutsche Gesellschaft für Internationale Zusammenarbeit-led Peer-to-Peer Learning Alliance on Climate Finance Integrity updating the alliance members on the implementation and development of GCF integrity policies, as well as providing specific guidance on AML/CFT Policy requirements and participating in the external evaluation of the initiative. The IIU explored opportunities to share best practices by embarking on regular meetings with the Asian Infrastructure Investment Bank and the National Development Bank in Sri Lanka on matters related to ensuring ethical conduct institutionally as well as advancing effective channels for reporting wrongdoing and protecting whistleblowers.

2.5 Awareness Raising and Communications

20. As part of its regular awareness-raising campaign, the IIU contributed 8 entries to the weekly staff email newsletter during the reporting period informing on relevant news and activities of the Unit and inviting audiences to view educational materials on Prohibited Practices.

21. **Global Partnerships.** In its efforts to build strategic leadership and partnerships in the international climate finance landscape, the IIU partnered with Transparency International in co-convening a panel session on integrity entitled, “Climate Action: Time for Integrity” during the International Anti-Corruption Conference in November 2020. The Unit also had the opportunity to contribute as a resource institution for a working paper on an integrity risk index for the water

and sanitation sector developed by the Water Integrity Network and the Government Transparency Institute.

22. **International Anti-Corruption Day 2020.** The IIU mounted an advocacy campaign aimed at GCF Personnel, integrity counterparts at Accredited Entities, and the general public using its official communication channels and collaborating with the Secretariat on releasing content on the official social media platforms of GCF. The IIU released an email newsletter to an external audience of 223 and an internal audience of 376. A video explaining Prohibited Practices was published on YouTube which has 114 views while social media content published on LinkedIn, Twitter, Facebook, and Instagram has a combined engagement of 2,756 views.

2.6 Investigations

23. **Case Management System.** In early January 2021, the IIU has concluded the procurement process for a robust and secure case management system (CMS) to support the investigation function of the Unit. Working in partnership with the selected vendor, the IIU has kicked off the workflow and system design process. Full implementation of the CMS is expected to be completed by the second quarter of 2021.

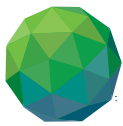
24. The CMS integrates a complaints hotline and will serve as the primary collaborative platform and investigations management mechanism of the IIU. The system will serve to register complaints, conduct eligibility checks, case assignment, evidence tracking, case reviews, approvals, and/or referrals, etc.

25. The IIU registered six new cases during the reporting period from 1 October 2020 to 22 February 2021, taking the total for the year 2020 to 31 cases as presented in Table 1 below. Three new cases involved allegations of staff misconduct, two alleged project-related integrity violations, and the other one related to non-integrity violation. These cases are currently under preliminary review.

26. The IIU closed 10 cases during the reporting period including one substantiated case of staff misconduct with appropriate recommendations submitted to the relevant decision-making authorities. Six cases were determined to be unsubstantiated after preliminary review and the other three were closed following intake assessment.

Table 1. Count of Cases Opened by Type

Type of Cases	2018	2019	2020	2021
Project-Related Reports	3	4	4	1
Fraud	2	1	2	0
Corruption	1	2	1	0
Collusion	0	1	0	1
Conflict of Interest	0	0	1	0
Staff Misconduct	15	24	17	0
Abuse	4	8	1	0
SEAH	1	2	3	0
Harassment	4	6	8	0
Fraud	0	1	2	0
Collusion	0	1	0	0
Retaliation against Whistleblowers and Witnesses	1	1	1	0



Type of Cases	2018	2019	2020	2021
Conflict of Interest	5	5	1	0
Other Misconduct	0	0	1	0
Non-Integrity Violation	3	12	10	0
TOTAL	21	40	31	1
