



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**

4 – 7 October 2021

Virtual meeting

Provisional agenda item 10

**GCF/B.30/Inf.14**

14 September 2021

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# Report on the activities of the Independent Integrity Unit

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## **Summary**

This report provides an update on the progress made by the Independent Integrity Unit in the implementation of its 2021 Work Programme as adopted by the Board at its twenty-seventh meeting. The reporting period is from 8 June 2021 to 13 September 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 2021 Work Programme as approved by the Board.<sup>1</sup> It provides an update on work done by key priority areas in the reporting period from 8 June 2021 to 13 September 2021.
2. Consistent with the IIU 2021 Work Programme, activities during the reporting period were focused particularly on the following priorities:
  - (a) 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.

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

### 2.1 Investigations

3. **Case Management System.** At the time of this report, the IIU is in the process of completing user acceptance testing and the configuration of its case management system (CMS), which is expected to be launched by the end of September 2021. The CMS integrates a 24/7 multilingual complaints intake hotline and will serve as IIU's primary platform to manage the investigations process. Its features include, but not limited to, complaint registration, eligibility checks, case assignment, evidence-tracking, case reviews and approval, and case referral. Going into 2022, IIU plans to continue optimizing the system after taking into consideration evolving business processes and the resolution of post-deployment issues.
4. The goal is to make the CMS a collaborative platform that streamlines investigation processes, applicable prevention workflows, and reporting requirements. The system's analytic capabilities and flexible reporting dashboard will allow for improved efficiencies by providing real-time access to investigation data and pertinent performance indicators. The IIU intends to utilize the analytics and reporting features to inform its investigations and prevention functions.
5. **Case Information.** The IIU has not received any new complaints in the current reporting period, and the total number of cases opened in 2021 remained at five, including three project-related cases and two cases concerning staff misconduct. The comparative statistics are represented in Table 1.
6. The IIU closed nine cases during the reporting period as illustrated in Table 2. Five cases were determined to fall outside the IIU's jurisdiction and were closed after intake assessment, including one case referred to the relevant Accredited Entity. Following preliminary assessment, four were determined to be unsubstantiated and were also closed.
7. In addition, the IIU advanced one case which was determined to be within the IIU's mandate following a preliminary assessment.

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<sup>1</sup> As in decision B.27/08.

**Table 1: Count of Cases Opened by Type**

Type of Cases	2018	2019	2020	2021
<b>Project-Related Reports</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3</b>
Fraud	2	1	2	0
Corruption	1	2	1	1
Collusion	0	1	0	1
Conflict of Interest	0	0	1	0
Other Project-Related Reports	0	0	0	1*
<b>Staff Misconduct</b>	<b>15</b>	<b>24</b>	<b>17</b>	<b>2</b>
Abuse	4	8	1	1
SEAH	1	2	3	0
Harassment	4	6	8	1
Fraud	0	1	2	0
Collusion	0	1	0	0
Retaliation against Whistleblowers and Witnesses	1	1	1	0
Conflict of Interest	5	5	1	0
Other Misconduct	0	0	1	0
<b>Non-Integrity Violation</b>	<b>3</b>	<b>12</b>	<b>10</b>	<b>0</b>
<b>TOTAL</b>	<b>21</b>	<b>40</b>	<b>31</b>	<b>5</b>

\* One case was reclassified as Corruption.

**Table 2: Count of Cases Closed by Quarter**

Year	Q1	Q2	Q3	Q4	Total
<b>2018</b>	0	2	1	2	<b>5</b>
<b>2019</b>	1	1	15	20	<b>37</b>
<b>2020</b>	5	8	9	9	<b>31</b>
<b>2021</b>	1	8	7	N/A	<b>16</b>

## 2.2 Integrity Policy Implementation Guidance and Oversight

8. **Provision of Guidance on Policy Implementation.** 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. During the current reporting period, 10 advisories have been provided.

9. Such advisories covered the interpretation and application of GCF integrity policies in Fund-related Activities pertaining to:

- (a) Potential Conflicts of interests for Board Members, Board-Appointed Officials, and External Members;
- (b) Counterparty due diligence regarding a Funded Activity;
- (c) Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Policy;

- (d) Policy on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH); and
- (e) Integrity safeguards in contractual agreements with Counterparties.
10. **Advisory and Guidance Guidelines.** The IIU is in the process of developing procedures to streamline and standardize the issuance of advisories and for monitoring the implementation of these advisories.
11. **Policy Implementation Oversight.** In compliance with the policy requirements to report to the Board on the implementation status of integrity policies, during the reporting period, the IIU undertook to draft Implementation Reports on the *Policy on Prohibited Practices* and the *Policy on the Protection of Whistleblowers and Witnesses*. The reports analyse the activities undertaken to implement the policies in 2020 followed by recommendations to improve the effectiveness of the Policies. The IIU engaged with various divisions of the Secretariat in the process from which valuable feedback was received to further strengthen the implementation efforts.
12. **Update of the Initial Fiduciary Principles and Standards.** By decisions B.07/02 (b), B.14/01 (f), B.BM-2018/21 (c), B.23/15 (b), and B.23/16 (b)(i), the Board requested “*the Accreditation Committee in consultation with the Head of the Independent Integrity Unit to consider best ways to integrate integrity policies<sup>2</sup> in the initial fiduciary standards and present to the Board a proposal for its consideration*”. Complying with this mandate, during the reporting period, the Unit commenced the consultation of the updated draft of the “Transparency and Accountability” section of the *Initial Fiduciary Principles and Standards* adopted in 2014. The importance of updating the Fiduciary Standards is grounded in paragraph 63 of the GCF’s Governing Instrument by which the Board must ensure that such standards are applied “*to the Fund’s entities, the trustee’s function related to the Fund, and to all operations, projects and programs financed by the Fund, including the implementing entities*”. As such, the updated Fiduciary Standards are aimed to improve and provide better clarity for accreditation and reaccreditation purposes. The IIU aims to present the update to the Board for its consideration during the fourth quarter of 2021.
13. **Administrative Remedies and Exclusion Framework.** The *Administrative Remedies and Exclusion (ARE) Policy* was adopted by the Board in decision B.BM-2021/09. The Policy sets the integrity enforcement framework and will become operational following set-up of the first and second-tier of the sanctions regime. The IIU in collaboration with the Secretariat are currently in the drafting phases of the secondary documents, which will operationalise the ARE framework. IIU is currently working on the following secondary documents:
- (a) The Administrative Remedies and Exclusion Procedures;
- (b) The Administrative Remedies and Exclusion Guidelines for the implementation;
- (c) The Integrity Compliance Guidelines; and
- (d) The Settlement Guidelines.
14. **AML/CFT Standard SOPs.** The IIU undertakes ongoing engagement with the Secretariat to finalize the SOPs to operationalize the AML/CFT Standards adopted by the Board in B.23. The approval and adoption of these SOPs will clarify and standardize the due diligence efforts to be undertaken with emphasis on review of funding to assure that ML/FT risks as well as integrity concerns will be adequately assessed and addressed.
15. **Investigation Standards and Investigation Manual.** The IIU continued exhaustive consultations with the Secretariat and Independent Units in the development of the

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<sup>2</sup> Policy on Prohibited Practices, Policy on the Protection of Whistleblowers and Witness, Anti-Money Laundering and Countering the Financing of Terrorism Policy and Standards.

Investigation Standards. The latest draft of the document incorporates valuable feedback provided during these engagements and has been cleared for circulation to GCF Personnel for additional comments before progressing to the Ethics and Audit Committee for its consideration. The IIU has also furthered the development of the Investigation Manual into its second substantive iteration and has similarly shared the document with relevant divisions of the GCF Secretariat for consultations. The Investigations Manual is intended to support the Investigation Standards and articulates operating procedures of the IIU's investigation function.

## 2.3 Integrity Risk Assessment and Proactive Integrity Reviews

16. **Documentation.** During the reporting period, the IIU drafted three internal documents. One explains the IIU approach to PIR project identification. The second one presents both machine learning results and the approach to red flag detection (including downstream analytic products such as the IIU's Project-level integrity risk ranking, plus a measure of Portfolio Quality by Integrity Risk Rating and Instrument). The third document will be used in subsequent collaborations with stakeholders, and further elaborates on Proactive Integrity Reviews (PIR), their purposes, how they are conducted, and how they engage with stakeholders. This document was prepared to facilitate consultation with the Secretariat to increase common understanding of PIR processes, to facilitate collaboration and to address any concerning matters with regard to implementation.

17. **Integrity Due Diligence Platform.** The IIU wrote modular infrastructure configurations according to best practices, improving the security and reliability of the platform. The Unit also updated the configuration of the IIU's data integration tools, developing data flow automations required to serve IIU machine learning models with fresh data.

18. **Stakeholder Engagement.** The IIU made nine internal presentations on PIRs throughout the period, including to the Executive Director, the Senior Management Team (SMT), the Heads of Units, and to some individual units of the Secretariat. The value of the IIU's integrity risk identification implementation in the PIR process was self-evident, and was universally acknowledged to have greater application across other functions of GCF operations. In collaboration with the Secretariat, the IIU aims to continue this development to inform risk mitigation decisions.

## 2.4 Capacity Building Technical Assistance

19. **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 four additional Accredited Entities. By the end of the period, the total number of MoU negotiations underway was 35.

20. **Cooperation with the international community.** The IIU continues to identify and establish cooperation with the communities of integrity offices from International Financial Institutions and Multilateral Development Banks and other regional financial institutions.

21. **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 (GIZ)-led Peer-to-Peer Learning Alliance. As part of the engagement the Unit is invited to participate in the workshop series organized by the alliance on institutional integrity issues in September 2021.

## 2.5 Awareness Raising and Communications

22. **Staff Newsletter and the 2020 Annual Report.** The IIU actively contributed entries to the weekly staff newsletter. Three articles were submitted covering updates on events and new developments at the Unit. The IIU also distributed the 2020 Annual Report in digital format to GCF Personnel. The campaign's open rate performance is 38.9%.

## 2.6 External Activities

23. **Stockholm World Water Week.** On 23 August 2021, the Head of the IIU participated as a panelist discussing "*The Role of the Financier in Mitigating Integrity Failures and Maladaptation*" along with resource speakers from the South Africa Kulima Integrated Development Solutions and the Central American Bank for Economic Integration (CABEI). The IIU co-convened the session with the Water Integrity Network (WIN). 304 participants from civil society, academia, and the development sector registered for the event.

24. As part of Stockholm World Water Week, IIU in collaboration with WIN submitted a joint paper with the theme, "*Understanding the nexus between climate finance and corruption: The experiences of the Green Climate Fund and the Water Integrity Network in instilling integrity*". The objective of the paper was to share the experiences of the GCF and WIN in developing policies and measures to counter prohibited practices in climate finance projects.

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