



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
4 – 7 October 2021  
Virtual meeting  
Provisional agenda item 10

**GCF/B.30/Inf.15**

14 September 2021

---

# 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. The report assesses and measures the actions taken to implement the Policy in 2020.

## I. Introduction

1. Ensuring integrity and preventing Prohibited Practices are essential to the achievement of the mission of the Green Climate Fund (“GCF”). These assurances benefit effective and efficient performance and enhance transformational impacts to safeguard the natural environment and the wellbeing of humanity. Prohibited Practices and Wrongdoings expose the GCF to legal and reputational risks undermining climate action and public confidence. As an expression of its zero tolerance toward Prohibited Practices<sup>1</sup> and commitment to uphold fiduciary responsibilities, the GCF adopted the Policy on Prohibited Practices (“Policy”) by decision B.22/19, paragraph (h) in 2019.
2. The Policy defines the types of conduct prohibited by the GCF, establishes the obligations required of Covered Individuals and Counterparties in carrying out GCF-funded activities, and outlines corrective measures to be taken by the GCF in cases of non-compliance.
3. By paragraph 39 of the Policy, the IIU is required to report to the Board annually on the implementation of the Policy. Following the first annual Implementation Report published in 2020<sup>2</sup> which analysed each Policy provision and assessed the progress made by various stakeholders in complying with the Policy in 2019, this report covers the activities undertaken to implement the Policy in 2020. Differing from last year’s report where a detailed analysis was provided regarding roles and responsibilities of Covered Individuals and Counterparties, this report focuses on how the Policy was implemented to ensure prevention, investigation, remediation of Prohibited Practices, and communication of Policy standards. Subsequently, the report identifies areas where the GCF could strengthen its implementation efforts. The IIU engaged with various divisions<sup>3</sup> of the Secretariat for feedback and comments. The summary of the consultation is presented in annex I to this document.
4. The first report covered the period from March 2019 to February 2020 to report on the year following the adoption of the Policy in February 2019. From here on, the IIU will report on a calendar year basis to align with the general reporting timelines of the GCF.

## II. Implementation of the Policy

### 2.1 Prevention of Prohibited Practices

5. Recognizing the critical importance of preventing Prohibited Practices at the outset as opposed to applying ex-post remediation, the GCF endeavored to ensure compliance by parties with the Policy as follows during the reporting period.
6. **Setting the tone from the top.** The Policy contains a clear statement of zero tolerance of Prohibited Practices. In 2020, the GCF senior management and the IIU endeavored to communicate the message throughout the organization via regular educational and advocacy-driven content published on various platforms. The message was conveyed as a regular reminder via the internal staff newsletter, a promotional video, and also through required training modules for onboarding new personnel and commemorative messages to stakeholders when introducing updates on accountability measures. Such commitment is also supported by

---

<sup>1</sup> As defined in the *Policy on Prohibited Practices*, paragraph 6(o).

<sup>2</sup> <https://www.greenclimate.fund/document/gcf-b27-inf07>.

<sup>3</sup> The Office of the General Counsel, the Office of Risk Management and Compliance, the Office of Internal Audit, and the Office of the Executive Director represented by the Ethics Senior Advisor.

the application of the three lines of defence model to create an efficient control environment, aimed at creating an ethical and integrity-driven culture within the GCF.

7. **Contractually requiring Counterparties' commitment.** The Policy mandates the GCF Secretariat, in collaboration with the IIU, to implement the Policy by making contractual protections, assessing, reviewing, monitoring, and reporting the compliance of parties to this Policy<sup>4</sup>. Continuing from previous years, the IIU, in cooperation with the Secretariat, made efforts in 2020 to ensure the Policy obligations are enforced through contractual agreements with Counterparties. Such agreements include Accreditation Master Agreements ("AMAs"), Readiness and Preparatory Support Program Grant Agreements, Funded Activity Agreements, and service contracts. Through such agreements, GCF partners are required to comply with the Policy on Prohibited Practices to prevent, report, investigate, and mitigate Prohibited Practices in the implementation of GCF-funded activities and to cooperate with the IIU investigations, if required.

8. Furthermore, the IIU undertook advisory roles in order to ensure all contractual agreements with GCF Accredited Entities and Delivery Partners include representations and warranties ensuring that the same obligations are cascaded to contractors and other downstream actors responsible for the deployment of GCF resources. In 2020, the IIU issued a total of 30 advisories on matters pertaining to such contractual agreements to ensure integrity safeguards are embedded and Counterparties are informed of their compliance obligations with the Policy. The most frequently covered subject matters include: the application of Counterparties' own policies to comply with the GCF integrity standards; the prevention of money laundering/terrorist financing and Prohibited Practices; and investigation jurisdictions and arrangements between the GCF and Counterparties. During the reporting period, no violation is alleged to have been committed by entities necessitating termination of the relationship.

9. **Risk assessment, due diligence, and monitoring.** To enable the effective identification and mitigation of integrity risks early on in Fund-related Activities, GCF Personnel and partners are encouraged to seek advice from the IIU<sup>5</sup> in their efforts to meet the obligations stipulated in the Policy. The IIU provided guidance to stakeholders by issuing 47 advisories in 2020 as proactive risk mitigating measures regarding i) the incorporation of the Policy obligations into various operational procedures such as the Accreditation assessment criteria, the Finance Manual, the Procurement Guidelines, and the Grievance Architecture; and ii) the interpretation and application of the Policy obligations in Fund-related activities.

10. The Policy requires that the IIU take proactive measures to prevent the occurrence of Prohibited Practices. Accordingly, the IIU plays an oversight role over integrity risk management in GCF Funded Activities by conducting proactive integrity reviews<sup>6</sup>. Although the global health crisis presented challenges that impeded initial plans in 2020, the IIU made progress in developing a data-driven integrity risk assessment tool over projects and programs. Additionally, to aid in the development of capacities to prevent money laundering and terrorist financing, the IIU supported efforts to enhance counterparty due diligence and monitoring which forms an integral part of Counterparty compliance with the Policy. The IIU carried out activities which include i) the oversight and the provision of guidance over the development of the standard operating procedures for preventing money laundering and terrorism financing; and ii) the integrity review of monitoring mechanisms with a focus on regular reporting by Accredited Entities. The review indicated that the GCF can benefit further by enabling the Annual Performance Report to provide information on actions taken to prevent Prohibited Practices including money laundering and terrorist financing, Counterparties' due diligence

<sup>4</sup> *Policy on Prohibited Practices*, paragraph 40.

<sup>5</sup> *Policy on Prohibited Practices*, paragraph 21.

<sup>6</sup> *Policy on Prohibited Practices*, paragraph 11.

efforts, and compliance or derogations from the GCF integrity standards which, in turn, will inform the GCF regarding enhanced monitoring requirements, as necessary. Such findings and recommendations will be communicated to relevant divisions as part of the Proactive Integrity Review.

11. **Communication and training.** The Policy mandates the IIU to communicate the Policy and other integrity policies to all stakeholders as far as possible<sup>7</sup>. The unexpected global restrictions imposed by the pandemic limited the capabilities of the IIU to engage with relevant stakeholders and to effectively execute the communication and training activities reflected in its 2020 Work Programme. In response, at the onset of the pandemic, the Unit moved to use online mechanisms to carry out capacity building or awareness raising initiatives such as informational bulletins and email newsletters to both GCF Personnel and partners. The IIU also initiated a business impact analysis and developed and issued Crisis Communication Plan to both Covered Individuals and Counterparties with a view to enhancing their communications during emergency situations including reporting of suspected Wrongdoing.

12. In early 2020, the IIU also produced its first explainer video discussing what constitutes Prohibited Practices and what are the obligations of different stakeholders in adhering to Policy standards. The IIU contributed 17 entries to the internal newsletter and sent three email newsletters received by over 599 GCF staff and Accredited Entity representatives. For 2020 Anti-Corruption Day, the IIU released a video interview of staff expressing what an 'Integrity Champion' is to foster a sense of community around the advocacy of integrity. The campaign received a combined engagement of 3,791 views on the official internal and social media channels of GCF.

13. As mentioned in the previous report, the Secretariat organized a series of mandatory training sessions in cooperation with the IIU in February 2020 with a view to raise awareness on Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH) issues and to advance a sustained culture of integrity. 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. In 2020, the IIU also communicated the Policy standards through staff consultations by engaging with the Personnel Council in July and August 2020 and through online induction module on a regular basis. From the induction to the GCF and throughout their employment, GCF Personnel are required to attend sessions or complete online modules with an aim to improve their knowledge on the types of conducts that are prohibited and their responsibilities in meeting the standards. The IIU further explored alternative modes of training options taking into consideration a remote working arrangement due to the pandemic which will be rolled out in the coming years.

14. **Technical support for Accredited Entities.** The Policy obliges the IIU to provide capacity support to Accredited Entities and other Counterparties to comply with the Policy. 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 comply with the Policy obligation to closely cooperate with Accredited Entities by concluding Memoranda of Understanding (MoUs) to agree upon cooperation modalities such as best practice sharing for peer learning, joint investigative activities, and capacity strengthening support. In 2020, the IIU established new contacts with 22 integrity offices of Accredited Entities with effective AMAs and concluded eight MoUs. The discussions over cooperation provided an opportunity for the IIU to better understand the needs of each entity, the information that will be subsequently used in determining the extent to which the capacity building support is required.

---

<sup>7</sup> Policy on Prohibited Practices, paragraph 35.

## 2.2 Reporting, Investigation, and Remediation

15. Covered Individuals and Counterparties continued to fulfil their responsibility to report suspected Wrongdoing in relation to Fund-related Activities during the reporting period. Decreasing from the previous year by 22.5 percent, a total of 31 cases were reported to the IIU in 2020, of which 68 percent (21 cases) were reported by Covered Individuals; 3 percent (1 case) by a Counterparty, 26 percent (8 cases) were reported by other third parties; and 3 percent (1 case) was made anonymously.

16. As detailed in Table 1 below, similarly to the previous year, cases concerning Harassment and Sexual Harassment continue to constitute a large portion (52%) of the cases reported and substantiated. 19 percent of the cases (4 cases) concerned Counterparties and the implementation of projects/programs, while 80 percent (17 cases) related to Covered Individuals.

**Table 1: Types of cases opened and investigated by IIU in 2020**

Type of Cases		Concerned Party	Number of Opened Cases	Number of Substantiated Cases	Corrective Measures Imposed
Prohibited Practices	Corruption	Counterparty	1 (4.7%)		
	Fraud	Counterparty (2)/ Covered Individual (2)	4 (19%)		
	Abuse	Covered Individual	1 (4.7%)		
	Retaliation against Whistleblowers and Witnesses	Covered Individual	1(4.7%)		
Other Wrongdoings	Sexual Harassment	Covered Individual	3 (14%)	2	Y
	Conflicts of Interest	Covered Individual (1)/Counterparty (1)	2 (9.5%)		
	Harassment	Covered Individual	8 (38%)	3	Y
	Misconduct	Covered Individual	1(4.7%)		
Others	Non-integrity Issues		10		
<b>Total Number of Cases</b>			31	5 <sup>8</sup>	

17. Following investigation, five cases relating to Sexual Harassment and Harassment were substantiated. Out of those five cases, two cases were opened in 2020 (as reflected in Table 1) and three cases were carried over from 2018 and 2019. All of the five substantiated cases concerned one Covered Individual against whom disciplinary measures were imposed by the GCF. Termination of the individual's employment contract with the Fund was taken in line with the Human Resources Legal Framework.

18. Regarding cases concerning Counterparties, in 2020 there were no cases that led to administrative sanction decisions. In looking forward, with the adoption of the *Administrative*

<sup>8</sup> This includes three cases carried over from 2018 and 2019.

*Remedies and Exclusions Policy* (decision GCF/BM-2021/07), the GCF expects to institute a formal administrative process designed to offer respondents due process prior to a decision on remedial measures.

19. As for the investigation of alleged or suspected Wrongdoing by GCF Personnel working under the authority of the IIU, the Policy requires the Secretariat to develop appropriate procedures in consultation with the Board<sup>9</sup>. As it stands, development of such procedures remains pending. To bridge the policy gap, it will be important for the Secretariat to make progress toward developing this mechanism for the Board's consideration and approval as soon as practicable.

## 2.3 Prevention and Mitigation of Conflicts of Interest

20. In compliance with the responsibility imposed by the Policy to avoid situations that might lead to Conflicts of Interest, in 2020, the Secretariat continued to require and receive from all Staff Members, annual declarations of any real or perceived conflicts of interests concerning themselves and their immediate family members. Additionally, during the reporting period, in two instances, GCF Personnel sought advice from the Ethics Senior Advisor regarding potential Conflicts of Interest and on one occasion, the IIU sought advice from the Ethics Senior Advisor regarding a matter reported to the IIU.

21. The IIU received two requests for advice regarding the standards applicable for conflicts of interest situations related to gifts and benefits from external parties. Upon assessment, the IIU provided advisories outlining the scope and extent to which the actual conflict may arise in order to adequately mitigate risks. Such guidance was reflected in action resulting in the avoidance of a situation giving rise to a conflict of interest. To better guide Covered Individuals on what constitutes Conflicts of Interest and their obligations to disclose, the IIU initiated the drafting of the guidelines for dissemination to relevant Covered Individuals.

22. 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. Given the negative impact of failure to mitigate conflicts of interest on the outcome of the GCF projects/programs, and to be fully compliant with the Policy mandate to ensure compliance, the GCF would further benefit from enhancing its monitoring efforts regarding Conflicts of Interest risk management by establishing regular reporting requirements by Counterparties.

23. The IIU recognises that the Ethics and Conflicts of Interest Policies ("Ethics Policies") for various groups of Covered Individuals set obligations, inter alia, regarding ethical conduct, the disclosure of interests, and the receipt of gifts. Hence, the Ethics Policies and the Policy on Prohibited Practices present common Fund-wide standards and procedures. As such, going forward, a common reporting framework may be explored to combine the above assessments with information on the implementation status of the Ethics Policies. Regarding the latter, to enable reporting, the delineation of roles and responsibilities should be more clearly defined and capacities to collect and monitor the reported and declared Conflicts of Interest data should be enhanced to support integrity risk management.

## III. Recommended Actions

24. Taking into consideration the activities undertaken, it is recommended that the IIU and the Secretariat further strengthen its efforts in implementing the Policy to ensure that:

---

<sup>9</sup> *Policy on Prohibited Practices*, paragraphs 24 and 27.

- (a) The Secretariat develops the reporting and investigation procedures to be applied for cases involving GCF Personnel working under the authority of the IIU as soon as applicable for the Board's approval;
- (b) Regular reporting on the implementation of the Ethics and Conflicts of Interest Policies is conducted to enhance transparency of GCF's accountability on Conflicts of Interest and other ethics matters including the receipt and declaration of gifts;
- (c) Regular reporting by Counterparties is strengthened to include information on overall compliance with the Policy including due diligence efforts and the management of Conflicts of Interest in the project implementation;
- (d) The Policy and other GCF integrity standards are communicated externally especially regarding the reporting obligations to downstream partners such as executing entities and contractors;
- (e) Counterparty capacity is strengthened to enable the assessment, review, monitoring, and reporting of the compliance by Counterparties with the Policy through a systematic capacity building mechanism; and
- (f) Integrity risks are assessed regularly across the GCF, and a central integrity risk register is maintained which can inform the integrity framework and integrity risk management.

## Annex I: Process and Key Outcomes of GCF Consultations on the Implementation Report on the Policy on Prohibited Practices

1. In accordance with its integrity policy obligation, the IIU prepared annual Implementation Reports on the Policy on Prohibited Practices and provided draft versions to the Secretariat for feedback and comment. Although the Policy does not impose the communication obligation, the IIU consulted the draft implementation report on the Policy with the Secretariat as a matter of good practice. The overall consultation period lasted between 23<sup>rd</sup> August and 8<sup>th</sup> September 2021.
2. With regard to comments and feedback received by the Secretariat including the Office of General Council, the Office of Risk Management and Compliance, the Office of Independent Audit, the Office of the Executive Director represented by the Ethics Senior Advisor, the IIU undertook to make necessary revisions and/or to provide clarifications regarding certain information presented in the reports. Overall, there were several matters where differing opinions exist regarding the reporting period, the responsibilities of the IIU and the Secretariat in policy implementation, and the scope of information which should be included in the reports. Many of these concerns were also reflected the Secretariat's Management Response to the 2019<sup>1</sup> implementation report. These issues are summarized here with the IIU's clarifications for the consideration of the EAC and the Executive Director.
  - (a) **Reporting periods.** The Secretariat consistently requests that the IIU prepare the annual reports for the year period beginning from the date each Policy was adopted and became effective. For the Whistleblowing Policy this would be 21<sup>st</sup> December<sup>2</sup> 2018 and for the Prohibited Practices Policy, it would be 28<sup>th</sup> February 2019<sup>3</sup>. While the IIU adjusted the 2019 annual Implementation Report on the Prohibited Practices Policy to the February-March period in strict observance of the Policy adoption date, in order to streamline overall reporting and increase efficiency, the IIU moves to adjust all integrity policy reporting to January-December calendar years;
  - (b) **Inclusion of IIU recommendations or advice in implementation reports.** The Secretariat recommends that the implementation reports strictly present what actions were taken to implement the Policies during the reporting period and that recommendations or advice for improvements assessed by the IIU should be avoided. The IIU differs from this view as the IIU understands that the objective of the reports is to review effective implementation. As such, the IIU determines that it would be contrary to the aim of the reports and to the IIU's mandate<sup>4</sup> to not recommend or advise where effectiveness could be better assessed or demonstrated;
  - (c) **Inclusion of advice or recommendations deemed to be outside scope of policies.** The Secretariat is of the opinion that the IIU's recommendations or advice provided in the reports contain or involve activities which are not mandated by the policies or Board decisions and that such actions require a separate Board decision to be undertaken. In the IIU's understanding, the type of actions recommended to improve the policy's effectiveness follow from the obligations set out in the Policies, and as such, do not

<sup>1</sup> Annual Implementation Report on the Policy on Prohibited Practices: Secretariat management response <https://www.greenclimate.fund/document/gcf-b27-inf07-add01>.

<sup>2</sup> Policy on the Protection of Whistleblowers and Witnesses, para. 75:

<https://www.greenclimate.fund/sites/default/files/decision/bbm-2018/decision-bbm-2018-21-annex1.pdf>

<sup>3</sup> Policy on Prohibited Practices, para. 45: <https://www.greenclimate.fund/sites/default/files/decision/b22/decision-b22-19-b22-a14.pdf>

<sup>4</sup> Terms of Reference of the Independent Integrity Unit, para. 15(h):

[https://iiu.greenclimate.fund/documents/1226411/1237082/Terms\\_of\\_Reference\\_of\\_the\\_Independent\\_Integrity\\_Unit.pdf/50c468f6-bc58-9e7f-0f5f-17834705a7fa](https://iiu.greenclimate.fund/documents/1226411/1237082/Terms_of_Reference_of_the_Independent_Integrity_Unit.pdf/50c468f6-bc58-9e7f-0f5f-17834705a7fa)



require a specific Board decision. Such recommended actions are not additional per se but one that should be understood as necessary components of the obligation under para. 38 to ensure its effective implementation. Accordingly, a separate Board decision text whereby the Board would mandate such action to be undertaken is not required;

- (d) **Inclusion of recommendation concerning the implementation of the GCF's Ethics Policies that Conflicts of Interest should be prevented and mitigated.** This Policy is reflected in common obligations set out in the Policy on Prohibited Practices<sup>5</sup>, Administrative Policies of the Secretariat, and the multiple Ethics and Conflicts of Interest Policies of the Fund concerning GCF Covered Individuals, namely the Board, the Executive Director, other Board-Appointed Officials, and External Members of independent panels and groups of the Fund. The Implementation Report on Prohibited Practices does not cover the implementation performance concerning the latter set of policies because, as the Secretariat says, those obligations are outside the scope of the Prohibited Practices Policy. While this is clear, it is also clear that reporting mechanism for the implementation of said Ethics Policies does not exist. The IIU presents this concern in its implementation report and recommends that such reporting be undertaken as appropriate, on the basis of the guiding principles of the Prohibited Practices Policy; and
- (e) **Inclusion of Wrongdoing and activities to prevent anti-money laundering and counter terrorist financing actions.** The Secretariat is of the view that the scope of the report on the implementation of the Policy should contain only the matters pertaining to Prohibited Practices and not Wrongdoings. The Secretariat also proposed that the activities undertaken to support counterparty due diligence and prevent money laundering and terrorist financing be removed and dealt with in a separate report. The IIU has explained that the scope of the Policy on Prohibited Practices also includes Wrongdoings as it requires Covered Individuals and Counterparties to report Wrongdoings, obliges IIU to investigate suspected Wrongdoings, and requires the GCF to impose remedial measures on substantiated Wrongdoings<sup>6</sup>. Additionally, the IIU has included activities it has undertaken to prevent Prohibited Practices which include Money Laundering and Financing of Terrorism.

---

<sup>5</sup> *Policy on Prohibited Practices*, para. 9: Covered Individuals and Counterparties shall maintain the highest level of integrity, accountability and efficiency, refrain from directly or indirectly condoning, encouraging, participating or engaging in Prohibited Practices in any Fund-related Activity and take action to deter, mitigate and/or correct Conflicts of Interest.

<sup>6</sup> *Policy on Prohibited Practices*, paras. 10, 16, 17, 24, 25, 26, 27, 28, 29, and 33.