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# Integrity in Climate Action: The Role of the Independent Integrity Unit

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**Skopje, Republic of North Macedonia**  
18–22 March 2024



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# Agenda

- Why integrity is important in climate finance
- Introduction to the Independent Integrity Unit
- Introduction to the GCF policy framework and the Policy on Prohibited Practices
- Your obligations as a GCF Counterparty
- Reporting to the IIU

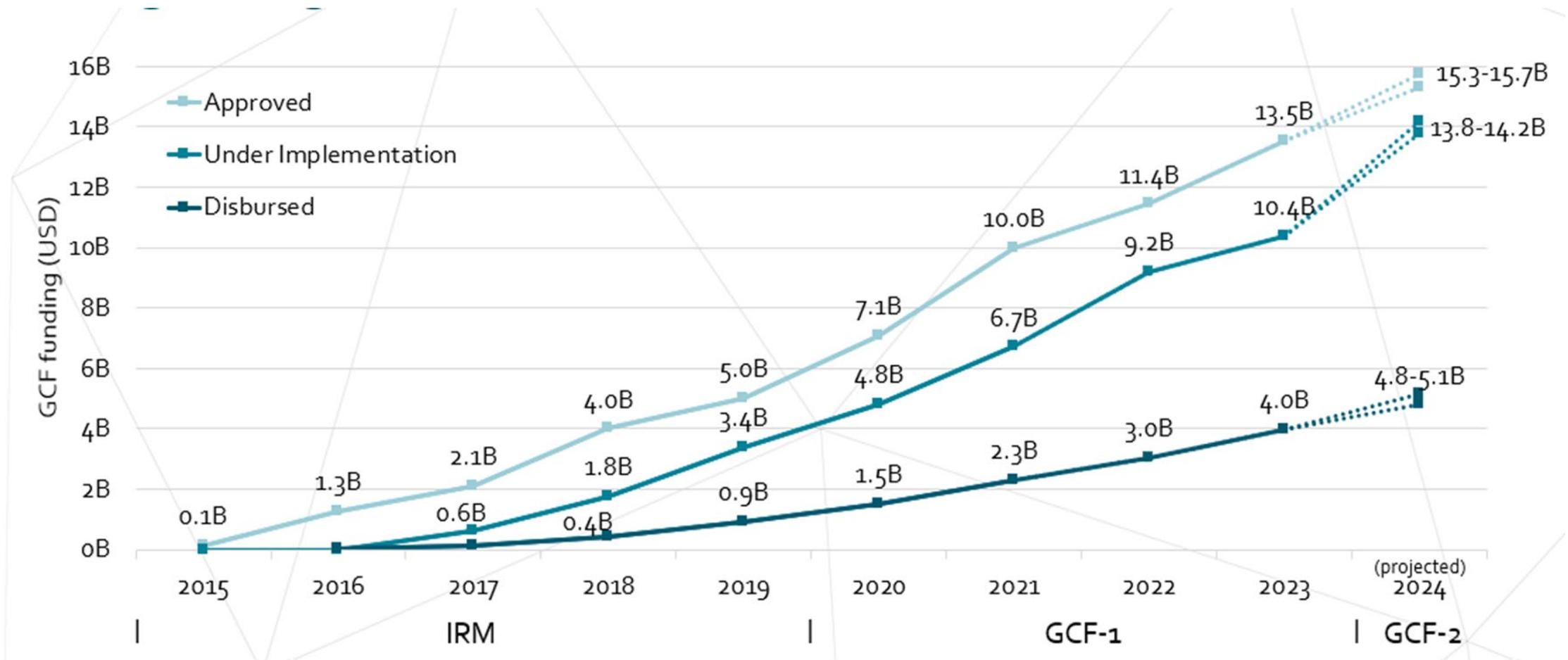
# Climate finance is risky because it is complex



Skop

arch

# More money in climate finance = more complexity, risk



# Corruption in Climate Finance negatively impacts Climate Change Intervention

## Climate & Corruption Case Atlas

All



Abuse of office and retaliation at the US Environmental Protection Agency

United States

Abuse of office, Whistleblowing

Brazil's environmental minister caught up in illegal logging case

Brazil

Collusion, Indue influence

Bribes paid to Head of State to access natural resources

Guinea

Bribery

CSOs' legal win over illegal hvdropower



**Source:** Climate & Corruption Atlas - <https://www.transparency.org/en/projects/climate-governance-integrity-programme/climate-corruption-atlas>

# Project Delays and Failures



## Undermining Actions

Corruption can lead to project delays and failures, undermining climate action and derailing resources.



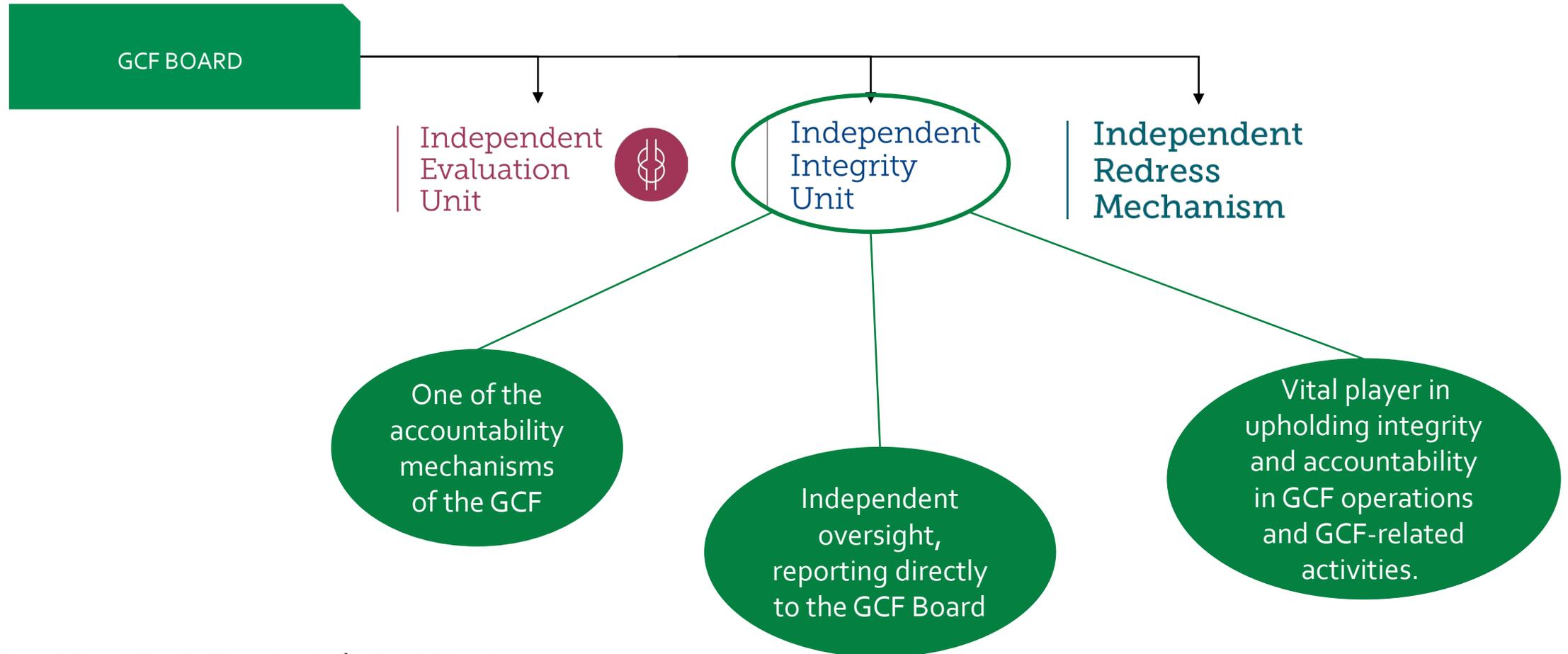
## Reduced Effectiveness

The financial drain caused by corruption diminishes the potential impact of climate projects, limiting progress towards sustainability goals.

The diversion of funds and resources due to corruption means less efficiency and effectiveness in combating climate change. Corruption leads to substantial financial losses that could otherwise fund critical climate initiatives, reducing the overall effectiveness of climate action.



# Who we are



# Principle responsibilities of the IIU



Assess and investigate suspected integrity violations in GCF-funded activities and report findings to respective authorities



Advise the GCF on integrity policies



Collaborate with peer institutions



Build integrity capacity in GCF stakeholders



Promote awareness of integrity standards



Undertake risk analyses in GCF operations and funded activities

# GCF's Integrity Policy Framework



*Photo credit: Save the Children Australia*

## Safeguarding Projects

Outlining the GCF's integrity framework designed to safeguard projects from the prohibited practices.

## Prevention from Prohibited Practices

GCF's integrity framework sets out clear guidelines and procedures to prevent the prohibited practices in GCF funded activities.

## Promoting robust integrity mechanism

The framework promotes a robust integrity and due diligence system.



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Prevention

Policy on **Prohibited Practices**

Staff **Code of Conduct**

Policies on **Ethics & Conflicts of Interest**

Policy & Standards on **Anti-Money Laundering & Countering the Financing of Terrorism**

**Fiduciary Standards**

Revised Policy on **Sexual Exploitation, Abuse, & Harassment**

Detection

Policy on the **Protection of Whistleblowers & Witnesses**

Investigation

**Investigation Standards**

Remediation

Policy on **Administrative Remedies & Exclusion**

Staff **Code of Conduct**

# Integrity Policy Framework

# Policy on Prohibited Practices (B.22/19)

- ✓ Establishes the specific conduct and activities which are prohibited
- ✓ Outlines the obligations of GCF Accredited Entities / Delivery Partners to uphold integrity
- ✓ Describes actions by GCF when prohibited practices are alleged to have occurred



# Your Organisation's Obligations under the Policy on Prohibited Practices



## Prevent

- Use risk assessments
- Monitor mitigation measures



## Inform

- Promptly inform the IIU of alleged Prohibited Practices reported to your organisation ([integrity@gcfund.org](mailto:integrity@gcfund.org))



## Investigate

- Assess any report you receive of alleged Prohibited Practices in a GCF-related activity
- Fully cooperate with the IIU if the IIU decides to investigate itself



## Respond

- Mitigate and remedy any Prohibited Practices
- Sanctioned individuals are prohibited from participation in GCF-related activities

# The Nine Prohibited Practices



Corruption



Fraud



Collusion



Coercion



Abuse



Obstruction



Money Laundering



Terrorist  
Financing



Retaliation Against  
Whistleblowers and  
Witnesses

# Corruption



Promising, offering, giving, receiving, or soliciting anything of value or any act that involves the abuse of authority, for the purpose of **influencing the actions** of another party, or for the purpose of **obtaining an undue advantage**.

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# Fraud



Any act or omission that knowingly misleads, or attempts to mislead, a party for the purpose of obtaining a financial or other undue advantage, or to avoid an obligation.



# Collusion



Arrangement between two or more parties designed to achieve an improper purpose, including for the purpose of improperly influencing the actions of another party.

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# Coercion



Impairing or harming, or threatening to do so, directly or indirectly, any party or the property of the party for the purpose of improperly influencing the actions of a party.



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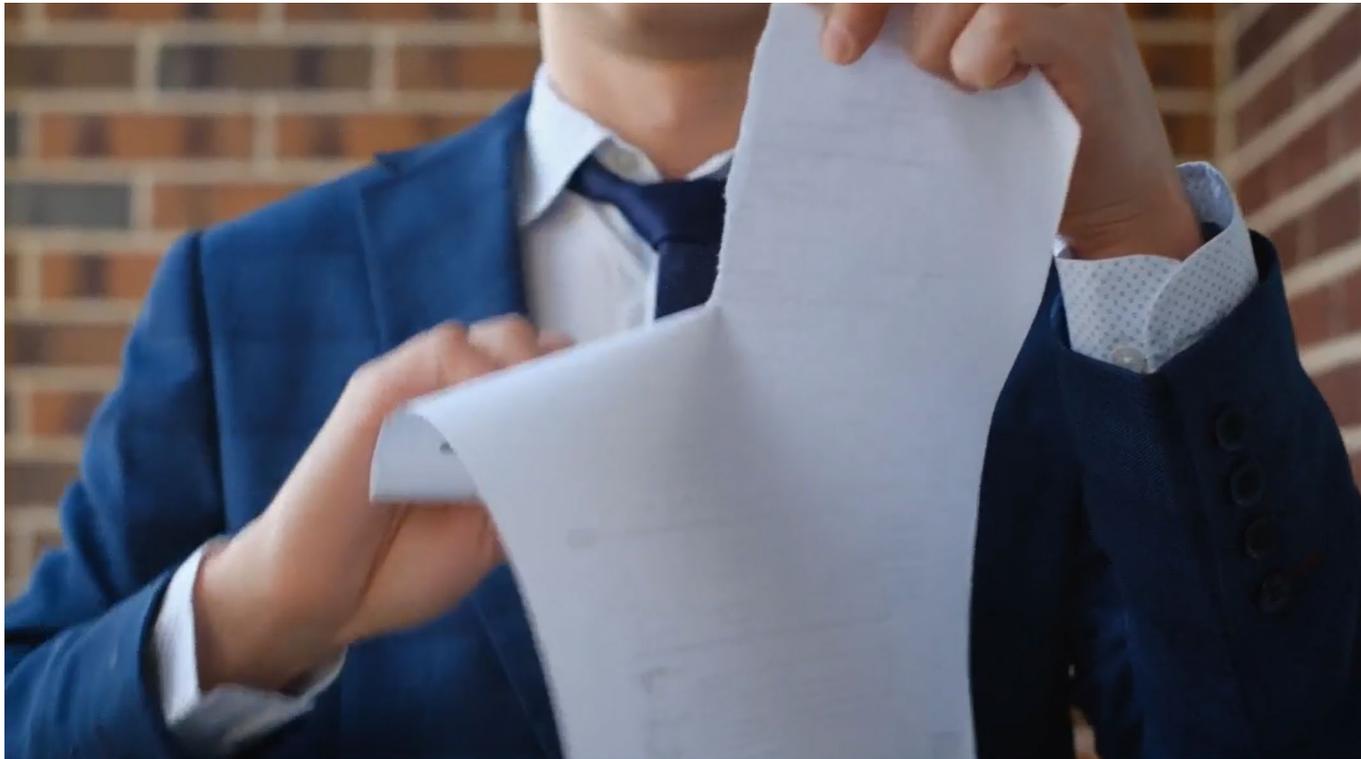
# Abuse



Theft, misappropriation, waste, or improper use of property or assets related to a Fund-related activity, either committed intentionally or through reckless disregard.



# Obstruction



- Deliberately **destroying, falsifying, altering, or concealing evidence** or information relevant to a Fund investigation.
- Making **false statements** to investigators to materially impede a Fund investigation.
- Threatening, harassing, or intimidating any party to **prevent the disclosure of knowledge** related to an investigation.
- **Materially impeding** the Fund's contractual rights of audit or access to information.



# Money Laundering



- The transfer of property, knowing that it is derived from the crime, for the purpose of concealing the illicit origin of the property or of assisting any person involved to evade legal consequences.
- The concealment or disguise of the true nature, source, location, disposition, movement or rights of the property derived from the crime.
- The acquisition, possession or use of property knowing at the time of receipt such property was derived from a criminal offence.



# Financing Terrorism



Involves the solicitation, collection or provision of funds with the intention that they may be used to support terrorist acts or organizations. Funds may stem from both legal and illicit sources.

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# Retaliation Against Whistleblowers or Witnesses



Any detrimental act recommended, threatened or taken against a Whistleblower or Witness, or person associated with them, because of his or her report of suspected wrongdoing or cooperation with a Fund investigation by the Whistleblower or Witness.



# AEs Responsibilities regarding integrity



## Assessed against:

- Fiduciary standards
- Policy on Prohibited Practices
- Policy on the Protection of Whistleblowers and Witnesses
- Anti-Money Laundering and Countering the Financing of Terrorism Policy

## An organisation will:

- Cooperate with the IIU
- Comply with the Fund's standards and policies
- Promptly take action to remedy any gaps in compliance
- Failure to comply could lead to downgrading or revocation of Accreditation

## Does the AE have controls to mitigate the following risks:

- AML/CFT
- Other Prohibited Practices
- United Nations Security Council Resolutions (Financial Sanctions)
- Due diligence
- Illicit use of funds

## Re-assess compliance with:

- Fiduciary standards
- Policy on Prohibited Practices
- Policy on the Protection of Whistleblowers and Witnesses
- Anti-Money Laundering and Countering the Financing of Terrorism Policy

# Accreditation Master Agreement



## Clause 13 Compliance with Standards, Policies and Procedures

13.01 Subject to Clause 32.04, the Accredited Entity covenants that it shall at all times comply, and where applicable shall impose such compliance by the Executing Entity, (i) with its own rules, policies and procedures that should enable it to comply with the Fund's Standards, policies and procedures to the extent and scope of its Accreditation; (ii) with any conditions, requirements, or recommendations from the Accreditation Panel as included in Annex 2 (*Conditions*) and adopted by the Board in the Accreditation; and (iii) with its own rules, policies and procedures that should enable it to comply with the Policy on Prohibited Practices. If during the term of this Agreement, the Accredited Entity revises, or identifies a gap, in its rules, policies and procedures to such extent that it may result in its non-compliance with the Fund's Standards, policies and procedures, the Accredited Entity shall:

- (a) promptly notify the Fund;
- (b) promptly take any necessary or appropriate action to ensure its continued compliance or take such action to become compliant; and
- (c) in the event that such revision or identified gap will result in the Accredited Entity's relevant rule, policy or procedure being less stringent than the relevant Fund's Standard, policy or procedure, directly apply the Fund's applicable

# GCF Programming Manual

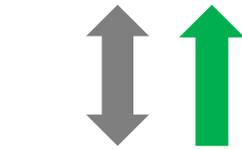


The AE must have a **direct contractual relationship** – a subsidiary agreement – with each EE, through which the **AE passes down the relevant obligations and requirements** of the AMA and funded activity agreement to the EE. It is the responsibility of the AE to ensure that (a) all the relevant requirements under the AMA and the FAA are passed down to the EEs and (b) the project is implemented in accordance with such requirements. The subsidiary agreement serves various purposes, such as:

- Setting out the policy and contractual requirements to ensure that the project to be implemented in a manner consistent with the funding proposal and GCF policies as well as the AE's policies (where relevant);
- Enabling the AE to **directly monitor and supervise project implementation;**
- Enabling the AE to request the EE to take remedial actions and ensure that those actions are enforced; and
- Allowing GCF to step into the Subsidiary Agreement in accordance with the relevant AMA/FAA (i.e. assume the contractual position of the AE in order to continue operation of the funded activity or to exercise any rights under the subsidiary agreement, if deemed necessary by GCF).



# Cascading Obligations to Executing Entities and Other Fund Recipients



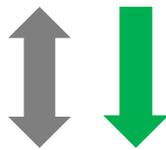
Accredited Entities (AEs)/  
Intermediaries



Contractors

Direct contractual relationship (subsidiary agreement)

- Includes all relevant requirements under the AMA
- AE can directly monitor project implementation



Executing Entities (EE)



Contractors

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# AEs Reporting Obligations Outside of Reporting Cycle

Duty to promptly inform GCF of:

- ✓ Any circumstances that may interfere with their GCF obligations
- ✓ Any incidents that may impact the reputation of GCF

# Obligations related to Investigations

## *Policy on Prohibited Practices*

- ✓ All Accredited Entities must **assess/investigate all allegations** that they receive through their reporting channels.
- ✓ Accredited Entities must **inform the IIU** that they have received an allegation and provide periodic updates to the IIU ([integrity@gcfund.org](mailto:integrity@gcfund.org)).
- ✓ In the event that the IIU launches its own investigation into the allegations received by the Accredited Entity, the AE must **fully cooperate with the IIU** in its investigation.

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## Events of Default (AMA Clause 19g)

- ✘ Any representative of the AE, EE, or third party contracted for a GCF-funded activity has engaged in a Prohibited Practice without the entity having taken appropriate action to address it.

## Remedies (AMA Clause 20)

The Fund may:

- ✔ Terminate the agreement
- ✔ Suspend further payments
- ✔ Seek refund or restitution
- ✔ Claim damages

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# Quiz!



Menti.com

Access Code: 5884 8630



# GCF Policy on the Protection of Whistleblowers and Witnesses

## *Reporting Channels*



### **Whistleblower Protection**

The confidentiality afforded to reporters is essential in fostering an environment where individuals feel safe to come forward with information.

### **Confidential Reporting**

The policy provides confidential channels for individuals to report suspected wrongdoing, ensuring anonymity and security for whistleblowers.

### **Anonymity and Security**

The policy provides confidential channels for individuals to report suspected wrongdoing, ensuring anonymity and security for whistleblowers.

# Report to the IIU

24/7 Hotline (English, French, & Spanish)

**+1 (866) 921 6714**  
INTERNATIONAL

**00308 491 0120**  
SOUTH KOREA

E-mail

[integrity@gcfund.org](mailto:integrity@gcfund.org)

Report Online

[iiu.greenclimate.fund](http://iiu.greenclimate.fund)



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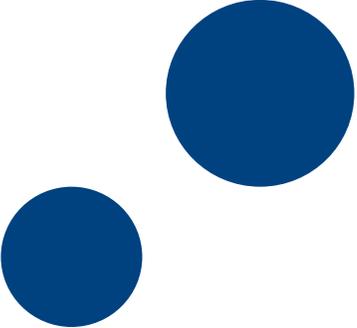
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# Obligations of AEs within GCF's policies





Looking for policy advice?  
**Email [iiu-advisory@gcfund.org](mailto:iiu-advisory@gcfund.org)**



# Engage with the IIU



## Webinars



## 2024 Integrity Forum



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[ilearn.greenclimate.fund](https://ilearn.greenclimate.fund)

## Peer-to-Peer Learning Alliance



Social Media

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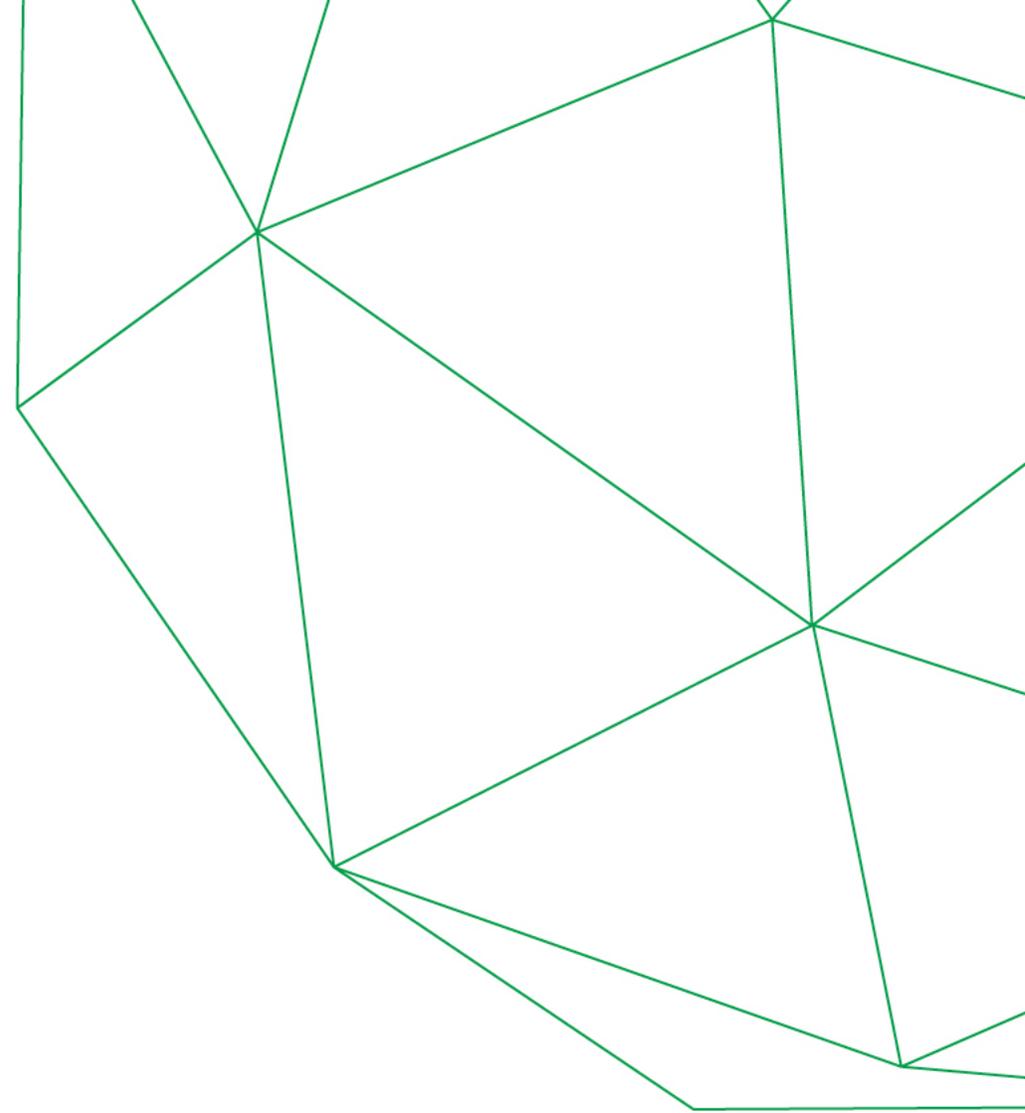


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# Questions?

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**Thank you**