



GREEN
CLIMATE
FUND

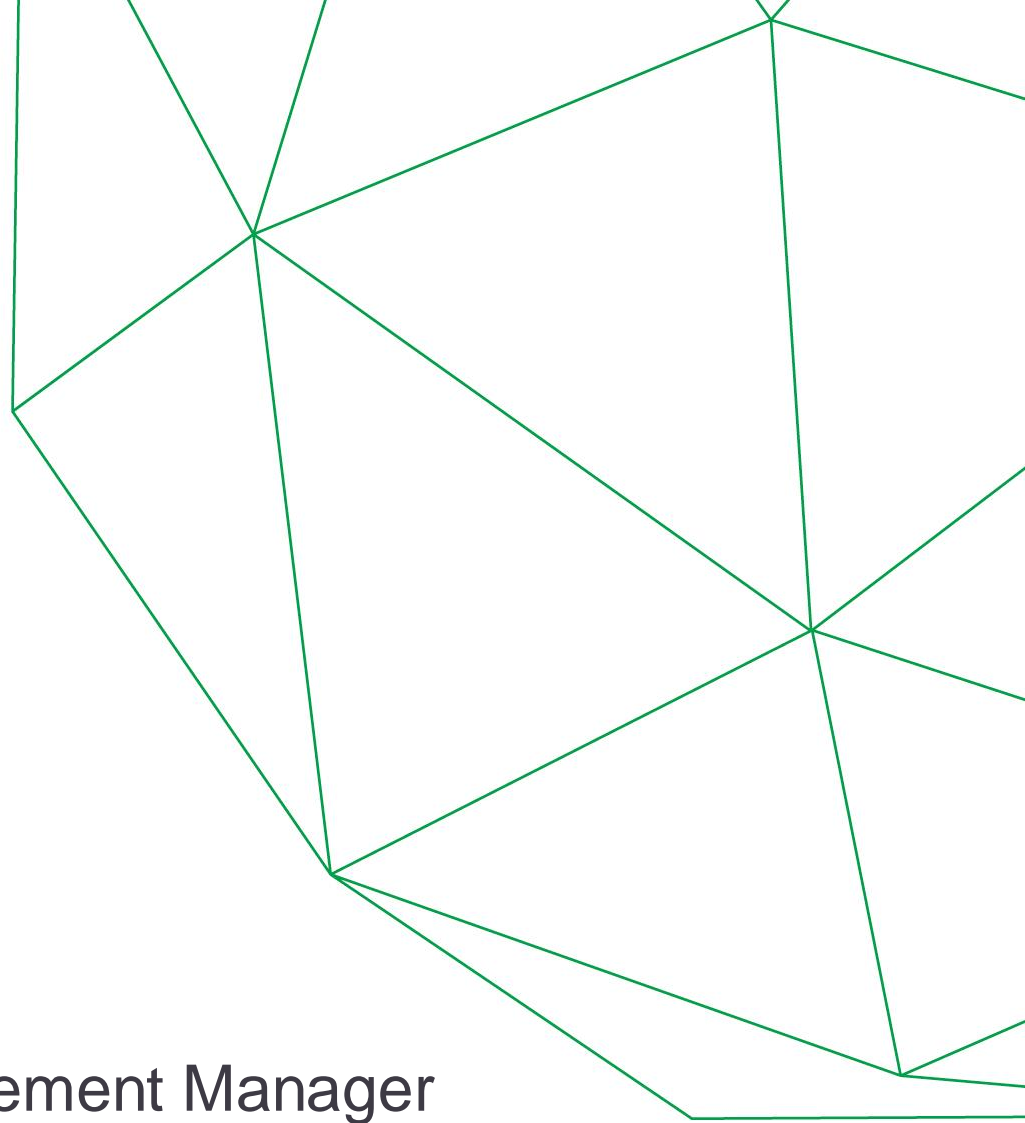
GCF REGIONAL DIALOGUE
with MIDDLE EAST & NORTH AFRICA

Integrity Capacity Building for GCF Stakeholders

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Rabat, Kingdom of Morocco

24–28 June 2024



Documents en français



IIU Annual Report



Rabat, Kingdom of Morocco | 24–28 June 2024

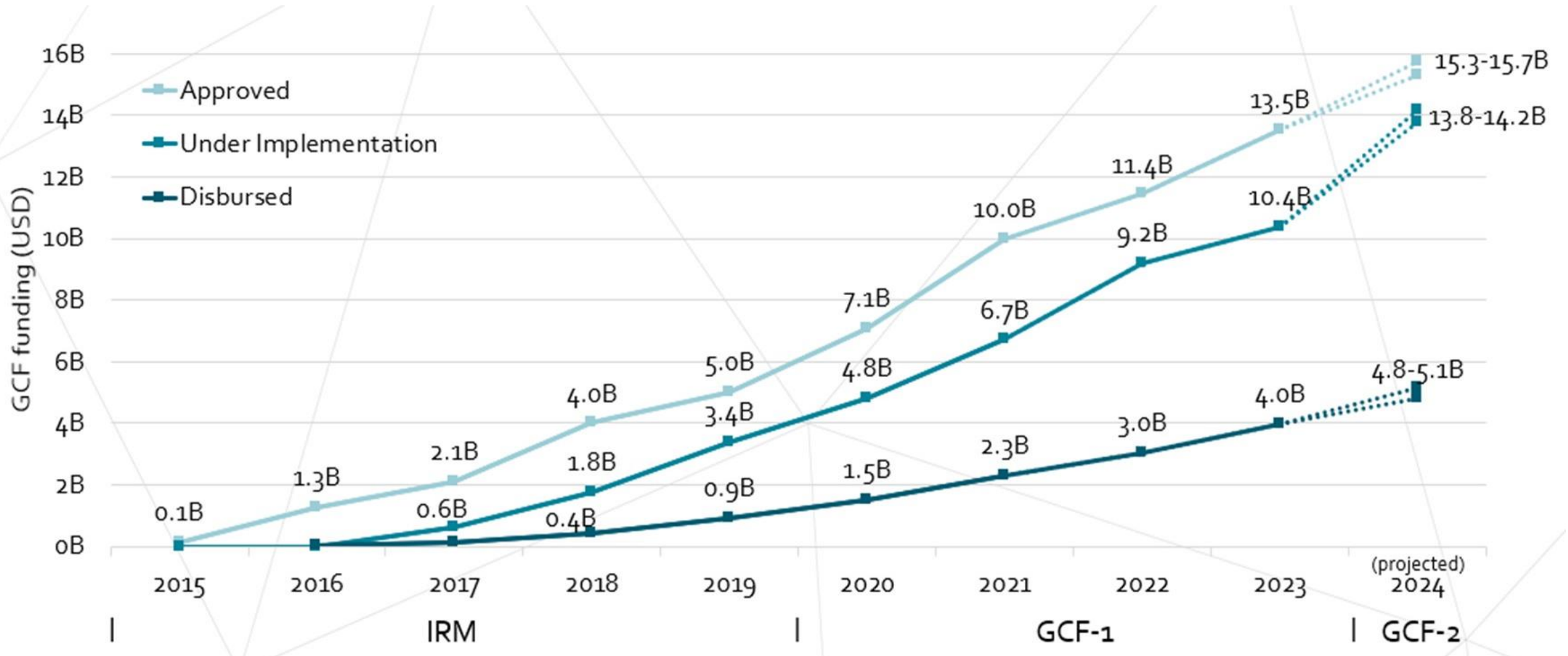
Agenda



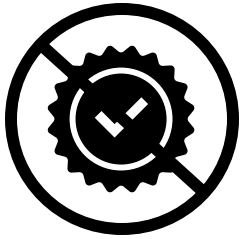
- Why integrity matters in climate action ?
- Role of the Independent Integrity Unit in safeguarding GCF funds.
- GCF integrity policy framework

Why Integrity matters in Climate Action ?

More money in climate finance = more complexity, risk



Understanding Corruption and its Role in Exacerbating Climate Change



Erosion of Trust

Corruption diminishes trust in institutions and hinders collaborative efforts to address climate change.



Misallocation of Resources

Corruption leads to inefficient allocation of resources, impacting climate change mitigation efforts.



Delay in Action

Corruption can delay the implementation of essential climate change initiatives, prolonging environmental harm.



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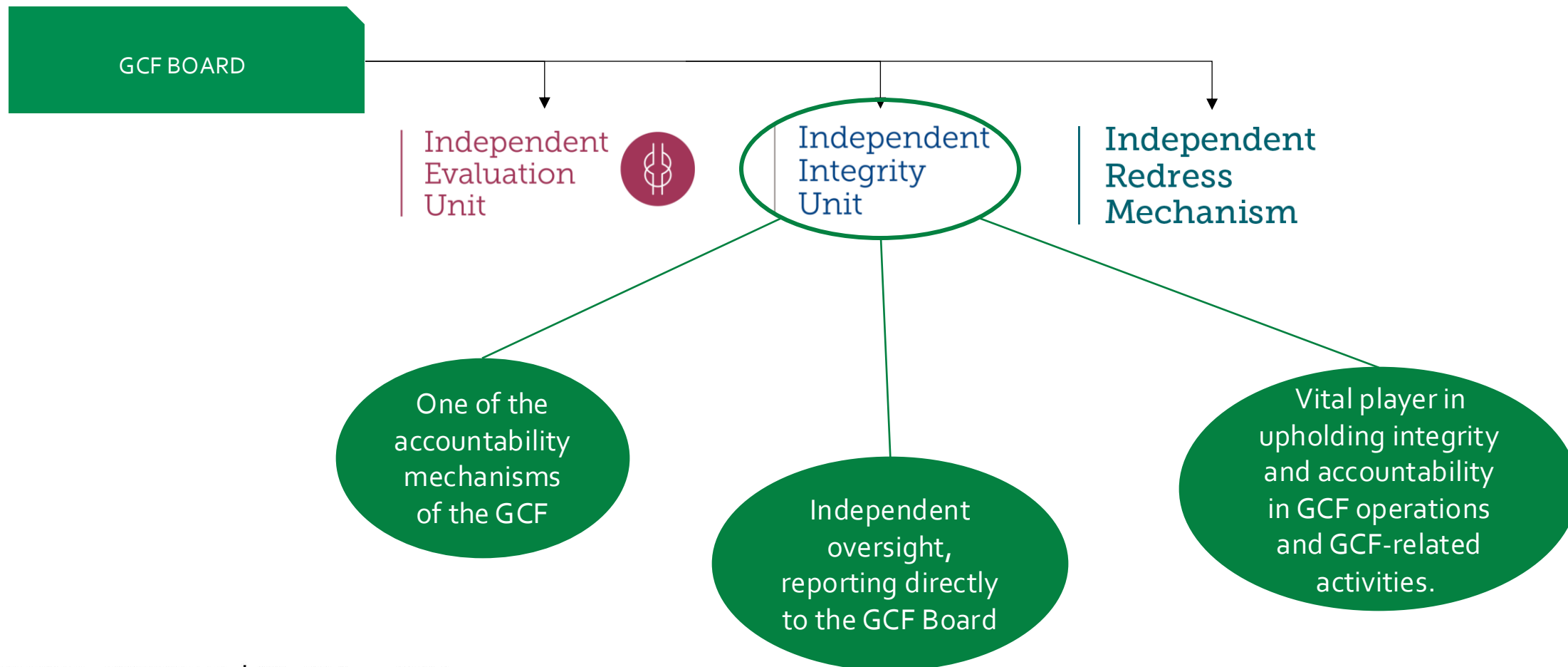
Independent
Integrity
Unit

Role of IIU in Safeguarding GCF Funds

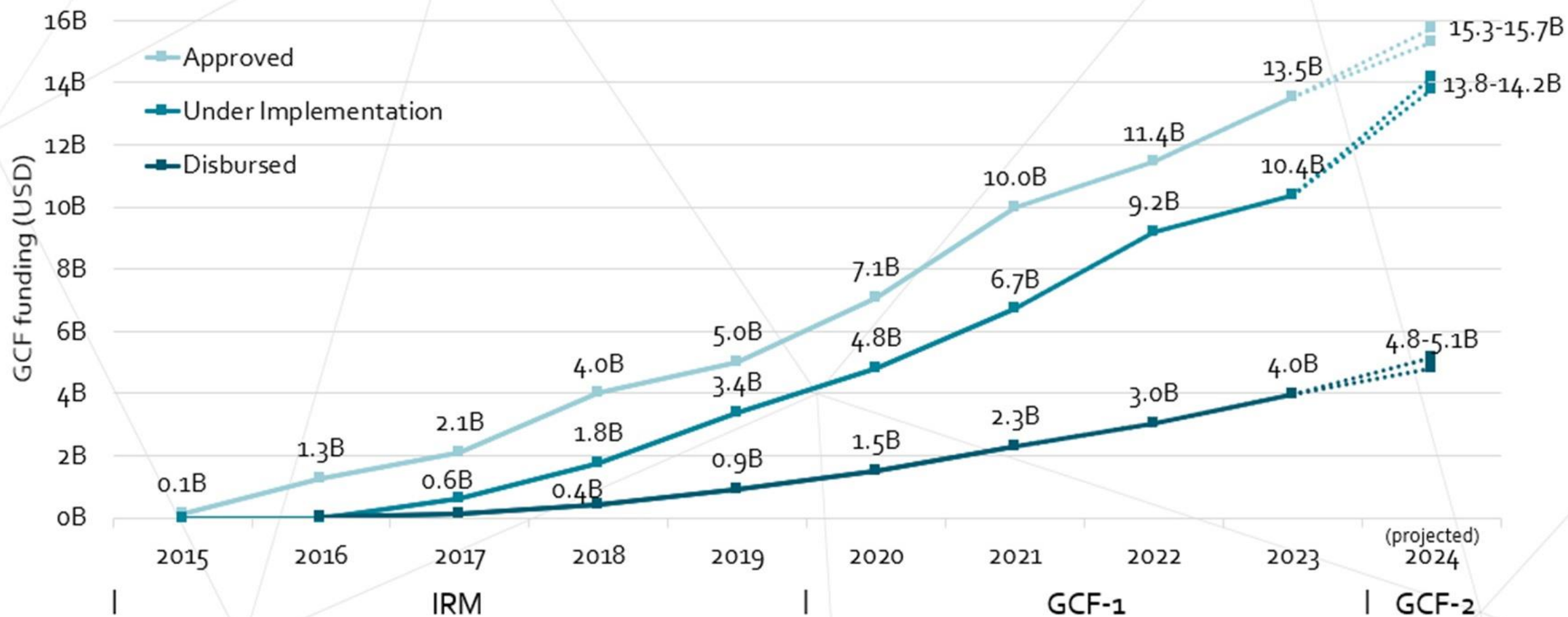
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Who We Are



More money in climate finance =





GREEN
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FUND

Independent
Integrity
Unit

Maintaining Integrity Throughout GCF Projects

PROJECT APPRAISAL

- Assessing viabilities and project scope and activities

PROJECT APPRAISAL

CLIENT ONBOARDING

CLIENT ONBOARDING

- Checks and reviews and conducting due diligence

IMPLEMENTATION

IMPLEMENTATION

- Implementation of activities and monitoring of performance, including finance.

EVALUATION

- Assessment of results and impacts

EVALUATION

PROCUREMENT

PROCUREMENT

- Process of acquiring goods or services for the implementation or execution of a project

PROJECT DEVELOPMENT

- Stakeholder consultation, refining scope and activities and selecting governance and implementing structures.

PROJECT DEVELOPMENT

Accreditation Master Agreement

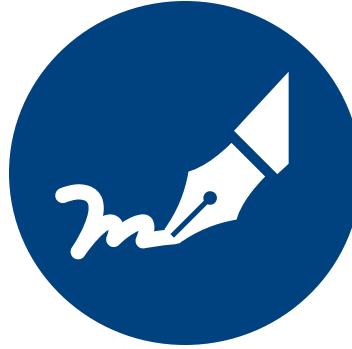
Independent Integrity Unit

- 13.03 **The Accredited Entity shall cooperate with the Independent Integrity Unit,** and provide the Independent Integrity Unit with reasonable assistance in carrying out its functions, including promoting cooperation between the Independent Integrity Unit and the corresponding body or unit of the Accredited Entity. Practical modalities of such cooperation shall be agreed upon in writing by the Independent Integrity Unit and the corresponding body of the Accredited Entity.

Role of IIU to Safeguard GCF Resources



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

How IIU Functions

INVESTIGATIONS & ANTI-CORRUPTION

INVESTIGATE allegations of Wrongdoing, including Misconduct and Prohibited Practices, in line with international best practices and in cooperation with counterpart authorities

STRENGTHEN anti-corruption measures through advisory services on AMA negotiations and identification of potential control risks

Prevention

POLICY ADVICE - GCF divisions and external stakeholders on integrity-related contractual requirements, policies, and procedures

POLICY DEVELOPMENT - GCF integrity policy framework in collaboration with the Secretariat

DETECT & RESPOND to integrity risks in GCF projects and programmes through data analytics and integrity risk assessment

OUTREACH & ENGAGEMENT

PROMOTE strategic cooperation with partner entities

RAISE awareness on Prohibited Practices and integrity standards

BUILD capacity among GCF stakeholders on integrity topics

GCF Integrity Policies in Practice & Responsibility of Counterparties

GCF Integrity Policy Framework



GCF Integrity Policies: Key Features

I. Policy on Prohibited Practices (Anti-corruption Policy) -1



Objective

Para 3: *GCF shall ensure that all resources entrusted to it are managed with the highest levels of integrity, and are free from prohibited practices.*



Establishes principles on:

1. Specific conduct and activities prohibited by the Fund – **Zero Tolerance**
2. Obligations of Counterparties to uphold the highest standards of integrity and to avoid prohibited practices
3. Actions the GCF may take when prohibited practices occur in Fund-related activities.



GCF Integrity Policies: Key Features

I. Policy on Prohibited Practices (Anti-corruption Policy) - 2

Scope and Applicability to AEs

- **Counterparties:** Any party that executes, implements, bids for, or in any way participates in GCF funded Activities.
- **AEs Obligations:** Bound to comply as i) **fiduciary duty**, and ii) exhibited to the **Accreditation Master Agreement**
- **Types of Prohibited Conducts**



Corruption



Fraud



Collusion



Coercion



Abuse



Obstruction



Money
Laundering



Terrorist
Financing



Retaliation Against
Whistleblowers and Witnesses

GCF Integrity Policies: Key Features

I. Policy on Prohibited Practices (Anti-corruption Policy) -3

2nd Level Due Diligence model & AE obligations to:

1. Disclose and mitigate any real or perceived **conflicts of interest**
2. **Prevent** the occurrence of PPs in GCF projects/programs by adopting, implementing, and enforcing practices
3. **Inform GCF** of PPs found, alleged and suspected
4. **Investigate** & report findings to GCF
5. **Remedy** PPs found to have occurred
6. **Cooperate** fully with GCF/IIU
7. **Contractually require its executing entities** to meet the same GCF standards

Accredited Entities' Fiduciary Responsibility

□ GCF Governing Instrument

○ Para 63

"...the GCF must ensure such *fiduciary standards are applied to the Accredited Entities*, and to all projects and programs financed by the GCF..."

○ Para 64

"The GCF will *support the strengthening of capacities* in recipient countries to be able to meet the GCF's fiduciary standards...."



Accredited Entities' Fiduciary Responsibility

Cascading down obligations to EEs

□ Accreditation Master Agreement/FAA

Clause 4.05 "Accredited Entities shall *cause the executing entity in the Subsidiary Agreement* to oblige compliance by all parties involved with *the PPP and AML/CFT*"

Clause 10.02 "Accredited Entity *to assess the integrity and capacity of executing entity* to implement the project, *monitor* the performance of the EEs and *remedy* the breach."

□ Policy on Prohibited Practices

Para 20. "Accredited Entities to *contractually cause* its executing entities to not use the GCF funds for any illegal purposes."



1. Accreditation Process

- Comprehensive requirements in **basic fiduciary standards**:
 - ☑ Basic KYC
 - ☑ Prevention, detection of Prohibited Practices (PPP)
 - ☑ Complaints handling function (PPP/Investigations Standards)
 - ☑ Conflicts of interest management (PPP/Col policy)
 - ☑ Financial management – AML/CFT (AML/CFT policy)
- **Accreditation Conditions**: To be fulfilled to receive the funding.

2. Project Implementation



Project design

- ✓ Integrity Project Management: Mechanisms to prevent, detect, and manage integrity risks
- ✓ Integrity Due Diligence in financial management/Procurement: KYC due diligence (Col checks, compliance with rules), Financial reporting & oversight



Project contracting

- ✓ Mainstream integrity frameworks in projects/programs by contractually requiring (AMAs, FAAs, GAs)
- ✓ Section 8.01. Readiness Grant Agreement: *"The recipient shall ensure adherence to the procurement plan agreed by the recipient and the Fund; contracts shall be awarded on a transparent and on a competitive basis."*

Prohibited Practices Policy in Projects



Project contracting

- **AMA Clause 9.03:** *AE to ensure that all GCF proceeds are used for intended purposes and shall be accountable to the Fund for the proper use of such proceeds.*
- Capacity to enforce sanctions against integrity violations
 - Termination of the AMA
 - Suspension of further payments (**AMA Clause 4.05**)
 - Restitution
 - **AMA Clause 19:** Event of default



Project design: Prevention & Detection

- Mechanism to report wrongdoing & handling complaints
- Whistleblower protection

AML/CFT Policy in Projects



Project contracting

- **AMA Clause 9.04:** AE shall promptly inform the GCF of **credible risks of money laundering** in relations to a project ...
- *AMA Clause 9.05:* In the event of the above, GCF may temporarily suspend the disbursements ...and instruct Aes to suspend disbursements to its executing entities



Project design: Prevention & Detection

- ✓ Require to have '**working**' AML/CFT controls in place
- ✓ AE or EE to embed **AML/CFT due diligence measures** in its relationships and transactions

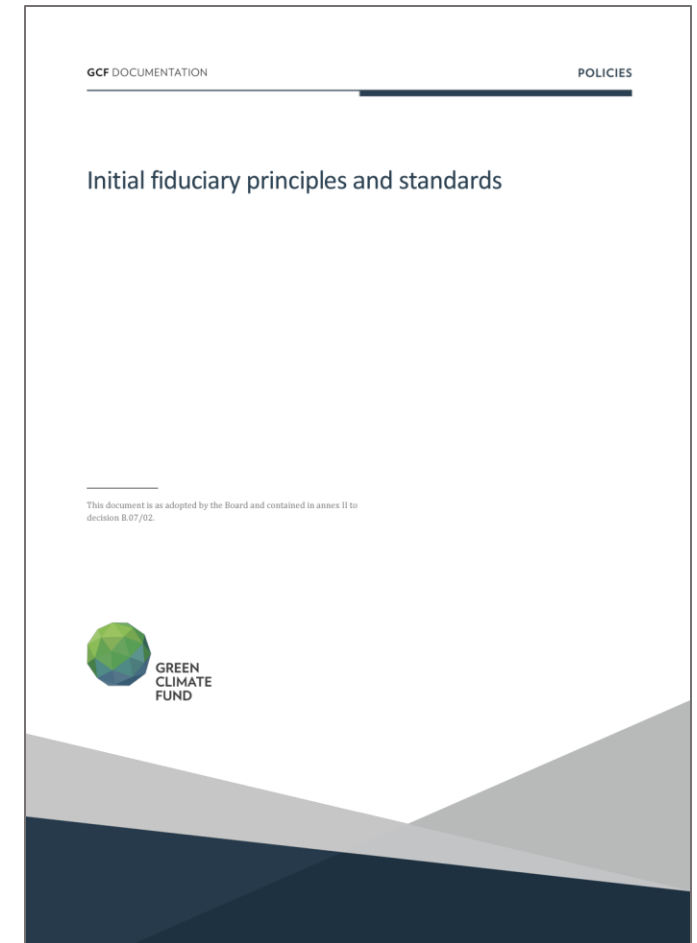
Monitoring and Accountability Framework: Fiduciary Standards

Two-Tiered Framework:

1. **Accreditation level:** AEs' self-assessment of compliance to their accreditation standards on a periodic basis
2. **Project implementation level:** Risk-based monitoring and evaluation of each funded activities

Effectiveness of AE's policies:

1. **Regular reporting (APR)**



Mentimeter: Case Studies

Menti.com, access code = 6392 4044



Case Study 1: Gap between the policy and effective implementation

The Procurement Manual of an AE has a thorough procedure about the execution of background checks or due diligence activities. However, in an ongoing GCF project, there have been inconsistent practices for conducting due diligence of personnel and vendors such as new hires, grant applicants, and consultancy firms.

What would you do to address this issue?

Recommendations:

- Introduce a robust due diligence requirement for ALL procurement and lending/grant projects &
- Maintain records of due diligence outcomes



Case Study 2: Weak money laundering controls and lack of oversight on Executing Entities

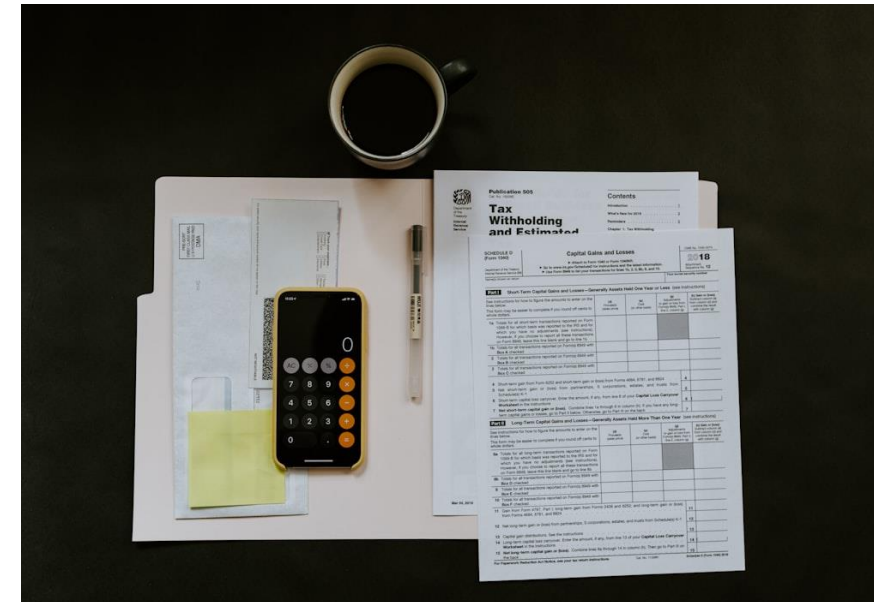
An AE relied on local banks to perform due diligence on its loan applicants to assess money laundering risks. The AE did not assess or monitor the due diligence procedures of those banks to ensure the adequacy and effectiveness of these activities.

What would you do to address this issue?

Recommendations:

- Agree on the scope of due diligence with local banks
- Conduct and assess whether the banks meet the GCF AML standards
- Request banks to provide assurance reports periodically

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Case Study 3: Conflicts of interest: Inadequate segregation of duties

Lack of proper segregation of duties among AE project staff. A staff member from the first line of defense also provided support to the second line compliance function, creating a situation where they could potentially be able to validate their own compliance reviews. // There was no Conflict of Interest disclosure requirement for a procurement person setting tender specifications. What would you do to address this issue?

Recommendations:

- Take steps to avoid overlapping job responsibilities
- Ensure that duties of personnel are appropriately segregated where risks of conflicts of interest or abuses of power may arise, particularly for procurement and financial management and investigative/complaints handling functions.

Complaint Mechanisms and Whistleblower Protection



Checklist

- ☐ Does your organisation have a confidential and accessible Whistleblowing mechanism?
- ☐ Do your Whistleblowing channels allow complainants to report a suspected case anonymously?
- ☐ Are your organisation's reporting channels widely promoted and publicly known?
- ☐ Are your organisation's reporting channels in the appropriate languages for your stakeholders?
- ☐ Are the reports submitted through your organisation's reporting channels restricted so only people with authorisation can access them?
- ☐ Does your organisation offer a variety of channels for people to file a report, including but not limited to phone hotline, confidential email address, online form, or mail address?
- ☐ Are your reports handled by an independent designated function, like personnel working in integrity or by an external service provider?

Potential Actions



- Develop and implement a secure system for recording, managing, and resolving informal and formal complaints concerning the project.
- Document and disseminate information about formal channels for reporting prohibited practices, prioritizing stakeholder awareness efforts.
- Prioritize efforts to increase stakeholder awareness of formal channels to report allegations of prohibited practices.
- Introduce procedures and oversight mechanisms to ensure reports of wrongdoing are independently and impartially handled, investigated, and resolved by personnel with adequate capacity and independence.

Project Governance and Oversight

Checklist

- ☐ If your organisation works with any Executing Entities, do they understand their obligations to abide by the policies at your organisation and GCF?
- ☐ Are relevant Executing Entities aware of the reporting channels at your organisation?

Potential Actions

-  Engage closely with EE to understand, assess, and monitor EE's policies, procedures, and practices to prevent and manage prohibited practices, particularly around procurement, recruitment, and financial management.
-  Defining and agreeing on roles and responsibilities and establishing regular monitoring, meetings with concrete action plans.




Due Diligence and Monitoring

Checklist

- ☐ Does your organisation have a policy that requires the retention of records of due diligence reviews undertaken?
- ☐ Does your organisation have ongoing, risk-based monitoring with entities that you are under a contractual relationship with?
- ☐ Does your organisation have transparent procedures that allow for Executing Entities to implement due diligence in projects?

Potential Actions



-  Establish transparent procedures and guidelines for integrity due diligence implementation and monitoring in the project, ensuring that EE is fully informed and compliant.

Compliance with Procurement Procedures

Checklist

- ☐ Does your organisation have clear requirements for background checks during the procurement process?
- ☐ Does your organisation provide clear procurement procedure guidelines to any Executing Entities?

Potential Actions

-  Develop and embed procurement-related checklists to ensure procurement steps are completed and adhered to.
-  Create training specific to procurement matters for all staff to reinforce compliance with requirements.






Conflicts of Interest

Checklist

- ☐ Does your organisation have a procedure in place for all personnel involved in decision making to disclose their personal financial and business interests?
- ☐ Does your organisation have mitigation measures in place in the case of an actual conflict of interest?
- ☐ Does your organisation hold regular trainings for staff members on the risks posed by conflicts of interest?

Potential Actions

-  Conduct regular training to ensure all staff are aware of the risks that conflicts of interest posed and understand their responsibility in this regard.
-  Develop a central registry of declared interests.
-  Implement procedures for all personnel responsible for influencing, making, or approving decisions to disclose their personal financial and business interests, plus those of immediate family members and close associates.

Engage with the IIU



Webinars



2024 Integrity Forum, November 5-7 Songdo, Korea



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- Report allegations: integrity@gcfund.org

Report to the IIU

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

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Thank you