Annex III: Work Programme and Budget of the Independent Integrity Unit for 2023

I.   Introduction

1.   The Independent Integrity Unit (IIU) was established by the Board of the Green Climate Fund (GCF) under the authority of Article 68 of the Governing Instrument.[1] The IIU has a detailed Terms of Reference (ToR)[2], mandated to investigate allegations of fraud, corruption, and other Prohibited Practices, and to engage in integrity-related oversight and awareness-raising activities.

2.   The IIU cooperates closely with the GCF Secretariat and other Independent Units to ensure accountability, promote good governance, and prevent abuse or misuse in the Fund's operations and resources mainly through the provision of professional investigative services, prevention and awareness programmes, integrity-related policy advice, and risk detection/mitigation initiatives.

3.   As a key function of the accountability mechanism of GCF, the IIU reports directly to the Board and/or through the Ethics and Audit Committee (EAC) of the Board. The Unit has operational independence from the GCF Secretariat, while reporting administratively to the Executive Director. To facilitate effective implementation of its mandate, the IIU undertakes a multi-pronged approach to promoting integrity values in GCF Funded Activities. The Unit conducts investigation, proactive prevention initiatives, awareness raising, and capacity building. The IIU's work is supported by four workstreams: Integrity and Anti-Corruption, Integrity and Compliance, Outreach and Engagement, and Analytics and Operations Services.

II.   Implementation of the 2022 Work Programme and Budget

4.   The COVID-19 health crisis and associated disruptions to business carried over into 2022. As in the previous year, the IIU remained fully operational but did experience some impediments in the Fund's overall project activity and global engagements. However, with the easing of restrictions across the world, GCF, its Counterparties, and IIU partners begun returning to a sense of normalcy, with greater strategic collaboration and implementation.

5.   Considering this significant shift in perspective, the IIU stepped up its operations to bring to fruition initiatives delayed due to COVID-19 limitations. Work begun on accelerating the enhancement of IIU's investigative and preventative capacity, strategic contributions to project-related integrity, and its involvement in the Fund's growing risk-management initiatives.

6.   In 2022, the IIU increased its focus on proactive prevention initiatives, enhanced data analytics, and forensics capabilities. Moreover, it increased the level of engagement with the GCF Secretariat and external partners, as well as strengthening operational efficiencies.

7.   Notably also, there has been a gradual rise in the number of external cases concerning Prohibited Practices in GCF-funded projects and readiness programmes. This increase comes as the IIU commences its efforts to improve external engagements, raise the visibility of available intake mechanisms, and the growth of the GCF's portfolio.

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[1] *Governing Instrument for the Green Climate Fund*. Available at
  https://www.greenclimate.fund/document/governing-instrument
[2] *Terms of Reference of the Independent Integrity Unit*. Available at
  https://iiu.greenclimate.fund/documents/1226411/1237082/Terms_of_Reference_of_the_Independent
  _Integrity_Unit.pdf/50c468f6-bc58-9e7f-0f5f-17834705a7fa

8.   This trend is likely to continue in the coming years as further projects and programmes start being implemented, and as the Fund expands and evolves its operational commitments and involvements.

2.1   Investigations

2.1.2.   Optimise Investigation Efficiencies and Capacities

9.   IIU observed an increased number of reports related to GCF projects and programmes during the period of January to August 2022, as compared to the previous two years. During said period, IIU opened 10 project-related cases and expects this number to further grow by year-end. This corresponds with the growing number of GCF projects and programmes being implemented, and funding amounts being disbursed.

10.   In total, IIU registered 22 new cases in the period of January to August 2022 including 10 project-related cases, 11 cases pertaining to staff misconduct, and one external case. An external case is an allegation received by the IIU regarding a counterparty but does not pertain to a GCF Funded Activity.

11.   In line with the respective provisions of the Accreditation Master Agreements (AMAs), Readiness and Preparatory Support Framework Agreements, and other contractual agreements, a total of nine project-related cases were referred to, and/or are pending final investigative findings/reports from, relevant Accredited Entities (AEs), Delivery Partners (DPs), or other entities managing implicated GCF projects and programmes.

12.   Year-to-date, the IIU closed 12 cases, two of which pertained to GCF projects and programmes, nine related to staff misconduct, and one other type of GCF-related report. The latter category relates to reports received by the IIU regarding a GCF project but does not pertain to an integrity violation.

13.   As for the phases in which those cases were closed, five were closed at intake, five following a preliminary assessment, and two following a full investigation. The latter two cases were substantiated and reported to the Executive Director for consideration of remedial measures.

14.   The following statistical information seeks to further elaborate on the IIU cases to-date. Table 1 presents a summary of comparative statistics pertaining to all cases opened and closed between 2018 and August 2022. It also presents the year in which the respective cases were closed.

TABLE 16. ALL OPENED AND CLOSED CASES (INCLUDING RESPECTIVE YEARS OF CLOSURE)

Year Received	Cases Opened	Year Closed					# of Open Cases
		2018	2019	2020	2021	2022	
2018	21 (+4 carried over from 2017)	5*	15**	4†	1		0
2019	41††		22	15	0	4	0
2020	31			12	14	3	2‡
2021	8				3	1	4‡
2022	*22*					4	*18‡*
Total	127	5	37	31	18	12	24

*Of the five closed cases in 2018, two were from the preceding year.

**Of the 15 closed cases in 2019, one was opened in 2017.

†Of the four closed cases in 2020, one was opened in 2017.

††One case from 2019 was split into two cases in 2022.

‡Includes cases under assessment/investigation by Accredited Entities/Delivery Partners.

15.   Table 2 provides a summary of opened and closed cases pertaining to GCF projects and programmes between 2018 and August 2022, including the year in which the respective cases were closed.

TABLE 17. OPENED AND CLOSED PROJECT-RELATED CASES (INCLUDING RESPECTIVE YEARS OF CLOSURE)

Year Received	Cases Opened	Year Closed					# of Open Cases
		2018	2019	2020	2021	2022	
2018	3 (+1 carried over from 2017)	0	3*	0	1		0
2019	4		2	2			0
2020	4			0	2	1	1**
2021	5				2	0	3†
2022	*10*					*1*	*9††*
Total	**27**	**0**	**5**	**2**	**5**	**2**	**13**

*Of the three cases closed in 2019, one was a carry-over case from the preceding year.

**Includes a case under investigation by an Accredited Entity/Delivery Partner.

†Includes two cases under assessment/investigation by an Accredited Entity/Delivery Partner.

††Includes five cases under assessment/investigation by an Accredited Entity/Delivery Partner and one case which was referred to the Independent Redress Mechanism (IRM) and the Accredited Entity.

16.   Table 3 provides a summary of opened and closed staff misconduct cases between 2018 and August 2022, including the year in which the respective cases were closed.

TABLE 18. OPENED AND CLOSED STAFF MISCONDUCT CASES (INCLUDING RESPECTIVE YEARS OF CLOSURE)

Year Received	Cases Opened	Year Closed					# of Open Cases
		2018	2019	2020	2021	2022	
2018	15 (+3 carried over from 2017)	4*	10	4**			0
2019	25†		10	11	0	4	0
2020	16			6	8	1	1
2021	3				1	1	1
2022	*11*					*3*	*8*
Total	**73**	**4**	**20**	**21**	**9**	**9**	**10**

*Of the four cases closed in 2018, two were carry-over cases from the preceding year.

**Of the four cases closed in 2020, one was opened in 2017.

†One case from 2019 was split into two cases in 2022.

17. **Launch of the Case Management System and Online Reporting Platform.** Following successful user acceptance testing and configuration during the previous year, in 2022, the IIU started to fully implement and utilise its Case Management System (CMS) to receive/record complaints and to manage its portfolio of cases. The IIU also launched a new and integrated online reporting platform available on the GCF website, which also provides a 24/7 hotline service in multiple languages. This new platform was introduced to all GCF Personnel during a virtual information session organised by the IIU in March 2022.

18. **Implementation of the Investigation Standards.** With the Board's approval of the Investigation Standards[3] (the Standards) in December 2021, the IIU continued to apply and operationalise the principles and procedures described in the document in undertaking its investigations. To raise awareness of the Standards for internal stakeholders, the IIU organised a virtual session open to all GCF Personnel, where it presented on the scope, process, and general principles of IIU investigations as defined by the Standards.

19. **Development of the Investigation Manual and Templates.** The IIU has further advanced the development of the Investigation Manual and SEAH interview procedures, with the aim of engaging in consultations with relevant divisions of the GCF Secretariat and other Independent Units. The IIU also promulgated and updated several key operational forms and templates for use in investigation activities, including those related to intake, preliminary assessments, referrals, interviewing, and reporting.

20. **Management Implication Reporting.** The IIU initiated the issuance of Management Implication Reports (MIRs) aimed to advise and make relevant recommendations for concerned divisions/offices in the GCF Secretariat on systemic risks and internal control issues identified during investigation processes. Using such tools, IIU expects to continue its close interaction with the Secretariat and contribute to enhancing the Fund's risk mitigation and governance capabilities.

21. **Accredited Entity/Delivery Partner Investigative Findings Reporting Form.** To facilitate the reporting of investigative findings by Accredited Entities or Delivery Partners to whom cases are referred under relevant provisions of the AMAs or Readiness and Preparatory Support Framework Agreements and to enable the IIU to conduct a proper review of those findings, the Unit developed a standard reporting template that specifies the types of information sought and details a consistent and effective structure and methodology for sharing relevant findings.

2.2 Prevention

2.2.1. Integrity Policy Guidance and Implementation Oversight

22. **Initial Fiduciary Principles and Standards Update.** In collaboration with Secretariat colleagues, the IIU proposed amendments to the *Initial Fiduciary Principles and Standards of the GCF*[4] ("Fiduciary Standards") in the context of the Accreditation Framework. This undertaking was mandated by the Board in subsequent Board decisions following the adoption of integrity policies which set out and clarify obligations for GCF Counterparties, including Accredited Entities and Delivery Partners. From January through August 2022, the IIU continued consultations with the Secretariat on the updated draft of the "Transparency and Accountability" section of the Fiduciary Standards to integrate obligations set out in those policies, inter alia, guide and ensure accountability for accreditation and reaccreditation purposes.

23. **Standard Operating Procedures of the AML/CFT Standards.** IIU engaged with the Secretariat to finalise the Standard Operating Procedures (SOPs) to operationalise the

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[3] Board decision B.BM-2021/22.
[4] Board decision B.07/02(b).

requirements of the GCF AML/CFT Standards[5] adopted by the Board in 2019. Subject to approval by the EAC, the SOPs will standardise the due diligence efforts to be undertaken to assure that risks of money laundering and terrorist financing are adequately assessed and addressed. In the period of January to August 2022, IIU continued consultations with the Secretariat on the updated draft of the SOPs.

24.   **Provision of Implementation Guidance.** To ensure compliance with GCF integrity policies, IIU worked closely with relevant stakeholders and provided policy guidance/advice regarding the interpretation and implementation of a suite of integrity policies. The advice/guidance included:

(a)   Advisories to the Secretariat on the implementation of integrity policies in the operation of GCF projects and programmes;

(b)   Advisories to the Secretariat to ensure the provision of integrity safeguards in contractual agreements with Counterparties; and

(c)   Advisories to Board-appointed Officials with respect to assessing and mitigating potential conflicts of interest.

25.   **Policy Implementation Reporting.** In fulfilment of the policy requirements to report to the Board on the implementation status of integrity policies, IIU undertook to analyse and assess the activities carried out by GCF to effectively implement integrity policies. The Unit engaged with various divisions of the Secretariat in the process, from which valuable feedback was received to further enhance the effectiveness of such policies.

2.2.2.   Integrity Risk Assessment and Proactive Integrity Reviews

26.   IIU selected two GCF-financed projects for the conduct of Proactive Integrity Reviews (PIRs) in 2022. These projects were selected following an objective methodology based on integrity risk ratings derived from an assessment of project documentation using machine learning.

27.   Integrity risks are the potential circumstances that could lead to project funds being diverted from their designated purposes due to fraud, corruption, and other integrity violations. Integrity violations are most likely to occur when integrity risks are not identified and addressed in a timely and effective manner. Integrity risk management is therefore an essential prerequisite for ensuring that project funds achieve their intended benefits and aligned with the rationale of climate action.

28.   PIRs identify indicators of Prohibited Practices (also known as red flags) in project implementation processes. It is important that project staff be cognisant of red flags pertaining to integrity violations to minimise potential vulnerabilities and improve internal control procedures. This helps enhance accountability, control, fairness, and transparency in project implementation, and subsequently, project success.

29.   The two PIRs were completed in August 2022 and have identified a list of notable findings in the respective projects. In collaboration with the concerned Accredited Entities, IIU is working on an action plan to ensure that the recommendations as provided in the PIR reports are implemented to mitigate the risk of integrity violations.

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[5] Board decision B.23/15.

2.2.3. Strengthening Capacity of Accredited Entities

30.   **Capacity Building of Accredited Entities.** In 2022, IIU continued to engage with Accredited Entities to share information and provide capacity building support. The Unit conducted a Needs Assessment Survey of Accredited Entities to identify capacity gaps and to learn more about specific needs. The findings of this survey will inform the IIU of the most suitable support modalities such as webinars, e-learning tools, peer learning, mentoring, and coaching of partners.

31.   **Peer-to-Peer Learning Alliance Engagement.** IIU continued to engage the Peer-to-Peer Learning Alliance (P2P-LA) on Climate Finance Integrity, facilitated by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Transparency International. In 2022, the Unit participated as a resource institution for the *P2P-LA Online Integrity Week*. IIU also participated in the *Peer-to-Peer Learning Alliance on Climate Finance Integrity Week* from 05-07 July 2022 held in Berlin. It was the sixth workshop on climate finance integrity, with 12 participants representing Accredited Entities attending the workshop. It was an opportunity to share progress made by each entity and to learn from others. IIU's representative discussed the different updates on GCF integrity policies and the fiduciary standards that Accredited Entities are required to implement.

32.   **Cooperation with the International Community.** IIU continued to identify and establish opportunities for cooperation with integrity offices from international financial institutions, multilateral development banks, and other regional financial institutions. The Unit hosted an in-person meeting in Songdo with representatives from the East Asia and Pacific Investigations team of the World Bank's Integrity Vice Presidency (WB-INT). The engagement was an opportunity for the IIU and WB-INT to identify potential areas for collaboration and learning exchanges, particularly on GCF's proactive approach to managing and addressing integrity risks. Other areas of interest agreed upon for further exploration included the IIU's work on PIRs and its Integrity Due Platform (IDDP), as well as its capabilities on digital forensics and analytics.

2.3   Analytics and Operations Services

2.3.1. Intelligent Automation and Risk Mitigation

33.   **Enhanced Decision Support and Collaboration.** The IIU continued to improve the IDDP to enhance decision support based on lessons learned from PIRs. This work will enable IIU staff to better conduct human review of red flags within the IDDP, allowing for faster verification of flags, better visibility on whether documents on hand are the latest available, and for improved feedback on model predictions, enabling operations staff to actively contribute towards the continuous improvement of existing IIU machine learning models.

34.   **Risk Ranking of GCF Programmes.** In the coming year, the IIU will work to capitalise on lessons learned from its experiences with the PIRs and employ its analytics capacity to assess GCF programmes. The IIU will produce a risk ranking of Readiness grants and Project Preparation Facilities (PPFs) using the best data available, preparing documentation and presentations aimed at non-technical staff and producing metrics to estimate the quality of the respective portfolios with regard to integrity risks.

35.   The IDDP will be expanded to include functionality to enable human review of red flags identified within the Readiness portfolio, arming staff with decision support services which may be useful in objective selection of a Readiness-focused PIR by 2023.

2.3.2. Awareness Raising, Communications, and Enhancing Operational Efficiencies

36.   **Development of Knowledge Products.** The IIU, in collaboration with the Water Integrity Network (WIN), worked to develop a knowledge product focusing on integrity in climate-financed projects. The knowledge product is an Integrity Good Practice Handbook intended to serve as a practical guide for stakeholders working towards achieving climate action. The ultimate objective is for GCF Counterparties to proactively ensure that their systems and processes prevent corrupt practices while focusing on improving overall transparency, accountability, and integrity. The Handbook is set to be launched in the last quarter of 2022.

37.   **Online Training on the Prevention and Protection from Sexual Exploitation, Sexual Abuse, and Sexual Harassment (SEAH).** In collaboration with the Secretariat, the IIU designed the structure and resources for a mandatory SEAH training course. The online learning tool was formally launched in February 2022 as a mandatory requirement for all GCF Personnel.

38.   **Engaging with Accredited Entities.** IIU continued to engage in important dialogue 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. By the end of the August 2022, the Unit advanced its efforts on establishing cooperation modalities by concluding negotiations on Memoranda of Understanding (MoUs) with a total of 34 Accredited Entities. Meanwhile, negotiations are underway with a total of 32 Accredited Entities.

39.   **Internal Communications and Engagements.** IIU hosted brown-bag sessions to share knowledge and foster open discussion on integrity-related matters with GCF Personnel. These sessions, which were held in April 2022, dealt with topics on "Investigation Standards" and "Harassment in the Workplace". IIU also regularly posted integrity-related entries to the Green Shift, the intranet of GCF. Moreover, in celebration of International Women's Day 2022, the Unit produced an article featuring interviews with female colleagues in the IIU that highlighted their indispensable role in addressing climate change and promoting integrity. The article was released on the IIU website and additional digital collaterals were published on the GCF intranet and IIU social media platforms.

40.   **IIU Official Website and Digital Assets.** In 2022, IIU introduced on its website an Online Reporting Form that was integrated with the Unit's case management system and featured an updated list of reporting channels (24/7 multilingual hotline, email, and post). IIU also implemented a community management and content strategy approach for three social media channels (LinkedIn, Twitter, and YouTube), which has 512 engaged followers as of 30 August 2022.

41.   **Symposium on Supranational Responses to Corruption**. The Deputy Head of the IIU served as a panellist at the *Symposium on Supranational Responses to Corruption* held in Vienna on 28-29 April 2022. The event was organised by the World Bank's Office of Suspension and Debarment (OSD), the Anti-Corruption Law Interest Group of the American Society of International Law, and the OECD Anti-Corruption Division. IIU's Deputy Head spoke on the topic of '*The Integrity Enforcement Regime at the Green Climate Fund*' to an audience of integrity practitioners from multilateral/government institutions. The panel presentation attracted strong interest among participants, particularly regarding the IIU's mandate and activities, and proved to be a beneficial opportunity for meaningful discussion on future collaboration and joint integrity initiatives.

42.   **22nd Conference of International Investigators (CII).** The 22nd CII was held from 31 May to 3 June 2022 in Luxembourg hosted by the European Investment Bank. The conference was attended by some 300 integrity professionals from a mix of UN institutions and multilateral development banks. IIU was represented in two panel sessions, including one on "*Investigating Environment Projects*" facilitated by the Head of the IIU in cooperation with the Head of the IRM.

The Unit also participated in the annual meeting of the UN Representatives of Investigation Services (UN-RIS).

43. **4th EFCC-NJI Capacity Building Workshop.** Organised by the Economic and Financial Crimes Commission Nigeria and the National Judicial Institute, the Head of IIU was invited to speak at the 4th Capacity Building Workshop for Justices and Judges in Abuja, Nigeria from 23 to 25 May. IIU presented on the panel with the theme, *"International Trends and Perspectives in Money Laundering and Terrorism Financing"*. The Head of IIU highlighted that GCF's framework on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) sets an industry-leading standard amongst public international financial institutions with its robust framework to address risks of ML/FT and detailed risk-based internal controls/procedures to operationalise the Fund's safeguards against ML/FT.

44. **IIU Side Event at COP27.** The significant role of civil society in helping fight corruption has been underscored and widely recognised in many international anti-corruption conventions. The United Nations Convention against Corruption (UNCAC), adopted in 2003 as the only legally binding universal anti-corruption instrument, explicitly acknowledges the role of civil society in fighting corruption and within the Convention's work of promoting transparency and accountability. Civil society organisations (CSOs) as champions and promoters of civil society development have a proven record of making societies sensitive to such detrimental factors as corruption and other integrity violations.

45. IIU intends to organise a panel discussion at COP27 on the theme, *"Achieving Impactful Climate Action"* with panel members from Transparency International, WIN, and civil society representatives to discuss the role and importance of CSO engagement in achieving climate action. The COP27 side event is expected to develop IIU-CSO engagement with the following outcomes:

(a) To leverage on the knowledge and experience of CSOs at the national and grassroots level in advocating for transparency, accountability, and integrity in climate projects;

(b) To develop a network that drives impact and promotes anti-corruption initiatives through sustainable partnership *("Partnering for Climate Finance Integrity"*); and

(c) To develop a roadmap for ensuring effective monitoring of the implementation of GCF projects with support of CSOs on the ground.

46. **GCF Digital Onboarding Programme.** IIU participated in the kick-off meeting for the GCF Digital Onboarding Programme in May, an ongoing project by Knowledge and Change Management team of the Secretariat. Along with other Independent Units, the IIU provided inputs on the content and structure of the *"Role of the Independent Units Module"*. This module shall cover introductory information about the IIU including its mandate and primary functions.

47. **Staff Capacity.** By end of August 2022, IIU has a total headcount of 13 Personnel: 9 staff, 1 full-time consultant, 1 remote consultant, and 2 interns. The Unit successfully onboarded a Lead Investigator in April, a Team Assistant in June, and two interns in July (first cohort in the GCF Internship Programme).

2.4   Budget Utilisation

48. In the current year, the IIU achieved key milestones of its Work Programme and introduced operational efficiencies. As it stands, by the middle of the year, the IIU's budget utilisation was at the 50 percent range and is anticipated to be in the 90 percent range by year's end. With the expected onboarding of three staff to fill open positions and with some initiatives and procurement activities still pending, the IIU's budget utilisation may further increase.

III.   Work Programme of the Independent Integrity Unit for 2023

49.   In reflecting new and evolving areas of operational importance, and amidst increased collaboration and diversified contributions amongst functions in the IIU, the key priorities for 2023 are:

(a)   Optimise investigation efficiencies and capacities;

(b)   Integrity policy guidance and implementation oversight;

(c)   Risk detection, mitigation, and Proactive Integrity Reviews;

(d)   External investigative coordination and technical assistance to strengthen capacity of Accredited Entities, Delivery Partners, and other GCF Counterparties;

(e)   Intelligent automation and operational database development; and

(f)   Awareness raising, communications, and enhancing operational efficiencies.

3.1   Optimise Investigation Efficiencies and Capacities

50.   **Operational Enhancement of the Investigation Function.** Considering the expanding GCF project portfolio, funding distribution, and operations, the number of reported cases, particularly those relating to GCF projects and Readiness Programmes, has risen in 2022. This trend is likely to continue and will necessitate the allocation of sufficient resources toward professional investigative personnel, forensic and corporate due diligence tools, transcription/translation services, and potential mission travel.

51.   **Investigative Internal Operating Procedures (IOPs) and Templates.** IIU will continue to develop its Internal Operating Procedures (IOPs) and standard forms and templates in order to ensure effective, consistent, and professional investigative processes.

52.   **Optimisation of IIU Case Management System and Due Diligence Tools.** In 2022, the IIU fully transitioned its complaint registration and case portfolio management to the Case Management System (CMS) with an integrated online reporting platform. Based on feedback collected during the year, IIU will address certain identified gaps and further optimise and introduce additional configuration to the CMS in 2023 to enhance effectiveness and reflect new operating procedures and reporting requirements.

53.   **Digital Forensic Capacity.** IIU will continue development of its digital forensic capacity within its Investigation workstream to enable the effective collection, handling, and analysis of digital evidence. In order to do so, the IIU will acquire specialised equipment, software, and subscriptions to services.

3.2   Integrity Policy Guidance and Implementation Oversight

54.   **GCF Integrity Policy Framework.** The *Updated Strategic Plan for the GCF 2020-2023* (USP) confirmed that in line with the Board Workplan, the Fund would *"review its policies and frameworks, to better understand policy impacts, including resulting challenges or delays in implementation, gaps, and opportunities to simplify, streamline, and harmonise policies"*. IIU will work together with the Secretariat to provide any updates to and undertake a review of the GCF Integrity Policy Framework. The main integrity policies/documents that will be subject to this review are:

(a)   Anti-Money Laundering and Countering the Financing of Terrorism Policy;

(b)   Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy;

(c)   Policy on Prohibited Practices; and

(d)   Policy on the Protection of Whistleblowers and Witnesses.

55. **Reporting on the Implementation of Integrity Policies.** IIU is responsible for implementing the *Policy on Prohibited Practices* and the *Policy on the Protection of Whistleblowers and Witnesses*. As provided under the respective policy documents, IIU is requested to monitor and review the implementation of these two Policies and to report on an annual basis to the Board. Also, the Policies provide for the IIU to present to the EAC every three years on findings of implementation and any recommendations for changes to the Policies. This review exercise will be done in tandem with the larger Secretariat-led institutional policy review cycle.

56. **Investigation Manual and SEAH Interview Procedures.** IIU will provide integrity-related policy guidance and implementation oversight for the Fund through the development and issuance of the IIU Investigation Manual and SEAH interview procedures as requested by the Board.

3.3   Risk Detection, Mitigation, and Proactive Integrity Reviews

57. **Proactive Integrity Reviews.** For 2023, IIU will conduct two PIRs to be selected based on an objective integrity risk-rating scheme using machine learning models within the IDDP. The two PIRs will be undertaken using both desktop and onsite reviews. Due to COVID-19 travel restrictions, it was difficult to arrange for onsite travel in 2022. However, for the planned PIRs in 2023, IIU aims to conduct onsite visits in the selected projects. It will also be an opportunity to interact in-person with the project teams and to undertake capacity-building exercises that help mitigate integrity risks in project implementation and ensure that the systems and processes in place comply with GCF integrity standards.

58. **Monitoring of and Follow-up Actions on Completed PIRs.** IIU will closely monitor the implementation of recommendations from the two completed PIRs in 2022. Capacity-building requirements of the respective Accredited Entities will also be identified, and project teams will be trained in the identification and mitigation of integrity red flags.

59. **Review of the GCF Readiness and Preparatory Support Programme.** The Readiness and Preparatory Support Programme (RPSP) supports country-driven initiatives by developing countries to strengthen their institutional capacities, governance mechanisms, and planning and programming frameworks towards a transformational long-term climate action agenda. The RPSP provides grants and technical assistance to National Designated Authorities (NDAs) and/or Focal Points (FPs). Readiness funding can also be deployed to strengthen Direct Access Entities. The objective is to enhance the capacity of national institutions to efficiently engage with GCF. Dedicated readiness funding may also assist countries in undertaking adaptation planning and developing strategic frameworks to build their programming with GCF.

60. Developing country Parties to the UNFCCC can access the Readiness Programme. GCF aims at least 50 percent of readiness support goes to particularly vulnerable countries, including Least Developed Countries (LDCs), Small Island Developing States (SIDS), and African States. To ensure that Readiness funds are used efficiently and effectively, IIU plans to conduct one review of the RPSP to be selected through an integrity-risk rating system using machine learning models. This review will be undertaken in close collaboration with the Secretariat. Lessons learnt and areas of improvement will be shared with the relevant NDA and the Secretariat.

61. **GCF Integrity Enforcement Regime.** The *Administrative Remedies and Exclusion (ARE) Policy* as approved by the Board in decision B. BM-2021/09 sets out the principles and the general procedures to be followed in the administrative process by which an independent determination or decision to apply remedies, including exclusion or debarment against parties alleged to have engaged in Prohibited Practices in connection with Fund-related Activities, shall be undertaken. IIU will continue to engage with the Secretariat in the development of the four secondary documents that would operationalise the administrative remedies and exclusion regime, with a view to begin the consultation process with the EAC, Accredited Entities, and Observer Organisations in the second quarter of 2023 and subsequently, seek approval by the Board:

(a) The Administrative Remedies and Exclusion Procedures;

(b) The Administrative Remedies and Exclusion Guidelines for Implementation;

(c) The Integrity Compliance Guideline; and

(d) The Settlement Guidelines.

62. **Reporting of Red Flags, Suspicious Activities, and Suspected Money Laundering or Financing of Terrorism (ML/FT).** As provided under clause 38 of the *Standards for the Implementation of the Anti-Money Laundering and Countering the Financing of Terrorism Policy,* IIU is required to provide easily accessible reporting channels for red flags, suspicious activities, and suspected ML/FT. In collaboration with the Secretariat, IIU will develop a centralised database for the reporting and management of red flags, suspicious activities, and suspected ML/FT.

63. **Management Implication Reporting from Investigations.** In 2022, IIU began issuing Management Implication Reports (MIRs) which notify the Secretariat of crucial internal control or systemic issues/gaps identified in the course of investigations and which present appropriate recommendations for addressing identified gaps. Through regular issuance of MIRs, as well as Management Advisories (advisories on issues stemming not necessarily from investigations), IIU will contribute to strengthening the Fund's overall risk management capacity in 2023.

3.4 External Investigative Coordination and Capacity Building for Accredited Entities, Delivery Partners, and Other GCF Counterparties

64. In line with its mandate on proactive prevention, IIU aims to strengthen and support the capacities of GCF Accredited Entities and Delivery Partners for effective implementation of GCF integrity standards and policies across Fund-related Activities. To support this objective, IIU will develop an effective methodology and mechanism for coordinating and tracking case referrals and for reviewing investigative findings from Accredited Entities, Delivery Partners, and other Counterparties.

65. In particular, the capacity-building activities will be tailored towards requirements identified by the needs assessment of integrity capacities of Accredited Entities conducted in 2022 to ensure a country-driven and customised approach. The Unit will continue to shift towards flexible delivery approaches including online-based modalities to ensure accessibility and sustained outreach.

66. **e-Learning Module Development.** IIU aims to develop an e-learning module for Accredited Entities that will include a series of self-paced learning and training on integrity topics, curricula, contents, and tools uploaded to the online learning platform of GCF. IIU will conduct targeted and relevant learning outreach activities to relevant stakeholders and the public through a series of webinars to enhance Accredited Entities' understanding and knowledge about the GCF Integrity Policy Framework.

67. **Customised Technical Assistance for Accredited Entities.** IIU will provide customised assistance and individualised policy guidance and advice to Accredited Entities implementing GCF projects to address their capacity needs and help narrow capacity gaps by equipping them with the necessary tools and resources in project implementation. It will include the development of interactive self-assessment tools, resources that provide guidance on specific integrity-related questions, and other tools that address requests in project implementation.

68. **Peer-to-Peer Learning Alliance (P2P-LA).** IIU will continue to facilitate and scale up the P2P-LA where peers can share information and offer support to each other when faced with common challenges. This is a platform for the exchange of knowledge and lessons learned in addressing integrity risks and issues to ensure transparency and accountability. The P2P-LA involves engaging in dialogues, learning exercises, and cooperative activities such as peer reviews

and assessments to improve expertise and knowledge on climate finance and integrity matters. IIU will convene the peer alliance partners regularly to consolidate relationships for collaboration and support.

69.   **e-Referrals and Tracking or Monitoring of Investigations Pertaining to GCF Projects and Programmes.** In view of GCF projects and programmes being implemented through a wide range of Accredited Entities, Delivery Partners, and contractors which bear the fiduciary responsibility to ensure that allegations of Prohibited Practices and other Wrongdoing are properly investigated and with the investigation findings appropriately reported to the Fund, IIU has begun, and will continue to develop, a comprehensive framework for the electronic referral of complaints to the relevant investigative offices of Accredited Entities/Delivery Partners for the timely notification of allegations, effective tracking of investigative activities, and proper monitoring of case resolution.

70.   **Review Mechanism for Investigations by Accredited Entities, Delivery Partners, and Other Relevant GCF Counterparties.** To ensure proper investigation of and accountability in cases arising from GCF projects and programmes, and to assess and enhance the investigative capacity of Accredited Entities, Delivery Partners, and other GCF Counterparties, IIU will develop and implement a review framework for external Counterparty-led investigative processes and findings. The results of these reviews will also provide the Secretariat with valuable information during re-accreditation proceedings and will assist in guiding and strengthening its due diligence concerning fiduciaries' capacities.

71.   **Training and Information Sharing with GCF Counterparties.** IIU will provide offline training and information sharing to Accredited Entities (focusing on Direct Access Entities), Delivery Partners, and other relevant Counterparties as part of its capacity building initiatives.

72.   **Coordination with the Independent Redress Mechanism (IRM) on Environmental and Social Safeguards-related Investigations.** IIU will engage in discussions with the IRM on developing GCF's environmental and social safeguards-related investigative capacity and will provide advice and/or expertise in such cases that may arise upon IRM's request.

3.5   Intelligent Automation and Operational Database Development

73.   **Enhanced Workflows in Integrity Risk Management Operations.** Following IIU's first complete PIRs in 2022, the IDDP will be expanded to cover the entire workflow of PIR project selection: from red flag detection, human review of predicted red flags including post-verification ranking, to analysis, and recommendations for selection decisions. This will require the development of operational databases to support the IDDP in delivery of enhanced workflows. It will also enable the creation of a proper audit trail regarding both human review of model predictions as well as desktop review of shortlisted projects, solidifying the objective nature of PIR decision making processes according to best practices.

74.   **Provision of Decision Support Services to Core GCF Operations.** In accordance with instruction from the Executive Director, IIU will develop new machine learning models to provide decision support services in core GCF operations including re-origination and re-accreditation. This work will support Fund staff by equipping them with decision support services to help direct attention during due diligence processes which are part of both accreditation and origination decisions. Faster accreditation and origination decisions in turn improve the experience of stakeholders hoping to access climate finance.

75.   **Automated Data Integration of New Data Sources Alongside Existing Assets.** In further accordance with instruction from the Executive Director, IIU will continue efforts to automate the integration of internal Fund data sources. Resulting integrated data will be for use in the continuous improvement of IIU machine learning models, as well as in the subsequent delivery of optimal and timely decision support services both within the IIU and to partners

across the Fund. In addition, the IIU will pursue integration of external data sources to enhance existing processes and to enable further development of its capacity to provide value in early warning systems which inform integrity risk management operations.

3.6 Awareness Raising, Communications, and Enhancing Operational Efficiencies

3.6.1. Awareness Raising and Communications

76.   As GCF transformed into a hub of climate finance architecture with 113 Accredited Entities and 151 Delivery Partners thus far, it places the IIU in a position to become a knowledge hub on climate finance integrity by generating and sharing knowledge. IIU aims to facilitate the learning process and strengthen the dissemination of learning through knowledge management by consolidating the capture of knowledge and the creation and dissemination of knowledge products to advance learning by Accredited Entities.

77.   IIU will advance the strategic engagement of stakeholders with emphasis on greater civil society engagement while continuing actively participation in relevant international networks to ensure the Unit is at the frontier of relevant practice.

78.   **Knowledge Product Development.** IIU will develop knowledge products including the systematic mapping of existing resources and knowledge products, and the production of guidance materials on integrity issues. These resources aim to highlight certain themes of the GCF Integrity Policy Framework. The initiative on knowledge development and management will also include policy briefs on specific integrity topics, infographics that provide an overview of a knowledge area or topic related to the GCF Integrity Policy Framework, operational processes and requirements related to integrity, and digital stories for knowledge transfer using video, animated, and audio technologies.

79.   **Development of an Integrity Resource Portal.** As a flagship platform for knowledge management and dissemination, IIU will establish an online unified repository of resource materials and content ranging from publications, official reports, multimedia, newsletter editions and public releases, to data visualisations and related collaterals. This will enable the Unit to raise awareness about its mandate and activities while facilitating collaboration with a multitude of stakeholders and supporting the objectives of its communications strategy. The portal will provide access to Integrity Toolkits comprising of policy briefs, FAQs, thematic guidance notes, and information on reporting Prohibited Practices, among others. It will also serve as a resource centre for e-learning by deploying online modules, thematic webinars, trainings, and onboarding courses. The Unit will also explore opportunities to evolve the portal into a shared platform for peer learning with convenient access.

80.   **Strategic Partnerships.** IIU will continue to foster strategic partnerships for integrity and preventative initiatives with multilateral funds, international finance institutions (IFIs), and other relevant parties to create strategic alliances, share best practices, and ensure impact. To maximise effectiveness and long-term sustainability, IIU will take a systematic approach by creating a strategic partnership framework to consolidate the strategic positioning of IIU as a partner with key stakeholders and initiatives such as the UN, IFIs, and governments, including host countries, civil society groups, private sector entities, and foundations.

81.   **Cooperation with Counterpart Integrity Offices of Accredited Entities.** IIU will continue and enhance collaboration with counterpart investigative/integrity offices of Counterparties through the negotiation of Memoranda of Understanding (MoUs) and execution of other cooperation modalities. The implementation of MoUs, operationalisation of the system of referrals on investigative matters, information sharing, and the conduct of joint or parallel investigations with external parties (as applicable) will be prioritised.

82.   **Communications and Awareness-Raising Initiatives.** IIU will continue regular communications activities to strengthen outreach and partnerships with its stakeholders and to raise awareness of GCF integrity standards. The Unit will actively publish regular educational content and updates on IIU activities in its communication channels. An internal staff advocacy campaign will be conducted on important integrity topics.

(a)   *Webinars and Brownbag Sessions.* Following on its brownbag sessions with the GCF community on SEAH and investigation standards in 2022, IIU will deliver additional integrity-related presentations and training sessions in 2023. Furthermore, the Unit will continue to provide timely and accurate reporting on case statistics and activities to the GCF Board and other relevant stakeholders.

(b)   *Commemoration of International Anti-Corruption Day (IACD).* 09 December of every year is designated as International Anti-Corruption Day. The objective is to raise awareness of the adverse impacts of corruption among different stakeholders. For 2023, IIU will once again join international institutions to commemorate IACD. The Unit will organise a series of activities to promote increased awareness among GCF Personnel and partners on the importance of integrity in climate action. The 2023 IACD will seek to highlight the rights and responsibilities of everyone in fighting corruption, including Accredited Entities, NDAs, Executing Entities, and GCF Personnel.

83.   **Civil Society Engagement.** The significant role of civil society in helping fight corruption has been underscored and widely recognised in many international anti-corruption conventions. Civil society organisations (CSOs) as champions and promoters of civil society development have a proven record of making societies sensitive to such detrimental factors as corruption and other integrity violations. Climate action requires engagement with and contributions from all stakeholders. Civil society therefore is an indispensable partner in the global effort to combat climate change.

84.   To that end, IIU aims to achieve the following outcomes from its CSO engagement:

(a)   To leverage on the knowledge and experience of CSOs at the national and grassroots level in advocating for transparency, accountability, and integrity in climate projects;

(b)   To develop a network that drives impact and promotes anti-corruption initiatives through sustainable partnership; and

(c)   To develop a roadmap for ensuring effective monitoring of the implementation of GCF projects with support of CSOs on the ground.

85.   IIU will work closely with CSOs in the following areas of interest and expertise:

(a)   *Advocacy for Integrity in Climate Action.* Provide support in organising anti-corruption campaigns and initiatives at the regional or national levels, as follows:

(i)   Regular observance of International Anti-Corruption Day (09 December of every year); and

(ii)   Design and implementation of anti-corruption campaigns to help foster a culture of integrity.

(b)   *Capacity Building and Awareness Raising.* Provide technical assistance in the areas of:

(i)   Organising awareness-raising sessions with different stakeholders;

(ii)   Facilitating peer-to-peer exchanges among CSOs to build communities of practice; and

(iii)   Facilitating reporting of integrity violations to IIU or GCF Accredited Entities.

86.   **Civil Society Alliance for Climate Finance Integrity.** Supplementing the wider CSO engagement by the IIU, this coalition-building initiative is intended to be a collaborative effort

that will create a highly visible, agenda-setting platform to address corruption, transparency, and emerging-market risks. It has the potential to transform into a leading voice on anti-corruption and transparency in climate action. The objectives of the alliance include:

(a)   Identifying joint initiatives to address corruption/integrity violations in climate action;

(b)   Sharing experiences/key challenges related to implementation of climate-related projects;

(c)   Developing strategies (short, medium, and long terms) for CSO engagement in GCF projects;

(d)   Identifying innovative approaches to anti-corruption and setting global, regional, and industry-specific agenda; and

(e)   Understanding the capacity requirements/needs of CSOs.

3.6.2. Enhancing Operational Efficiencies

87.   As its staff capacity grows and workstream outputs diversify, it is imperative for the IIU to ensure interoperability of functions and enhance operational efficiencies. Critical business processes that support the attainment of IIU objectives must be organised and delivered in a timely, predictable, and cost-effective manner while warranting accountability in the discharge of roles/tasks and assessment of measurable performance indicators. Developing ways on how to achieve and learn from efficiency gains across IIU operations will be a regular component of the Unit's annual Work Programme.

88.   By enhancing operational efficiencies, IIU aims to achieve the following objectives:

(a)   Streamlining of critical IIU business processes by providing a systematic and predictable structure on how the Unit organises its work;

(b)   Facilitating intelligent automation and innovation in systems, tools, and processes to optimise turnaround times, keep workstreams connected and engaged, and improve accuracy of information;

(c)   Promoting clarity and accountability in the performance of roles/functions through effective project management and periodic assessment of efficiency indicators; and

(d)   Transforming data/information into actionable insights and create added value.

89.   **Improved Project Management and Collaboration.** To support the objective of achieving efficiency gains, IIU aims to develop integrated solutions and eliminate isolated processes or "silos" by creating interdependence between people, technology, and strategies. The Unit will develop and implement a centralised project tracking and management system that will operate across IIU workstreams to establish, monitor, and measure process cycles. A Software-as-a-Service (SaaS) tool will be procured and customised that would allow end users to connect and collaborate on tasks, mobilising resources conveniently and more efficiently.

90.   **Streamlined Reporting to the Board and Relevant Stakeholders.** The enhanced approach of IIU to project management and collaboration is expected to improve and streamline the reporting on IIU objectives and activities. The Unit will continue to produce reports and publications that are data-driven but with improved efficiency by integrating reporting with a database of key metrics. Building upon available tools and databases, IIU will design an overarching matrix of indicators to which project milestones can be tracked accurately and conveniently, and to which performance can be assessed. The Unit will also explore ways on how to integrate this objective with existing in-house data analytics capabilities.

IV.   Budgetary Implications

91.   With the easing of COVID-19 restrictions and the progressive return to a level of pre-pandemic normalcy, IIU capitalised on this opportunity to progress its mandate and positively affect GCF's integrity posture. IIU continued to enhance its relationship with the Secretariat, developed mechanisms to provide added value, and engaged in consultations to inform integrity risk mitigation decisions.

92.   Similarly, IIU re-engaged with Accredited Entities and important external partners, with a view to identify and address potential occurrences of Prohibited Practices, and to restore capacity building and technical assistance mechanisms more fully.

93.   Beginning late 2021 and into 2022, an important and impactful undertaking of the IIU has been the Proactive Integrity Reviews (PIRs). The exercise seeks to identify potential areas of integrity-related vulnerabilities, and in collaboration with the Accredited Entity, actively work to remediate identified concerns. The lessons and findings derived from these reviews are channelled to the Secretariat for their consideration and improvement of internal controls and processes. Very importantly, the PIRs help shape the mechanisms that ensure GCF funds are used for their intended purposes. Consequently, these reviews will become a mainstay of the IIU work programme moving forward.

4.1   Staff and Consultants

94.   In the preceding years, the IIU has had to defer recruitment of approved staff positions to allow for sufficient resources to execute on other elements of its Work Programmes. Currently the IIU's vacancy rate stands at 35.71 percent, which hinders the effective execution of its mandate. Therefore, the recruitment of these already approved positions has since become a matter of necessity. It is to this end that the IIU has begun efforts to fill these vacancies with the anticipation that there will be a marked appreciation in the staffing-associated budget items, as staff are onboarded in the coming year.

95.   The proposed 2023 budget provides for 12 full-time staff and four interns. Three out of the 12 staff positions are expected to be onboarded by January 2023, the recruitment of which is expected to conclude by last quarter of 2022.

96.   Considering that the recruitment of a new Head of IIU shall be determined by an approach and timeline to be approved by the Board, provisions for the role are based on a reasonable projection as to when an appointment can be made and include allotments for possible ad interim arrangements.

97.   In line with the overall strategy of GCF and best practices, the IIU is likewise moving away from a reliance on HQ-based consultancies as illustrated in the chart below. This is a 52 percent decrease in this category from 2019. Since then, the IIU has made steady progress towards enhancing its staff capacity and reducing its dependence on consultancies to deliver on priorities.

98.   The Unit has earmarked a budget for remote, short-term consultants only intended to support its ongoing work on risk detection and mitigation, continued enhancement of its data analytics capabilities, and on PIRs.

FIGURE 12. CONSULTANCY BUDGET LINE OF THE INDEPENDENT INTEGRITY UNIT FROM 2019 TO 2022
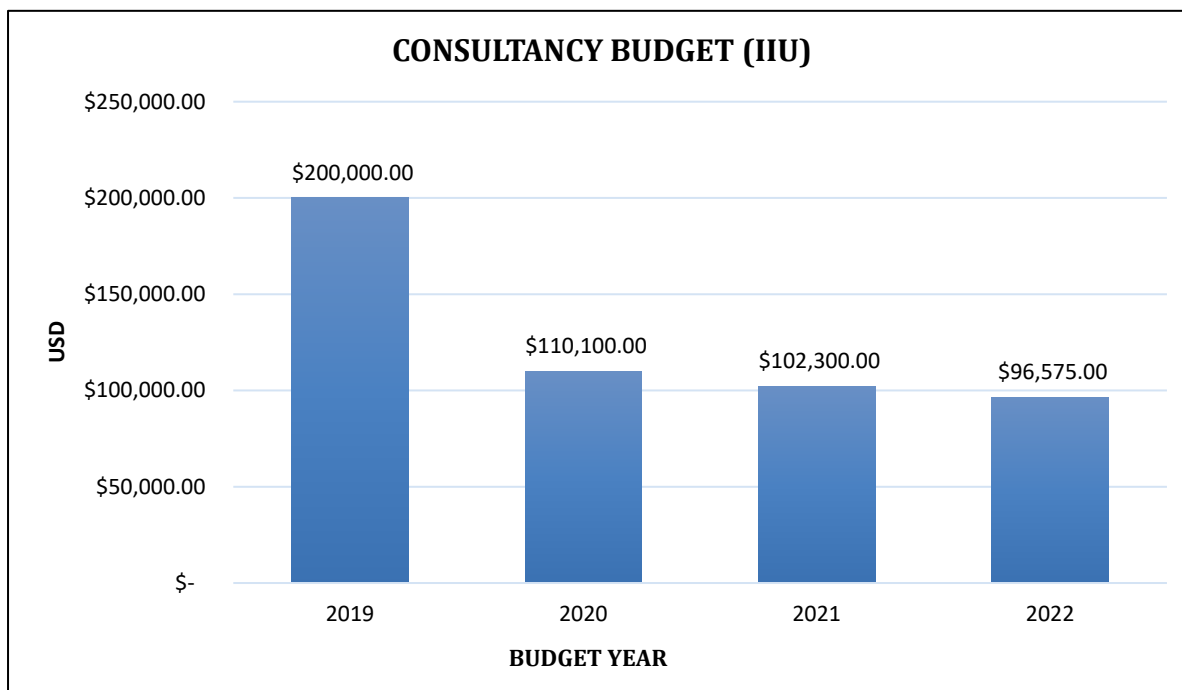
4.2 Travel

99.   Travel is another area of expected growth. During the COVID-19 pandemic, health considerations and country travel restrictions limited in-person engagements, consequently leading to a significant reduction in the travel budget line item. Moving forward however, although the IIU will make full use of remote conferencing technologies where applicable, there are some requisite travel requirements included in the Work Programme that have led to the observed increase.

100.   Notwithstanding the proposed increase, IIU does not anticipate returning to pre-pandemic levels in terms of travel frequency and costs. For context, the approved Travel budget line of the IIU in 2020 amounted to USD 207,046.[6] The proposed Travel budget for 2023 totals USD 51,052, which is equivalent to 24.7 percent of the pre-pandemic 2020 Travel budget line. The Unit recognises that with the pandemic, institutions have evolved their perspectives and approaches to doing outreach, country/stakeholder engagements, and organisation of events/international meetings. IIU intends to take advantage of lessons learned and of evolving best practices to fully utilise available technology for remote interactions and participation.

101.   However, there remains a significant portion of the IIU's mandate that will benefit from onsite and in-person engagements. These include activities related to investigations, PIRs, outreach and country engagement, and IIU participation at important international meetings such as the 23rd Conference of International Investigators, UNFCCC COP28, and GCF Board Meetings outside the Republic of Korea.

102.   In comparative terms, Figure 2 illustrates the Travel budget line of IIU vis-à-vis the other Independent Units and the Secretariat expressed in average travel allocation per capita/staff. Notably, the IIU's proposed travel budget is markedly conservative and does not demonstrate an assumption of a return to pre-pandemic normalcy. The travel requirements reflect only the anticipated essential travel needed for the IIU to effect its mandate.

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[6] Board decision B.24/07 (document available at GCF/B.24/16/Rev.01 Workplan and Budget of the Independent Integrity Unit for 2020).
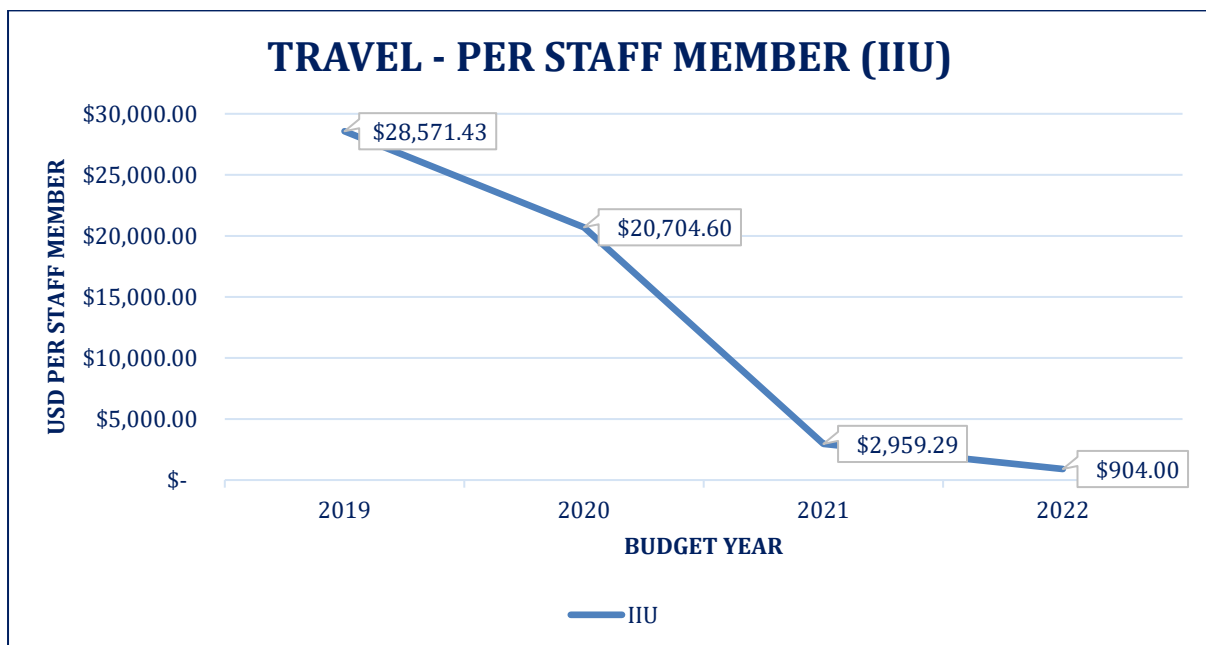
FIGURE 13. TRAVEL BUDGET LINE OF INDEPENDENT UNITS AND THE SECRETARIAT FROM 2019 TO 2022

(PER STAFF MEMBER)
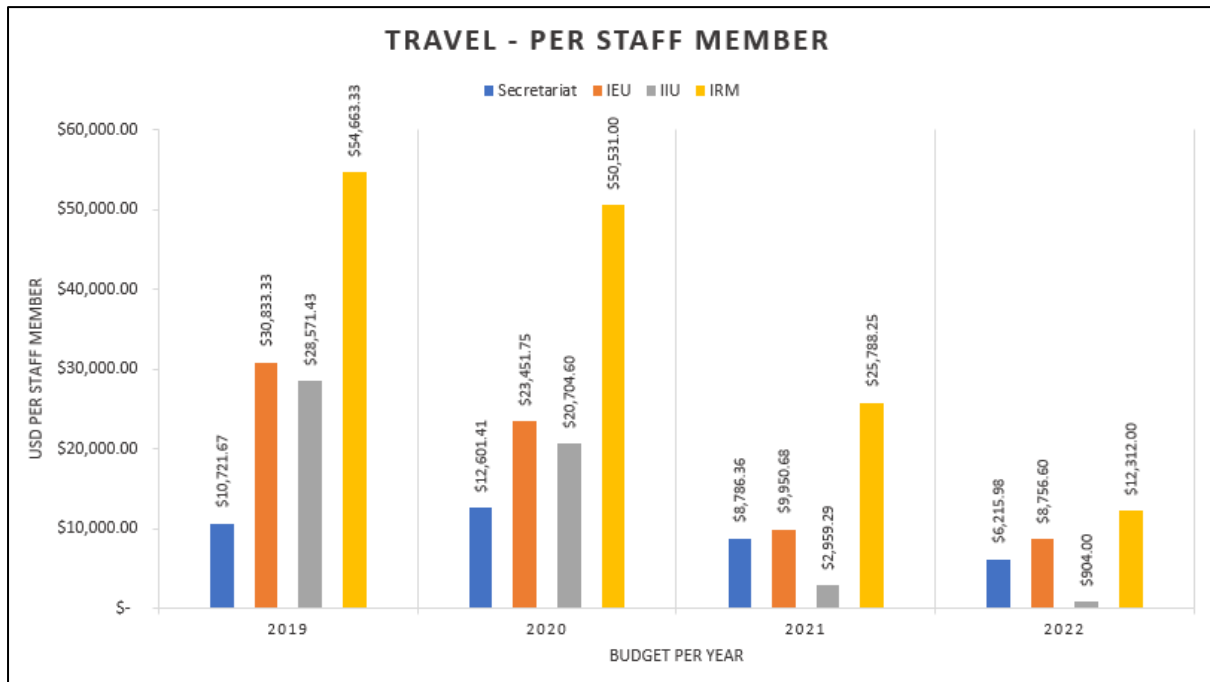
103. This downward trend is further demonstrated in Figure 3, which reflects IIU specific travel budget per staff member.

FIGURE 14. TRAVEL BUDGET LINE OF INDEPENDENT INTEGRITY UNIT FROM 2019 TO 2022

4.3   Contractual Services

104. The groundwork and technical infrastructure laid by the IIU in the preceding year formed the basis for the effective execution of the respective PIRs. IIU intends to build on this and leverage on lessons learned to improve on its project reviews and to grow its assessments into programmes and potentially, other operational areas as requested by the Secretariat. Hence, the

Professional Services line item of the proposed 2023 budget includes an allocation for engaging the technical services of a consulting firm to support the effective and timely execution of the PIRs.

105.   The upfront investment in innovation and integrity risk identification mechanisms that led to an increase in the Information and Communication Technology budget in 2021, is the reason for the notable decrease in the 2023 budget. IIU can leverage on the established systems to continue its work in the coming year.