Linking Policies and Practices for Safeguarding Climate Finance

TIB-TM Integrity Talk on Climate Finance Governance
25-27 April 2018 | Bangkok, Thailand

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Mandate of the Independent Integrity Unit
Mandate of the Independent Integrity Unit (IIU)

**Investigate**
- Investigate fraud & corruption in Fund-related activities

**Integrity Standards**
- Highest integrity standards by all staff, external stakeholders, implementing entities & intermediaries

**Independence**
- Independent of the GCF Secretariat but work closely with it
GCF Integrity Policies
Prohibited Practices
Article 3, draft Policy on Prohibited Practices:

The GCF shall ensure that all resources and assets entrusted to it are managed with the highest levels of integrity, and are free from prohibited practices.
Accreditation
Fiduciary standards:

- Basic KYC
- AML/CFT checks
- Independent audits and procurement capacities
- Financial management and reporting capacities
- Transparency and integrity checks
The Accredited Entity shall take appropriate measures to:

1. ensure that all GCF Proceeds are used for the purposes for which they were provided, and;
2. shall be accountable to the Fund for the proper use of such GCF Proceeds
The Accredited Entity shall be in default of this Agreement if in respect of a Funded Activity, it has engaged in a Prohibited Practice without taking timely and appropriate action to address it.
Remedies following Event of Default:
Clause 20(g), Accreditation Master Agreement

The Fund may:

- Terminate the Agreement
- Suspend further payments
- Seek refund or restitution
- Claim damages
Monitoring & Accountability Framework

Decision B.11/10
Monitoring & Accountability Framework

“designed to ensure the compliance of accredited entities (AEs) with their accreditation standards”

- Mandates reporting requirements
- Risk-based monitoring by GCF
- Incentives and remedies for default
- Roadmap to re-accreditation
Project Implementation
Monitoring & Accountability Framework

- Integrity Due Diligence
  - Identification of beneficial ownership
  - Sanctions history
  - PEPs

- Contractual obligation to mainstream integrity frameworks in projects programmes
Project Procurement
The Recipient shall ensure adherence to the Procurement Plan agreed to by the Recipient and the Fund:

(a) Contracts shall be awarded on a transparent and on a competitive basis.

* [subject only to established exemptions included in written procurement policies and practices provided to the Fund and agreed in advance]
Procurement Red Flags

- Writing tender specifications in a way that favors a particular supplier
- Frequently using exemptions to circumvent competitive procurement
- Avoiding higher level review or competitive bidding by splitting contracts
- Not declaring connections with bidder (conflict of interest)
- Frequently extending contracts and repeating awards to same contractor
- Accepting late or suspicious bids
- Submitting suspicious bids (e.g. fake companies or affiliates) to give the appearance of competition
- Losing bidders become subcontractors
Proactive Project Reviews

Focused on ensuring compliance with GCF integrity policies in project implementation

- Procurement reviews
- Assessment of project implementation
- “Books-and-records” inspections
IIU Support and Cooperation
Support to Counterparties

- Develop an integrity policy framework and procedures
- Build investigative capacity and conduct joint investigations
- Link with national and international law enforcement
Cooperation Agreements

IIU signs MoU with SANBI to

IIU, CABI sign agreement to
## MoUs between IIU & Entities

(as at 5 April 2018)

<table>
<thead>
<tr>
<th>Entities</th>
<th>Status</th>
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<tbody>
<tr>
<td>CABEI, GIZ, Fundación Avina, SANBI, XacBank (5)</td>
<td>Signed</td>
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<tr>
<td>CDB, UNOPS, Acumen, CAF, CI, FAO, FECO, IFC, IUCN, KDB, KfW, MINIRENA, UCAR (13)</td>
<td>Under negotiation</td>
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</tbody>
</table>

![Pie chart showing 1 International Access and 4 Direct Access MoUs]

**International Access**: 1

**Direct Access**: 4
Collaboration with Civil Society

- Natural ally
- Bridge to local communities
- Knowledge source
- Accountability and oversight
Direct Climate Action Platform (DCAP)
UNDP-OECD Joint Secretariat of the Effective Institutions Platform (EIP)
Foundational Engagement Workshop
Frankfurt, December 2017
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