

ENHANCING INTEGRITY FOR IMPACTFUL CLIMATE ACTION

Green Climate Fund Integrity Policies in Practice: Lessons from Direct Access Entities

Summary

- ▶ Every year, major financial flows are mobilised to achieve internationally agreed climate goals, but these levels of funding bring **multiple corruption risks**, which can seriously undermine climate initiatives throughout the programme cycle. This makes it essential for stakeholders to prioritise **robust integrity mechanisms** in all climate financing, to establish a solid foundation for strong programme initiatives. Employing deliberate strategies to prevent funding from being stolen, wasted or misused through corruption helps ensure it reaches its intended destination and supports effective climate action.
- ▶ This paper introduces a **series of four briefs on integrity policies and requirements**, in the context of the Green Climate Fund (GCF), developed in collaboration with members of the **Peer-to-Peer Learning Alliance on Climate Finance Integrity**, a group of GCF Direct Access Entities (DAEs). The briefs harness DAEs' best practices in climate initiatives and first-hand experience implementing the fiduciary standards required to achieve GCF accreditation.
- ▶ Concise and accessible, the briefs present **core lessons, tools and approaches to reduce corruption risks and enhance integrity** in the design, development and implementation of climate projects. They cover leading integrity themes selected by members of the learning alliance to provide insights into achieving GCF accreditation and upholding GCF standards:
 - ▶ Whistleblower protection
 - ▶ Conflicts of interest
 - ▶ Procurement and integrity pacts
 - ▶ Due diligence and financial integrity
- ▶ Rooted in reality, the briefs offer **highly-relevant case studies and actionable tips**, and provide a springboard for further learning and collaboration. They support organisations that manage climate finance to achieve international climate fund accreditation and to attain their programme goals, from community to global levels.



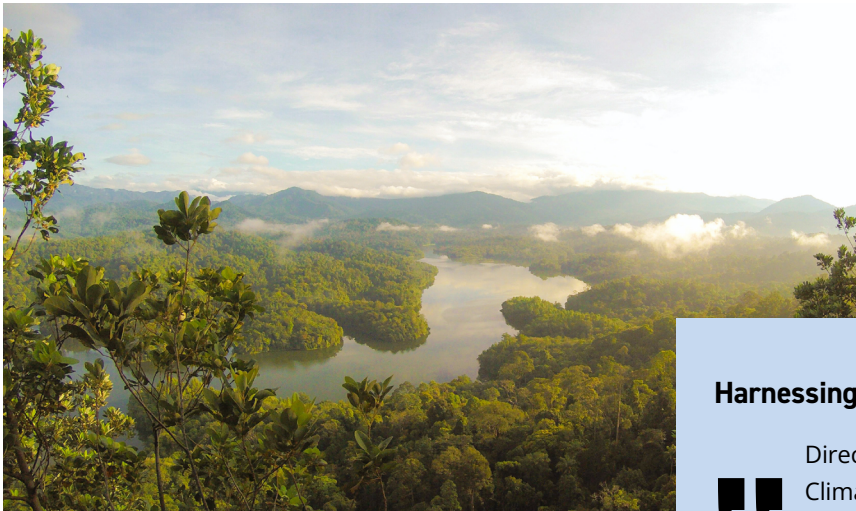


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THE POWER OF STRONG CLIMATE GOVERNANCE

Every year, significant financial flows need to be mobilised to achieve the internationally agreed climate goal of limiting global warming to 1.5°C. In the last decade, climate finance almost doubled, reaching an estimated US\$850 billion by 2021 – including from public and private sources. However, this increased climate finance brings multiple corruption risks, which can significantly undermine climate programmes at all stages of the cycle – from decisions on what to finance, through to project design, implementation and evaluation.

Corruption in climate finance comes in many forms, including fraud, embezzlement, undue influence or collusion, yet analyses of climate interventions frequently omit discussion of the governance measures that can prevent it. Many actors in the climate change sector see anti-corruption and integrity as peripheral to the technical challenges of reducing emissions, bypassing these issues not through lack of concern, but because they are unaware of their magnitude. However, if action is not taken to ensure that financial flows are protected from corruption, climate progress may be threatened.

Without strong anti-corruption mechanisms in place, billions of dollars funnelled into climate finance every year could disappear through graft or negligence. By pursuing deliberate strategies to ensure funds are not stolen, wasted or misused through corruption, stakeholders can ensure funding ends up where it's intended and can work to protect our planet and its people.

Harnessing our collective learning



Direct Access Entities to the Green Climate Fund are increasingly expected to demonstrate the effectiveness of their integrity systems, to enable readiness for climate finance. The Peer-to-Peer Learning Alliance has enriched members' understanding of integrity systems, enabling us to share relevant challenges and experiences, and build our knowledge of coherent integrity practices. This series of briefs harnesses our collective learning, documenting the real-world challenges and opportunities around various aspects of the integrity system.

The series will be immensely useful to organisations in the process of gaining GCF accreditation, as well as those already implementing GCF-funded projects or seeking reaccreditation. The briefs not only address GCF requirements, but support any entity seeking to create a comprehensive and robust integrity management system – one that fosters fiduciary standards, prevents corruption, strengthens good governance and builds public trust. This helps organisations access a range of international finance opportunities and achieve their climate goals.”

Mukti Chhetri,
Learning Alliance member

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BUILDING THE GCF INTEGRITY PILLARS

To achieve sustainable, impactful climate action, entities managing and implementing programmes must move beyond good technical design for projects that reduce emissions or support adaptation. They must also develop mechanisms that ensure funds are well governed, and that deter, detect and address fraud and corruption, promoting integrity throughout their structures and processes. This means enabling the high levels of transparency and accountability necessary to keep corruption practices at bay in decision-making and implementation processes.

Funding mechanisms such as the Green Climate Fund (GCF) – the world's largest dedicated fund for climate action in developing countries and emerging economies – have comprehensive accreditation requirements to ensure integrity and sound financial management in entities implementing projects they fund. The GCF integrity framework hinges on transparency and accountability, with a three-stage process for instilling integrity in entities' internal processes and GCF-financed activities:

The GCF Integrity Pillars



Establishing an integrity basis: the systems, policies, procedures and guidelines to prevent and mitigate prohibited practices.



Ensuring integrity in project selection: procedures for assessing needs, priorities, and environmental and social impact informed by stakeholder engagement.



Sustaining integrity in project implementation: multi-stakeholder platforms for project coordination, monitoring results and supporting knowledge generation.

HARNESSING ACCREDITED ENTITIES' LEARNING

The GCF operates through a network of Accredited Entities, which develop funding proposals to implement GCF-financed projects. The Fund has an oversight role and, under its governance structures, a fiduciary duty to ensure that its financial flows are used for their designated purposes. To gain accreditation as a GCF partner, entities are assessed against their ability to manage funding in line with GCF fiduciary, environmental and social standards. This requires them to adopt and implement a range of policies that together form an integrity framework to support these standards. The framework is a powerful mechanism aimed at preventing malpractice and supporting integrity across an entity's activities.

Many GCF Direct Access Entities (DAEs) – accredited sub-national, national or regional partners – have gained useful knowledge about creating and sustaining the integrity framework required to achieve and

maintain accreditation. This series of thematic briefs captures valuable learning from their experience on the path towards GCF accreditation or reaccreditation, as well as developing and implementing successful climate projects.

Drawing on insights from GCF and Transparency International integrity experts, and on DAEs' real-world experience and lessons learned, the series is designed to help entities address and mitigate corruption risks, while promoting success in climate change mitigation and adaptation programmes at all levels. Highly relevant and practical, the briefs offer key lessons, tools and case studies to support existing Accredited Entities or entities looking to achieve or upgrade GCF accreditation, or attain climate programme goals while meeting GCF fiduciary standards.



TARGETED APPROACHES TO GCF ACCREDITATION

To share their learning with fellow entities, learning alliance members have drawn on their first-hand experiences to complement the input of integrity experts and contribute to this series of four concise, actionable briefs:



Achieving comprehensive whistleblower protection

People calling out corruption when they see it – and knowing that they can safely do so – is crucial to its prevention and detection. But exposing corruption can entail personal, professional or physical risks. The GCF requires entities to have effective whistleblower policies and procedures that empower anyone to report suspicions of wrongdoing without fear of retaliation, and that guide the entity's response.

In this brief: Members of the learning alliance share their experience in establishing safe, confidential channels for stakeholders at all levels to report corruption – and empowering them to use these channels – so that climate projects can best protect their funds, ensure the quality of their work and attain their goals.



Preventing conflicts of interest

Conflicts of interest occur when an individual or the entity they work for is confronted with choosing between the duties and demands of their position to protect the public interest, and their own private interests. Conflicts of interest can leave them vulnerable to bribery or forms of undue influence, and distort decision-making from policy level through to local programme implementation.

In this brief: Drawing on their experience adopting policies and procedures required by the GCF, alliance members give insights into identifying, preventing and managing conflicts of interest, including through tools such as mandatory declarations and registers of interests, lobbying and influencing activities.



Promoting clean procurement and integrity pacts

Honest, efficient procurement to acquire goods and services is central to enabling climate funds to achieve their goals – but spending entails key corruption risks, including collusion among suppliers or with a contracting entity, inflated prices or diversion of funds. The GCF requires that entities have a formal procurement policy consistent with recognised international practice, ensuring maximum transparency and multi-stakeholder participation, from needs assessment to contract award and service delivery.

In this brief: To help organisations close gaps that allow procurement fraud, accredited entities share approaches for implementing tools such as open contracting and integrity pacts, in which contracting organisations and bidders sign a public agreement committing to refrain from corruption and enhance transparency.



Ensuring due diligence and financial integrity

A strong financial framework can ensure climate funding is used for intended purposes, keeping monetary flows fully transparent at every level and preventing bribery, embezzlement and fraud. Transparent and thorough due diligence procedures are key to ensuring integrity in implementing agencies, suppliers, contractors and employees associated with a project. Independent internal and external audits of an entity's accounts, processes and performance are also essential, giving a credible assessment of its competence and compliance with laws and regulations.

In this brief: Members of the learning alliance offer lessons and tips for implementing financial integrity measures, including publishing all money transfers, establishing internal oversight mechanisms, and resolving gaps and overlapping mandates between stakeholders, to strengthen coordination and accountability.



Sharing rich integrity experience: the Peer-to-Peer Learning Alliance

The briefs in this series are unique in drawing on the real-world experience of seven GCF Accredited Entities, which together form the Peer-to-Peer Learning Alliance on Climate Finance Integrity. Established in 2017, the alliance brings together knowledgeable representatives of GCF Direct Access Entities, allowing peers to openly share experience, competencies and practices, and to support each other in problem solving and strengthening their institutions' integrity frameworks.

Currently comprising seven entities from six countries, the alliance covers diverse institutions such as development banks, government bodies and quasi-state organisations. Members span sectors including agriculture, conservation, renewable energy and water, under the overarching theme of climate change mitigation and adaptation. Their programmes vary widely in terms of scale, fiduciary standards and project stage – from recent accreditation to advanced project implementation. This diversity makes the peers' combined experience widely applicable to many other national or regional entities, offering rich learning to those seeking GCF accreditation or wanting to apply best practice around issues of integrity.

OFFERING REAL-WORLD INSIGHTS

The learning briefs offer unique access to first-hand experience to support the creation of a strong integrity framework for entities involved in the programming of climate finance. Rooted in real life rather than abstract theory, they demonstrate how DAEs have successfully positioned corruption prevention, integrity and transparency as central to successful climate programmes, showcasing peers' successes and highlighting challenges and solutions on their accreditation and project implementation journeys.

With examples of best practice and case studies that link GCF requirements with a wide range of situations on the ground, the briefs present actionable advice and are powerful aids to achieving both GCF accreditation and project goals. Although focused on a particular theme, each brief is relevant for all entities, project decision-makers and stakeholders involved in climate finance programming, highlighting cross-cutting principles of transparency, accountability and participation that apply to every aspect of a project. These include transparent decision-making, access to information, open stakeholder discussions on integrity, and empowering stakeholders to safeguard against

corruption in climate programmes. The briefs' useful, practical insights require no expertise or previous knowledge to understand and apply, and are backed by links to further information sources.

Together, the briefs offer a foundation for achieving accreditation from multilateral climate funds such as the GCF, and for establishing the best practices in integrity needed for successful climate projects. They also provide a springboard for future learning and collaboration, supporting entities that channel climate funding to ensure their programmes deliver better lives and a healthier planet.

Accessing the briefs:

The Peer-to-Peer Learning Alliance integrity briefs will be launched via a series of webinars. The briefs are available [here](#).



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- ▶ National Trust for Nature Conservation (Nepal)
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- ▶ Ministry of Water and Environment (Uganda)
- ▶ Vietnam Development Bank
- ▶ Environmental Investment Fund (Namibia)

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