

# DETECTING, MANAGING AND MITIGATING CONFLICTS OF INTEREST FOR INTEGRITY IN CLIMATE ACTION

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

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### Summary

- ▶ The Green Climate Fund (GCF) defines “conflict of interest” as referring “to any situation in which a party or any of its staff involved in the relevant decision-making process has interests that could, or could be perceived to, improperly influence the performance of official duties or responsibilities, contractual obligations, or compliance with applicable laws and regulations.” (*GCF Policy on Prohibited Practices, clause 6(e)*)
- ▶ Such conflicts may arise in many circumstances, including decisions around organisational rules, procurement, investments and recruitment. They often involve an individual’s financial interests, but may also involve present or future career opportunities, gifts and hospitality, or benefits for immediate family members and friends.
- ▶ A conflict of interest situation may not in itself be an offence, but may need to be mitigated to ensure it does not affect decision-making in favour of personal interests. To deter and manage conflicts of interests to the standards required by the Green Climate Fund, entities should specify clearly in their codes of conduct situations of conflict of interest for all employees, board members, partners and associates.
- ▶ Ongoing declarations of interests form the backbone of an effective conflict of interest mechanism. These should be both on a regular basis (for example, annually) and at any time when an individual perceives that they may be in a conflict of interest situation.
- ▶ Other strategies to mitigate conflicts of interest and prevent them from distorting decision-making include policies regulating gifts and future employment; transparency over external meetings; segregation of duties (such as contract award and payment), and consultation procedures to ensure decision-making reflects diverse interests.
- ▶ To deter and mitigate conflicts of interest, entities should regularly communicate with staff about the risks, and review and update their policy. This strengthens entities’ culture of integrity, promoting optimal use of climate financing.



## WHAT ARE CONFLICTS OF INTEREST AND WHY DO THEY MATTER?

Conflicts of interest occur when an individual or the entity they work for is confronted with choosing between the duties of their position and their own personal benefit – for example, shares in a company or connections to a vendor or job candidate. Personal interests such as these could improperly influence the performance of an individual's official duties or responsibilities or could result in a reasonable perception that they are using their position to their own benefit or to that of immediate family members and associates.

Conflicts of interest may leave decision-makers vulnerable to corruption and distort their choices, from policy level to local programme implementation. Detering and managing such conflicts is essential for entities implementing climate programmes, promoting

integrity in decision-making and helping safeguard their projects, resources and reputation. Although a conflict of interest is not in itself a type of prohibited practice, failure to disclose a personal interest may be construed as an integrity violation. Even if unmotivated by intent to commit wrongdoing, actual, potential or perceived conflicts of interest may in themselves be harmful, eroding public trust in an entity and its processes, with a long-term negative impact on the entity's reputation.

By helping prevent private interests from influencing the decision-making process, conflict of interest policies may help optimise the use of climate finance in the public interest – ultimately helping protect the planet and people whose lives are directly impacted by climate change.

## A CORE PRINCIPLE OF THE GCF'S INTEGRITY FRAMEWORK

Mitigating conflict of interest situations is central to prevent a future instance of a prohibited practice. Ensuring that personal interests of staff members are not unduly interfering with GCF-financed programmes is critical to safeguarding the resources entrusted to the Fund, by helping prevent, manage and address biased decision-making. The GCF's [Policies on Ethics and Conflict of Interest](#) define its standards for different groups, including GCF Board members, external members of Fund panels, and active observers.

The GCF also requires the Accredited Entities (AEs) whose climate programmes it finances to establish their own conflict of interest policies and declaration

mechanisms, with clear procedures for managing and mitigating conflicts. If an actual, potential or perceived conflict of interest arises, or if there is doubt whether a conflict exists, the GCF requires that the individual concerned promptly refer the matter in writing to the entity's ethics office and the Fund's Independent Integrity Unit (IIU) for guidance. The IIU provides policy and best practice advice and support to AEs in preventing and managing conflicts of interest, among other integrity-related matters. This helps minimise the risk of undisclosed, unchecked or undeclared conflicts of interest distorting decisions over climate resources and policies, ensuring GCF financing is used for its designated purpose.



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## VALUABLE REAL-WORLD LESSONS IN PREVENTING CONFLICTS OF INTEREST

This brief links good practice on implementing effective conflict of interest policies and systems to GCF accreditation and project implementation requirements. Drawing on the diverse real-world experience of AEs from the Peer-to-Peer Learning Alliance on Climate Finance Integrity, it shows how conflict of interest declarations may help prevent and deter corruption and breaches of integrity. Alliance members share approaches

for identifying, mitigating and managing conflicts of interest, backed by insights from integrity experts at Transparency International and the IIU. The brief offers guidance and tips to enable AEs, those seeking accreditation and their partners to safeguard climate programmes from corruption and strengthen integrity through the implementation of conflict of interest policies and strategies.

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

Established in 2017, the Peer-to-Peer Learning Alliance on Climate Finance Integrity brings together knowledgeable and experienced representatives of seven GCF Direct Access Entities from six countries, allowing members to openly share experience, competencies and practices, and to support each other in problem solving and strengthening their institutions' integrity frameworks.

The alliance covers diverse institutions such as development banks, government bodies and quasi-state organisations, spanning sectors including agriculture, conservation, renewable energy and water, under the overarching theme of climate change mitigation and adaptation. Members' 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.

## WHAT DO CONFLICTS OF INTEREST LOOK LIKE?

Conflicts of interest often involve an individual's financial interests, but may also involve interests such as present or future employment opportunities, gifts and hospitality, or benefits for immediate family members and friends. They can arise in many situations, including:



### Recruitment and employment

In recruitment, conflicts of interest may take the form of nepotism, in which someone in an official position exploits their authority to provide a job or favour to a family member or close associate, who may not be qualified or deserving. Or they could arise from clientelism – an unequal exchange of resources and favours based on an exploitative relationship between

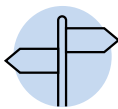
a more powerful “patron” and a less powerful “client”. This could include an individual awarding a job or contract to someone they can manipulate for their own interests. The movement of an individual back and forth between employment in public office and with private companies – “revolving doors” – also creates conflicts of interest, potentially allowing an official to exploit a period of public service for the benefit of previous, simultaneous or future corporate employers.





## Procurement and investments

An individual or entity can support their own financial interests in contract award and budget allocation in climate programmes – for example, favouring companies, projects or locations they have invested in, or organisations that have cultivated a sense of reciprocity through meetings or material exchanges. This can distort the implementation of climate programmes, diluting their environmental and social impact. Personal interests can also make decision-makers vulnerable to undue influence from groups wanting to affect an institution's policies and decisions in favour of a specific cause or outcome.



## Day-to-day decision-making

Conflicts of interest can influence everyday decisions – for example, affiliations to external parties could undermine impartial decision-making by board members and executive management, as could lobbying interactions with a narrow range of stakeholders concerned with an issue. Conflicts of interest could also motivate researchers to bias their reports, or lawyers to give inappropriate legal advice.



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“The National Trust for Nature Conservation (NTNC) recognises that having a conflict of interest is not inherently wrong, but it can become problematic if it leads to attempts to influence outcomes for personal gain, whether directly or indirectly. To prevent such attempts, we have implemented a policy to identify and manage conflicts of interest fairly within our organisation, as well as between the organisation and our stakeholders, and among stakeholders themselves.

If an employee suspects a potential violation of applicable laws or NTNC conflict of interest guidelines, they are contractually required to promptly report their suspicion in accordance with regulations. By enforcing these guidelines and emphasising the importance of managing conflicts of interest, we strive to maintain integrity, transparency and fairness in our operations. These measures ensure that decisions and actions are not unduly influenced by personal interests, enabling us to uphold NTNC's commitments to protecting the environment.”

### Dr. Manish Raj Pandey

Head – Department of Climate Change and Knowledge Management; National Trust for Nature Conservation, Nepal



## IDENTIFYING AND MITIGATING CONFLICTS OF INTEREST: ESSENTIAL STEPS

Systems for disclosure of interests and assets form the backbone of conflict of interest management. An effective conflict of interest policy must be tailored to the individuals it covers (for example, board members, employees or contractors) and implemented on a continuous basis. The GCF requires that entities meet the standards detailed in its [conflict of interest policies](#), which outline key steps to identify and mitigate conflicts of interest. Entities are obliged to monitor employees' individual conflict of interest status, requiring that they submit regular declarations of interests for review and verification, and do not take part in decision-making over issues in which they may have a personal interest. Staff members must promptly disclose any financial or business interest that they or their immediate family members have, which might result in actual or perceived conflict with their duties. They must also refrain from exercising any responsibility within their role that might affect such an interest, unless granted a waiver by an entity's integrity officers.

Your entity's code of conduct should clearly specify the core values and standards that guide individuals in carrying out their duties, identifying situations considered conflicts of interest, and the actions to remedy them. If your entity has reason to believe that a staff member or an immediate family member has failed to disclose a relevant personal interest or engaged in behaviour prohibited under your code of conduct, you should investigate the situation.

*Tip: In addition to requiring regular declarations of interests, entities may ask individuals to provide regular declarations of assets, such as property and investments. This allows you to detect unexpected variations of wealth and income, which might be explained by an individual pursuing personal interest. Declarations should be verified by cross-checking with other sources, such as real estate registries, tax records and company ownership records.*

## ROUTINE AND AD-HOC DECLARATIONS: KEY TO CONFLICT OF INTEREST MITIGATION

It is important that interest declarations or financial disclosures are routine rather than one-off statements, and submitted periodically (at least on an annual basis). Further, whenever a staff member considers that they have an interest to declare due to their involvement in a particular process or decision, they should proactively disclose the conflict in writing to the appropriate supervisor or integrity officer, and should take necessary action to mitigate and remedy it – in particular excluding themselves from the process in question and not participating in decision-making. All declarations and mitigating actions should be properly documented for your audit trail.

Several key questions are helpful in shaping a disclosure policy aligned with GCF requirements and tailored to your context:

- ▶ **What kind of information do you require?** For example, an individual's previous employment and secondary employment (if permitted); financial assets and investments; property ownership, affiliations to other organisations, or other income

sources. Do some requirements apply only to those in certain posts?

- ▶ **Whose interests must be declared?** The GCF specifies that conflict of interest policies should also cover an individual's family and close associates.
- ▶ **When do people disclose?** Individuals should declare their interests at the start of their employment and at periodic updates – for example, annually. They should also communicate any interim changes to their interests.
- ▶ **Will you reinforce regular declarations with process-specific declarations?** Requiring all decision-makers to disclose whether they have interests in each individual recruitment or procurement process can help prevent conflicts of interest remaining undetected.
- ▶ **How will people make their disclosures?** Electronic forms with set questions prompt thorough

responses, backed by procedures for updating declarations if an individual's situation changes – for example, writing to a line manager or integrity officer.

- ▶ **Who receives, reviews and stores the declarations?** Trained integrity officers or an ethics committee should scrutinise declarations for potential or actual conflicts of interest. Interest declaration forms must be properly documented and available for audit trails.
- ▶ **Where a conflict of interest is identified, does your policy offer a range of solutions** – for example, that an individual be removed from a particular decision-making process?
- ▶ **Do you have appropriate procedures for investigating and sanctioning breaches of your conflict of interest policy**, such as failure to declare personal interests or acting in favour of those interests?

### Importance of making a declaration in situations of ‘no conflict of interest’

To ensure that employees consider their own position carefully in terms of personal interests, entities can ask staff to sign interest declarations even when they have no conflicts to disclose. Employees should be encouraged to declare in writing their conflict of interest status, whether actual, potential, perceived or involving no conflict of interest at all. By making it mandatory for individuals to declare their status, entities keep staff alert to risks or perceptions of conflicts of interest, enhancing transparency and fairness, and strengthening their culture of integrity.

*Tip: Transparency International recommends that entities make timely publication of all interest declarations, in accessible and machine-readable formats to allow public scrutiny by watchdogs such as civil society and the media.*

## POLICY APPROACHES TO MINIMISE RISK

Policies regulating specific aspects of conduct, such as meetings with third parties, receiving gifts or obtaining promises of future employment, are also useful in identifying and mitigating conflicts of interest. These can help prevent personal interests from influencing decisions made by your organisation.



### Employment

The GCF's Code of Conduct specifies that individuals negotiating prospective future employment for themselves or immediate family members must not allow these discussions to influence the performance of their duties. There are also restrictions preventing former staff members working for an entity or person within two years of leaving the Fund, other than an international organisation, government or government agency, in connection with any matter linked to the Fund and in which the staff member was substantially involved.

*Tip: Transparency International recommends that your code of conduct include a “revolving doors” policy that specifies incompatible previous or future employment, or defines employment restrictions, for reasonable periods of time to prevent conflict of interest situations. For example, a regulator should not be recruited from organisations affected by the decisions they would make in that role. Nor should an individual lobby their former colleagues until a reasonable cooling-off period has passed. Duration of cooling periods may vary, based on factors including the risk involved, the seniority of the position and the existence of a transitional allowance.*





### Gifts, entertainment and sponsorship

The GCF prohibits individuals and their family from giving or accepting gifts or entertainment which could reasonably be perceived as motivated by the recipient's role and intended to affect your entity's policies or practices. You should define low per-item and annual limits to the value of gifts and hospitality staff may accept, and all such gifts should be declared to your integrity office. You must also scrutinise decisions about sponsorship of events or programmes to ensure they are free from conflicts of interest. Exceptions may include gifts given in accordance with a specific tradition or culture, with an event of personal significance, or voluntary contributions of food and refreshments.



### Segregation of duties

To promote transparency and prevent abuse by those who may be in a conflict of interest situation, the GCF requires that steps towards decision-making should be segregated among different people. For example, someone making a procurement or purchasing decision should not also be the person who arranges payment for the supplier concerned.

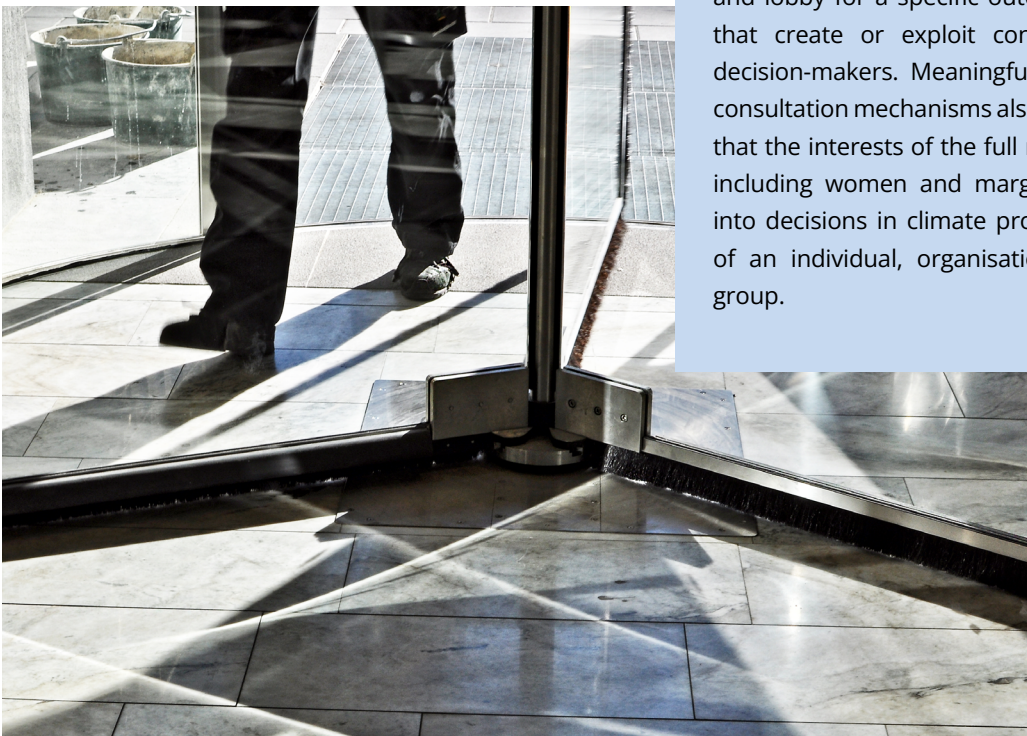


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### Boosting transparency to expose conflict of interest situations

For an extra layer of protection against the risk of conflicts of interest influencing their activities, entities should be as transparent as possible about their decision-making process throughout the programme cycle. This reduces opportunities for staff to hide conflicts of interest.

Nepal's Alternative Energy Promotion Centre (AEPC) helps prevent conflicts of interest from affecting decisions by requiring full transparency in budgeting and decision-making. Every three months, AEPC proactively discloses details of its activities and expenditure. The entity also reviews the effectiveness of its ethics policies every year. If this shows fewer or less comprehensive declarations of interest than expected, AEPC will review its policy requirements to ensure all necessary disclosures are made.

Transparency International recommends you also publicly disclose details of the people and organisations your entity meets with, the topics covered and documents shared. This helps identify parties who may have vested interests in a decision and lobby for a specific outcome using incentives that create or exploit conflicts of interest for decision-makers. Meaningful public hearings and consultation mechanisms also enable you to ensure that the interests of the full range of stakeholders, including women and marginalised groups, feed into decisions in climate projects – not just those of an individual, organisation or special-interest group.



## REVIEWING THE EVIDENCE: STRENGTHENING CONFLICT OF INTEREST SYSTEMS

The GCF requires entities to regularly monitor and review the implementation of their conflict of interest policy and amend it as necessary to ensure the highest ethical standards in decision-making. To gain accreditation, you need to show evidence that your entity's policy reflects the latest GCF requirements and is being well implemented. This should include an up-to-date register of interest declarations, an audit trail of how these are reviewed and any steps taken in response.

You should also communicate your policy widely among employees and partners. At the Central American Bank for Economic Integration (CABEI), for example, each bidder in procurement processes financed with CABEI's funds must sign an affidavit that includes aspects of conflict of interest. To ensure the units executing its programmes and projects understand what is expected of them, CABEI is

developing an "Integrity Best Practices Guide for Executing Units" which includes a section on conflicts of interest. The guide gives examples and explains how to detect conflicts of interest, what to do if they occur, and how to mitigate them. "We will share and discuss the guide with our executing units as part of our specialised integrity training," Rennie Valladares, Head of CABEI's Integrity and Compliance Office, said. "Rather than just applying the relevant requirements, it is important that organisations make the prevention of conflicts of interest part of their culture. The guide will be a tool to help them achieve this."

*Tip: Allow adequate time for reviewing and revising your conflict of interest policies. It's important to live with your policy and see how it's working. For example, is it generating as many declarations as you would expect, and are these sufficiently accurate?*

### Mainstreaming conflict of interest management

*Requirements to address potential conflicts of interest are woven throughout the ethical framework of Nepal's Alternative Energy Promotion Centre*

Conflicts of interest can occur in many different aspects of an entity's operations, meaning measures to address them should be incorporated throughout ethics policies and guidelines. In response, Nepal's Alternative Energy Promotion Centre (AEPC) integrates conflict of interest regulation across its integrity framework.

"We address conflicts of interest through a range of policies, including hiring, staff benefits, financial guidelines, fraud and complaint handling," explains Mukti Bikram Chhetri, Project Manager at AEPC. "All new staff take an oath to serve with full integrity, and make financial and property disclosures, which are submitted to the line ministry on an annual basis, for review.

AEPC staff must also declare conflicts of interest linked to specific processes. "A public servant can't be engaged in any other kind of business and must declare an interest in any procurement process," says Chhetri. "If they're on the evaluation committee and have previously worked for one of the bidders, we expect them to declare that potential conflict of interest. And for every recruitment process, those making the hiring decision have to declare any possible connections with applicants."

### Evidence to support accreditation

Using training, awareness-raising sessions, emails and signage, AEPC proactively reminds staff about the risk of conflicts of interest, helping the centre integrate conflict of interest management into all its practice. This also helps it collect evidence that it is successfully implementing its conflict of interest policies – evidence required to gain GCF accreditation.

"It's important to make policies feasible, so you can implement them successfully," says Mukti. "If your policy says you have an ethics committee, make sure the members are in place, and prepare for unexpected turnover of appointees. If your policy says you monitor, report and verify, you need to ensure compliance."



## LESSONS FROM PEERS TO STRENGTHEN CONFLICT OF INTEREST MECHANISMS

- ▶ **Mainstream conflict of interest management:** Alongside your core policy and declaration requirements, include conflict of interest measures into other policies, such as financial integrity, recruitment and procurement.
- ▶ **Promote wide consultation and transparent decision-making:** This provides an extra safety net. If all stakeholders' interests – including those of women and marginalised groups – inform decision-making, there is less opportunity for choices based on the interests of one individual or grouping.
- ▶ **Require declarations of “lack of conflict of interest”:** To help mainstream consideration of conflicts of interest, ask individuals involved in particular projects or processes to declare their status, even if they have no interests to disclose.
- ▶ **Collect evidence of implementation:** To support GCF accreditation, gather ongoing evidence to show effective implementation of your conflict of interest policy.
- ▶ **Keep talking:** Work conflict of interest issues into training and communications on a range of topics, to remind staff to integrate prevention into all decision-making processes.
- ▶ **Ask if your policy is working:** Allocate time to review your conflict of interest policy and revise it if needed – for example, if it yields few or inaccurate declarations of interest.

## FURTHER INFORMATION AND RESOURCES

- ▶ Green Climate Fund [Policies on Conflict of Interest](#) – including for board members, external GCF group members and active observers.
- ▶ Green Climate Fund [Policy on Prohibited Practices](#) – outlines prohibited conduct and activities, integrity obligations and GCF responses when prohibited practices are alleged to have occurred.
- ▶ [OECD Guidelines for Managing Conflicts of Interest in the Public Service](#) – a report on progress in managing conflicts of interest in OECD countries, and prevention measures, including lobbying and revolving doors policies.
- ▶ World Bank [Financial Disclosure Brief](#) – highlights disclosure as a valuable transparency tool, and links to a range of international conventions and directives on disclosure.
- ▶ [Council of Europe Group of States against Corruption – Rules and Guidelines Regarding Revolving Doors](#) – a comprehensive overview of approaches to managing prior and subsequent employment, to prevent conflicts of interest.
- ▶ U4 Anti-Corruption Resource Centre: [Sitting on the Fence: Conflicts of Interest and How to Regulate Them](#) – describes conflict of interest situations and approaches to tackling them.
- ▶ Transparency International: [Debugging democracy: open data for political integrity in Europe](#) – a report into data use in combatting political corruption, exploring asset and interest disclosure, lobbying and legislative loopholes.
- ▶ World Bank Group, OECD and UNODC: [Preventing and Managing Conflicts of Interest in the Public Sector: Good Practices Guide](#) – a resource for policymakers, practitioners and civil society to strengthen conflict of interest regulations and systems.

This brief is part of a series of Peer-to-Peer Learning Alliance Integrity Briefs. To find out more, visit the [Learning Alliance webpage](#).

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