

PROMOTING INTEGRITY IN PROCUREMENT FOR MEANINGFUL CLIMATE ACTION

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

Summary

- ▶ Transparent, accountable procurement to acquire goods, services and works is central to enabling climate funds to achieve their goals – but procurement is vulnerable to integrity risks, including collusion among suppliers or with a contracting entity, inflated prices or diversion of funds.
- ▶ The Green Climate Fund (GCF) requires that its Accredited Entities (AEs) have a formal procurement policy and procedures consistent with recognised international practice, ensuring maximum transparency and multi-stakeholder participation throughout the project lifecycle, from needs assessment to contract award and service delivery.
- ▶ The GCF approach to procurement draws on key principles, including:
 - ▶ Procurement must deliver best value for money.
 - ▶ Value for money requires highest integrity standards.
 - ▶ Fair competition between bidders is central to integrity.
 - ▶ Potential vendors need to be pre-screened.
 - ▶ Procurement must be socially and environmentally responsible.
 - ▶ Integrity measures must be implemented throughout contract implementation.
- ▶ A range of tools can support AEs in providing effective oversight of how climate finance is spent by disclosing project information into the public domain in an accessible, understandable way:
 - ▶ Publicly available procurement registers of major contracts awarded.
 - ▶ Digital tools based on open contracting data.
 - ▶ Disclosure of beneficial ownership of companies awarded contracts.
 - ▶ Integrity Pacts, developed by Transparency International, in which public contracting authorities and bidders sign a public agreement committing to refrain from corruption and enhance transparency and accountability in a large-scale public contracting project, overseen by an independent civil society monitor.
- ▶ Civil society has an important role to play in making procurement and contract management accountable, drawing on data to help entities ensure they are complying with GCF transparency and disclosure commitments.



A VITAL ROLE IN EFFECTIVE CLIMATE SPENDING

Transparent procurement processes from private companies such as those in the renewable energy sector play a central role in determining how effectively climate finance is spent. Honest, efficient procurement to acquire goods and services is crucial to enable climate funds to achieve their goals. However, procurement is vulnerable to integrity risks, including collusion among suppliers or with a contracting entity, inflated prices or diversion of funds.

As governments worldwide channel significant finance to mitigate climate change and adapt to its consequences, increased transparency, effective monitoring and oversight, and greater civil society involvement in public procurement projects are crucial to deter and mitigate integrity risks.



Image: Green Climate Fund / Albers Mayo

PROCUREMENT TO MAXIMISE CLIMATE FINANCE IMPACT

Efficient and accountable spending of GCF finance is critical to ensure that project funding is as impactful as possible in the fight against climate change. The GCF requires that entities have a formal procurement policy consistent with recognised international practice, ensuring maximum transparency, accountability and multi-stakeholder participation throughout the project lifecycle, from needs assessment to contract award and service delivery. This requires integrity safeguards that provide checks and balances against the misuse of funding motivated by integrity violations, such as manipulation of the decision-making process for personal gain.

The Fund's [Corporate Procurement Guidelines](#) define transparent, accountable procurement procedures and contracting processes that allow sufficient public disclosure of project-related information, public consultation and space for civic engagement.

These reflect the Fund's zero-tolerance approach to prohibited practices. To further safeguard climate funding, the GCF also requires the Accredited Entities (AEs) whose climate programmes it finances to establish their own comprehensive procurement policies and procedures. AEs can consult the GCF's Independent Integrity Unit (IIU) for advice and support on procurement policy and best practice. IIU will work closely with entities to prevent wrongdoing from affecting purchasing decisions, in support of meeting climate targets.

The GCF requirements for high-quality procurement standards provide valuable benefits to entities implementing climate projects. They promote integrity in operations and help safeguard their projects, resources and reputation – ultimately helping protect the planet and people whose lives are directly impacted by climate change.



VALUABLE REAL-WORLD LESSONS ON EFFECTIVE PROCUREMENT

This briefing links good practice in implementing effective procurement policies to GCF accreditation requirements. Drawing on the diverse real-world experience of AEs from the Peer-to-Peer Learning Alliance on Climate Finance Integrity, it shows how open, transparent procedures can prevent corruption and breaches of integrity in procurement processes and contract execution. Backed by insights from integrity experts at Transparency International and the IIU, contributors share good contracting practices and approaches, such as use of open data and Integrity Pacts, in which contracting organisations, bidders and contractors publicly commit to enhance integrity, transparency and social accountability in a procurement project, and to embed an independent

monitoring mechanism led by civil society to ensure such commitments are met.

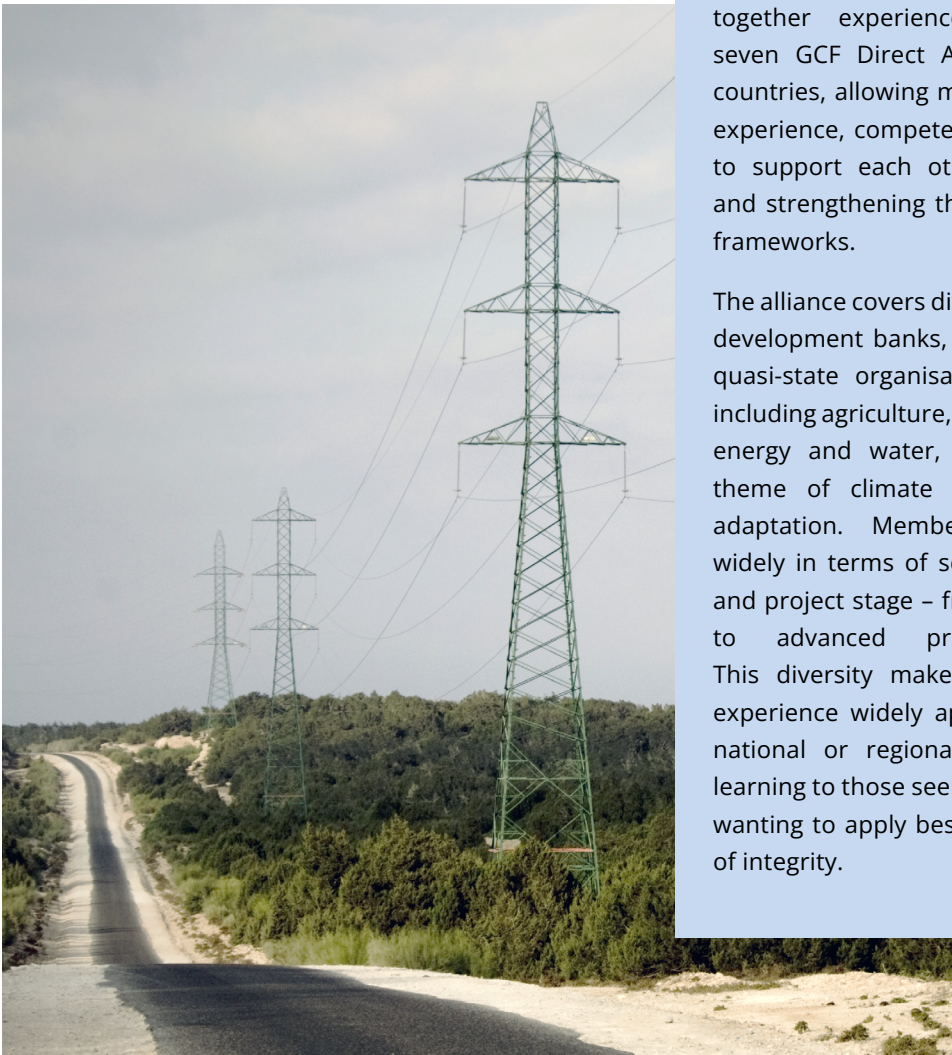
To help organisations close gaps that may allow integrity violations and corruption in public procurement, the briefing offers practical tools and tips that support AEs, those seeking accreditation and their partners to safeguard GCF-funded projects from integrity violations, while strengthening integrity through effective procurement processes.

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 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.

Image: GIZ



ECONOMICAL, EFFICIENT AND EFFECTIVE PROCUREMENT: THE BUILDING BLOCKS

Procurement policies vary greatly between countries. Public entities are bound by national laws and regulations. These often meet GCF standards, although the Fund requires that the regulations entities use reflect its key principles. Entities must provide staff involved in institutional procurement and contracts administration with relevant, frequent training. Once accredited, an entity must also provide evidence that it is following clearly defined procurement procedures, with different steps depending on the value of the procurement.

“Entities seeking GCF accreditation should provide evidence of well-defined, transparent procurement processes, in line with national and donor policy requirements, and demonstrate compliance – for example, by providing procurement evaluation reports.”

Nguyen Hoang Trung

Director, Foreign Loan Department;
Vietnam Development Bank

The GCF approach to procurement draws on key principles, including:



Procurement must deliver best value for money

The GCF ensures the funds it allocates are spent with economy, efficiency and effectiveness. While procurement must be made at the most competitive market prices available, a successful bid or proposal need not be lowest initial pricing option. Procurement must follow the “best value for money” principle, selecting the bid or proposal which presents an optimum combination of technical, organisational and financial factors to best meet clearly defined needs.



Value for money requires highest integrity standards

The GCF requires all parties involved in procurement to maintain the highest standards of ethics and integrity throughout the selection and contracting of vendors and consultants, as defined by the Fund’s [Policy on Prohibited Practices](#). This defines standards for avoiding integrity violations that could affect decision-making, in areas such as conflicts of interest or receiving gifts. If the Fund determines that a conflict of interest has flawed the integrity of any procurement process, it will take appropriate action, including rejection of proposals for award.

To combat fraud and corruption, and maximise economy and efficiency, procurement processes must involve the segregation of duties, so appropriate technical, financial and administrative specialists assess proposals and make recommendations to the procurement committee, whose members decide the contract award based on those recommendations.

Procurement at Uganda’s Ministry of Water and Environment reflects this layered approach to assessment and contract award. “Bids are evaluated by carefully selected staff – firstly, by users with technical expertise, then by two independent units – the procurement unit and contract committee – which oversee and monitor all procurement processes,” says James Kaweesi, Assistant Commissioner, Policy and Planning.



“Anyone involved with the evaluation who has a conflict of interests must disclose their interests and is required to leave the process. The procurement unit and contract committee assess bids based on the specification, then select the most suitable. Contracts are often awarded to the lowest bidder, although we are careful, as we know this doesn’t always give the best service. If a bidder is unsatisfied with a decision, they can complain to the accounting officer, who is legally required to form an evaluation committee to review the bidding process and any grievances.”





Fair competition is central to integrity

AEs must foster competition between prospective vendors to ensure integrity, except in specific circumstances defined in GCF guidelines, when your procurement committee may grant a waiver – for example, when an emergency response demands a fast-track procurement process. Your entity must treat all vendors in a fair and equal manner, without bias, and require commitment by all concerned to highest standards of integrity throughout the procurement cycle, from needs assessment through to contract execution and project closure.

Tip: Transparency International recommends that even during emergencies, which require quick procurement processes, strong anti-corruption controls should be in place to prevent resources from being captured. This is particularly relevant for climate-related funds in the case of natural disasters. Important measures include a technical and economic justification of deviations from regular procurement procedures, the use of open data to publish all public contracts, price analysis and centralised procurement, a “four eyes” approach in procurement processes (always more than one decision-maker), ex-post evaluations and audits.



Potential vendors must be pre-screened

The GCF requires that AEs have a registry of screened vendors and consultants eligible to participate in procurement processes:



Our work includes a lot of large-scale procurement for construction of water and irrigation systems, which require major expenditure. This means we need careful checks and oversight to prevent corruption. Fraud can occur when people seek to appoint specific firms or give information to firms they know, but it's not common because of our transparency requirements and checks by our independent contract committee. To ensure integrity in the choice of suppliers, we preselect bidders, inviting companies biannually to apply to be on our register for the next two years. Companies are vetted and, if accepted, are entered into our e-government procurement system, controlled by the ministry's central procurement unit. Our staff can't select any company from outside this system to take part in a bidding process.”

James Kaweesi

Ugandan Ministry of Water and Environment

To screen vendors, Transparency International suggests AEs could require suppliers to provide information on their internal anti-corruption compliance programmes, including codes of ethics, whistleblowing mechanisms and policies for corporate political engagement, such as lobbying or financing of political parties.

Tip: Transparency International recommends AEs should require companies on their supplier registers to fully disclose their beneficial ownership. This helps identify ultimate beneficiaries and any potential conflicts of interest, favouritism, nepotism and collusion, and prevent debarred organisations or individuals from participating in procurement processes. Having a blacklist of suppliers with a track record of corruption or weak integrity mechanisms also acts both as a control and an incentive for suppliers to act with integrity.



Image: GIZ





Ensuring integrity in contract implementation

Contract execution is an important but often neglected aspect of ensuring climate finance is well spent. The GCF requires AEs to ensure vendors and consultants comply with their obligations and act with integrity by carrying out periodic evaluation and audit by users of the product or service supplied and by authorised auditors. Your entity must establish adequate contract management systems, including physical and electronic repositories of all contracts and documents from the procurement process and contract execution. You must also hold performance review meetings, amend contracts as needed and supervise all activities the contractor performs, to ensure compliance with agreed terms and conditions.

“ The Central American Bank for Economic Integration (CABEI) models a risk-based approach to procurement management, stressing the value of adopting tools to manage integrity risks associated with procurement, both prior to approval and throughout the life of the project. For example, tools to assess fiduciary capacity, project risk assessment methodologies and project operating manuals, among others.

CABEI also highlights the importance of coordination and complementarity between the different functions or specialties that make up a project team, including technical, financial, procurement, environmental and social responsibility, and integrity. This guarantees comprehensive evaluation and supervision of the project. All these specialties must be present from the beginning of a project’s formulation to its conclusion, working together to ensure that the project execution schedule is in accordance with the procurement plan. These must go hand in hand and be monitored.”

Integrity and Procurement Team
Central American Bank for Economic Integration



Procuring for sustainability

The GCF requires that procurement of goods, services and works must be as socially and environmentally responsible as possible, while engaging in reducing carbon emissions. Whenever possible, procurement decisions should be sustainable, maximising the use of durable, reusable and energy-efficient products, services and materials, and minimising pollution, post-consumer waste and environmental impact. Procurement decisions must also respect diversity and gender balance. Your entity’s bid evaluation criteria must explicitly include these principles.

Tip: Consult with affected communities during needs assessment and project planning, before a procurement process is launched, as a powerful way to ensure spending decisions reflect the needs of people and the environment.



Image: GIZ



MAXIMISING TRANSPARENCY, ACCOUNTABILITY AND PARTICIPATION: ESSENTIAL TOOLS

A variety of tools can help AEs support effective oversight of how climate finance is spent, by disclosing project information into the public domain in an accessible and understandable way:

- ▶ **Publicly available procurement register**
To promote transparency, AEs are required to keep an updated, publicly available register of major contracts awarded to firms and consultants. This should include contract details, dates, financial amounts and details of the awardee and its beneficial owners, unless those details are highly sensitive – for example, those of a company contracted to carry out an investigation where there is need to protect the integrity of the process.
- ▶ **Digital tools based on open contracting data**
Several international initiatives offer support to help entities achieve meaningful transparency and accountability in major procurement contracts, including:
 - ▶ **The Open Contracting Data Standard (OCDS)** is a free, non-proprietary open data standard for public contracting. Endorsed by governments around the world, it is the only international open standard for the publication of information related to the planning, procurement and implementation of public contracts. The OCDS describes how to publish data and documents at all stages of the contracting process, helping organisations increase transparency and enable data analysis by a wide range of users.
 - ▶ The global Infrastructure Transparency Initiative (CoST) works with governments, the private sector and civil society to promote the disclosure, validation and interpretation of data from public infrastructure projects. This helps inform citizens and empower them to hold decision-makers to account, reducing mismanagement, inefficiency, corruption and the risks from poor-quality infrastructure.

Informed civil-society oversight, based on accessible data in an understandable format, can play a valuable role in helping entities ensure they are

complying with GCF transparency and disclosure commitments. Transparency International also stresses the importance of making the contract management process more accountable, highlighting that supreme audit institutions offer a wealth of information on recurring problems affecting procurement procedures and spending in different countries, including the leading risks of bad governance and corruption in contract management. Civil society has an important role in ensuring governments act on auditors' recommendations.

- ▶ **Integrity Pacts**
For large-scale infrastructure projects involving complex procurements challenges, Integrity Pacts are a powerful mechanism for preventing corruption and ensuring climate finance achieves optimum value and impact. An Integrity Pact is a type of multi-stakeholder collective action initiative in which public contracting authorities and bidders sign a public agreement committing to refrain from corruption and to apply good practices to enhance transparency, integrity and accountability in a public contracting project. Under the agreement, an independent civil society organisation monitors compliance with applicable laws and regulations, provides recommendations to mitigate corruption risks and foster good governance, involves affected communities and informs the public throughout the process. To fulfil its mandate, the civil society monitor is provided with unrestricted access to information (within legal limits), documents and communications related to the contract, including those not normally available to the public

Developed by Transparency International in the 1990s, Integrity Pacts are a flexible and context-sensitive tool that can be adapted to different political, economic and institutional backgrounds. They have been implemented in more than 30 countries worldwide, benefitting hundreds of public contracting projects across a wide range of sectors, through improved procurement procedures and anti-corruption measures, and effective civic monitoring.

When to use an Integrity Pact?

From dam building to waste management, Integrity Pacts add significant value to projects with high strategic importance or with visible impact on citizens. They promote greater transparency and increased involvement by affected communities, and their benefits are now well recognised. In return for the commitment of resources Integrity Pacts require, contracting authorities are able to safeguard projects against corruption and inefficiency. But which projects justify investment in an integrity pact, rather than using regular data disclosure for accountability?

The decision to implement an Integrity Pact depends on the balance between a project's public value and the risks of corruption and mismanagement it entails. The pacts add particular value by ensuring integrity in high-cost, complex projects that require technical expertise to scrutinise for integrity. The civil society organisation acting as monitor can appoint one or more technical experts to bring specialist understanding to the oversight role.

By ensuring all players in a bidding process abide by laws and regulations, Integrity Pacts build trust in both the process concerned, and between governments, companies and the public. This can be crucial to the success of national development policies, including green investments. Together with the European Commission, for example, Transparency International has piloted use of Integrity Pacts to lower corruption risks in EU-funded contracting projects across different policy areas, including climate-related infrastructure. Pacts were used in 18 projects in 11 countries across the EU, opening up contracting processes to public scrutiny, from bidding to handover. This helped boost integrity in public procurement, including for climate-relevant investments, such as flood protection in Greece and improved energy efficiency in Slovenian hospitals.

Tip: Ensure your entity has concrete measures in place to promote integrity among all parties throughout the procurement cycle, and to monitor compliance with bidding procedures and contract execution requirements.



Image: GIZ



PROMOTING BEST PROCUREMENT PRACTICE: A MULTIPLIER EFFECT

Effective, honest public procurement has been described as the “missing multiplier” in achieving the 2030 Sustainable Development Agenda. However, to play its vital role in operationalising financial investments to enhance environmental protection, procurement must be safeguarded against mismanagement, embezzlement and capture.

As well as meeting the GCF’s procurement requirements, Accredited Entities promote the Fund’s high standards within the partner organisations that can execute projects on their behalf. “AEs should have in place clearly defined and regulated procurement methods for different scales and types of procurement,” says Mukti Bikram Chhetri, Project Manager at the GCF Readiness and Preparatory Support Programme in Nepal’s Alternative Energy Promotion Centre (AEPC). “Government entities adhere to the rules and regulations of the country, and AEPC’s procurement process is guided by Nepal’s Public Procurement Act and Regulation. These public procurement methods are consistent with recognised international practice, so are effective in terms of maintaining the GCF’s fiduciary standards. However, it’s also critical to ensure that the entire procurement cycle remains fair, transparent and free of corruption. This can be underpinned by proper functioning of evaluation and oversight committees, along with regular training, timely reporting and publication of decisions.”

“As a public institution, we are accountable to the citizens of the country and our development partners. Ultimately, we must ensure that all our procurement

is carried out in a fair and transparent manner, and without any signs of collusion. In the context of GCF, AEs must also ensure that any organisations executing projects, or executing entities, have equally stringent procurement procedures. It’s critical that AEs carry out proper due diligence on the executing entities, so they uphold the required procurement standards,” says Mukti.

Building procurement capacity in partner entities

With a regional remit, the Central American Bank for Economic Integration (CABEI) supports the GCF and its executing entities in different countries. “We recommend initiatives to assist public procurement systems and the regulatory framework in financed operations. This generates a multiplier effect in development,” says CABEI’s Integrity and Procurement Team. “We recommend that the executing units have procurement professionals dedicated to the project, with appropriate knowledge and experience, and an installed capacity proportional to the complexity and volume of the procurement. These personnel should be available and trained from the beginning of the project, and must know the market for their acquisitions.”

Effective oversight is also essential, says Nguyen Hoang Trung at the Vietnam Development Bank. “Executing entities applying to the Bank for a loan funded by the GCF must commit to complying with both Vietnamese law and GCF rules on procurement. If we discover that an entity does not comply, the financing contract between the Bank and the entity stipulates that the entity must repay the entire loan.”

KEY LESSONS FROM PEERS TO SUPPORT IMPACTFUL PROCUREMENT

- ▶ **Spell out procurement rules and procedures clearly:** You should have clearly defined procurement systems, with different steps depending on the value of the procurement, and shared liability for decisions, to help prevent corruption.
- ▶ **Specify precise criteria for exceptions:** Define clearly the conditions in which standard

procurement procedures may be bypassed during emergencies, and require justifications that meet these criteria. Ensure comprehensive oversight of exceptional procurement processes.

- ▶ **Disclose data for all four steps of the procurement cycle:** Follow Open Contracting Principles during procurement planning, tendering, contracting and project close, to

maximise transparency at all stages of climate finance expenditure.

- ▶ **Review and update procurement procedures regularly:** Ensure your procedures reflect international best practice and incorporate new technology and information systems that allow you to manage acquisitions and strengthen efficiency, traceability, transparency and data availability.
- ▶ **Incentivise executing partners:** Embed integrity incentives for companies bidding to implement climate projects funded through your entity – for example, requiring that they have quality anti-corruption measures and procurement procedures in place.
- ▶ **Provide regular procurement training and ongoing support:** Keep skills sharp throughout your procurement system with ongoing training and

appropriate tools, both internal and external, that help your employees – and those of your executing partners – in their daily operating activities.

- ▶ **Choose the most transparent framework:** If there are differences between your entity's own disclosure and participation requirements and those applicable in a country where you or partners operate, apply the policies and procedures that provide for the highest levels of disclosure and participation.
- ▶ **Apply Integrity Pacts to strategic projects:** In high-value, high-risk projects, Transparency International recommends that entities consider applying an Integrity Pact and direct civil society monitoring. These bring oversight to challenges involving complex stakeholder coordination, and enhance transparency, integrity and accountability safeguards.

FURTHER INFORMATION AND RESOURCES

- ▶ Green Climate Fund: [Corporate Procurement Guidelines](#) provide a mechanism and basis for the conduct of all corporate procurement at the GCF, including for goods, services and works.
- ▶ [GCF Independent Integrity Unit information brochure](#) is an omnibus brochure providing a general overview of the IIU mandate and the GCF Integrity Policy Framework.
- ▶ [The G20 Compendium of Good Practices for Promoting Integrity and Transparency in Infrastructure Development](#) promotes post-Covid global cooperation towards new infrastructure solutions focusing on redistribution and wellbeing, featuring Integrity Pacts as an effective collaborative approach to assessing and mitigating the risk of corruption in infrastructure development.
- ▶ Transparency International: [Safeguarding Climate Finance Procurement: National-Level Procurement of the Green Climate Fund](#) recommends Open Contracting Principles and lists of useful questions based on the principles for planning fair, transparent procurement and contract execution.
- ▶ Transparency International's global [Integrity Pacts compendium](#): This includes overviews of

how Integrity Pacts have benefitted procurement projects worldwide. Transparency International has also published [a report](#) describing results and lessons from the Integrity Pacts EU pilot initiative, with guidance on how to implement an Integrity Pact effectively. For further information and technical assistance on how to design and implement a pact, please contact [Transparency International's Integrity Pact team](#).

- ▶ U4 Anti-Corruption Resource Centre's [Procurement hub](#) includes an overview of corruption in procurement and anti-corruption measures to combat it, along with specific briefs on topics such as [New ways to measure institutionalised grand corruption in public procurement](#). It also offers resources from other institutions, including:
 - ▶ [The World Bank procurement framework and regulations for projects](#).
 - ▶ The United Nations Office on Drugs and Crime [Guidebook on anti-corruption in public procurement and the management of public finances](#).



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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