Introduction

Transparency International (TI) is an international civil society organisation representing a global coalition dedicated to promoting transparent and accountable governance to ensure that corruption and fraud do not undermine sustainable development and human rights. TI is committed to ensuring that climate finance decision-making processes and implementation ensures integrity at all levels. TI’s work is intended to support the effectiveness of public money in achieving optimum climate change, environmental and social outcomes. To date, we have conducted anti-corruption and governance assessments of existing national and multilateral climate finance institutions, identifying best practices and areas for strengthening. TI is committed equally to contributing relevant recommendations to the Green Climate Fund as it developed its governing policies and practices regarding its accountability mechanisms, information disclosure, and fiduciary responsibilities. In this context, Transparency International respectfully submits to the Board of the Green Climate Fund, the following support and recommendations regarding agenda items 5, 7-14, 21, 24 and 29.

Agenda item 5: Report on activities of the Secretariat (GCF/B.09/Inf.03), Add. GCF/B.09/Inf.03/Add.01

Transparency International welcomes the Secretariat’s Progress Report on the Readiness and Preparatory Support Programme (GCF/B.09/Inf.03/Add.01). To the extent that readiness finance is granted to National Designated Authorities, Focal Points and delivery partners, as envisaged under Section 2.2 Systems and processes developed for the operation of the programme, paras 14 and 15, TI requests that the Board or the Secretariat disclose:

- The monitoring and reporting template for funded readiness activities” (para 14 (b));
- The “standard budget format linking expenses to outcomes” (para 14(c));
- Grant legal agreements to be signed with countries before disbursement (para 14(d));
- The questionnaire to assess the financial management capacity and fiduciary controls of the NDA, focal point or delivery partner implementing Fund readiness activities for the country (para 14(e)).

Further, as stated in Status of Resources and Execution of the Administrative Budget of the Green Climate Fund for 1 January to 31 December 2014 (GCF/BM-2015/Inf.02), in 2014 approximately USD $400,000 was spent to support Readiness activities. Accordingly, TI requests that the Board or the Secretariat provide and disclose a more accurate accounting of how this money was spent in terms of what actors received what amounts of finance and for what purpose.
Agenda item 7: Work Plan 2015 (GCF/B.09.02)

Transparency International welcomes the Board commitment to appoint the Head of the Independent Evaluation Unit, the Head of the Independent Integrity Unit and the Head of the Independent Redress Mechanism Unit with the intention to “move ahead as soon as possible with the establishment of the three accountability units – the integrity unit, redress mechanism and evaluation unit – as they are core to the Fund’s institutional governance.” TI further welcomes that those appointments are to be made by the tenth Board meeting in June 2015 as per GCF/B.09.02 Section III: Tenth Meeting of the Board, 23-25 June 2015, Part 3.4 Institutional matters, para 21.

Agenda item 8: Analysis of the Expected Role and Impact of the Green Climate Fund (GCF/B.09/06)

Transparency International notes that Board document GCF/B.09/06 reflects the potential positive impacts of the Green Climate Fund with respect to governance advances and sustainable development. TI encourages the Fund to promote these beneficial impacts as well as enhanced policy coordination and coherence to ensure maximum environmental and social outcomes given the diverse public and private financial inputs to achieve long term sustainable development.

Agenda item 9: Policy on Ethics and Conflicts of Interest for the Board (GCF/B.09/16)

TI welcomes the Policy on Ethics and Conflicts of Interest for the Board. The provisions set out in Annex II: Policy on Ethics and Conflicts of Interest for the Board of the Green Climate Fund of GCF/B.09/16 demonstrate a strong approach to limiting unethical and corrupt practices at the executive levels of the Fund. In particular, TI welcomes Annex II, Section III Basic standard of conduct paras 4 to 7 as well as Section IV Non-compliance with the Policy, Section VI Conflicts of interest and Annex II, Appendix II: Procedures for handling allegations of misconduct.

Further to this, TI requests that the Board clarify whether the Ethics and Conflict of Interest Policy also applies to the Secretariat and Experts contracted by the Fund to carry out Fund business. Alternatively, if the policy does not apply, TI urges the Board to instruct the Secretariat to devise and implement a comparable code of conduct relevant to Secretariat and Expert staff.

However, regarding the Annex II Section IV, TI recognises that the procedure for dealing with non-compliance is not explicit regarding the removal, dismissal or retirement of “covered individuals.” This is notable considering that other multilateral climate funds such as the Adaptation Fund make such provisions. TI requests that the Board consider such policy for removing, dismissing or otherwise retiring “covered individuals” in the event of appropriate cases of ethics and conflict of interest policy non-compliance. In the event, such a policy is not adopted with respect to “covered individuals,” the Board should provide an explanation.

Further, regarding Annex II Section V, para 19 regarding the confidentiality afforded regarding the disclosure of “covered individuals” conflicts of interest, TI recalls and impresses that GCF/B.01-13/13 Annex IX: Additional rules of procedure relating to confidentiality and conflict of interest requires that
“Board members and alternate members will disclose any conflict of interest they may have in relation to any items on the agenda” (para 2), and “will recuse themselves from participating in any decision regarding a project and/or involving an entity with respect to which they have a conflict of interest as defined in the standards on ethics and conflict of interest” (para 3). The same applies to Active Observers (para 4). In this regard, TI recommends that such disclosure and recuse requirements also apply to advisers as “covered persons” and that GCF/B.01-13/13 Annex IX be cross referenced in relation to Annex II Section V, para 19.

In addition, TI recommends that Section X. Gifts and entertainment, para 31 should be struck from the text as it refers issues of impoliteness and embarrassment in the context of gift receiving which are subjective concepts requiring varied value judgements. While TI appreciates the need to respect and is sensitive to cultural differences in this regard, we assess that the professionalism attributed to GCF executive members should include the ability to explain rationally the Fund’s principled policy to not receive gifts.

**Agenda item 10: Financial terms and Conditions of the Fund’s Instruments (GCF/B.09/08)**

Transparency International welcomes the inclusion of the asterisk note to Table 1 under para 18 of 3.2 Financial terms and conditions of outgoing grants under section III: Financial terms and conditions of grants and non-grant instruments, at p.4 in GCF/B.09/08.

**Agenda Item 11: Further Development of the Initial Investment Framework: Sub-Criteria and Methodology (GCF/B.09/07)**

TI recommends that the GCF Investment Framework take account and include positive governance advances and reforms enabled through Fund activities. To this end, Annex II: Initial investment framework: activity-specific sub-criteria and indicative assessment factors, under criteria including “sustainable development potential,” “needs of the recipient,” and “country ownership,” TI proposes that an additional coverage area be included regarding needs for improved governance reforms, public financial management and fiduciary safeguards. The indicative assessment factors proposed Potential of proposal to identify and address fiduciary risks and to strengthen institutions for improved policies and practices regarding (public) financial management, procurement, grievance handling/resolution, and investigations of corruption and other malfeasance.

**Agenda Item 12: Initial Risk Management Framework: Survey of Methodologies to Define and Determine Risk Appetite (GCF/B.09/13)**

TI welcomes Section V. Green Climate Fund approach to determining risk appetite, Part 5.3 Indicators, para 46 which states that “indicators for non-financial risks in General Administration and Resource Mobilization units are relatively straightforward.” As suggested in this paragraph, TI strongly encourages the Fund to adopt “exclusion lists to manage reputational risk” and to “enter into the MDB cross-debarment agreement with respect to the four harmonized sanctionable practices.”

**Agenda Item 13: Consideration of Accreditation Proposals (GCF/B.09/04)**
While TI has not substantive inputs on **GCF/B.0 9/04** itself, TI does maintain procedural concerns regarding insufficient transparency and accountability. In this regard, TI *recommends and urges* the Board:

- **Reduce its confidentiality assurances to applicant public entities** including public national public institutions, publicly owned companies and international public organisations;
- **Disclose the accreditation application information** of such public entities,
  - at minimum, with regard to the information which the entities provided to the Fund concerning their policies and track records to fulfil requisite fiduciary standards and environmental and social safeguards, and;
  - at minimum, pursuant to a decision by the Accreditation Panel to recommend the entities’ accreditation to the Board;
- **Enable**, following such disclosure, **relevant stakeholders to provide additional feedback** on the applications;
- **Take into account** such feedback in making its final decisions to approve accreditations.

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**Agenda item 14: Legal and formal Arrangements with Accredited Entities (GCF/B.09/03)**

TI welcomes the terms and conditions outlined in **GCF/B.09/03 Section IV: Content of legal and formal arrangements, Part 4.3 (Contents of accreditation master agreement)**, in particular para 20 subparagraphs (f),(h),(i),(j), (m) to (v), (z), and (aa)to (dd).

However, TI *calls into question and requests* the Board or Secretariat to explain the relevance and rationale regarding **Part 4.3 para 20 (k)** which would restrict accredited entities “to implement only in countries that have entered into a bilateral agreement with the Fund on privileges and immunities and related matters, as per the relevant Board decision.”

Further, notwithstanding the Board’s decision regarding **GCF/B.09/03** concerning the possible provisions and terms to be included in the accreditation master agreement, TI *recommends and urges* that the Board decide to approve the legal text of the accreditation master agreement once it has been formulated, similar to **GCF/B.09/19** regarding bilateral agreements on privileges and immunities. This is because the contractual terms presented in Part 4.3 are not sufficiently developed to assess the extent of contractual obligations envisaged and because the “accountability and monitoring framework” will only be discussed in the course of 2015, as indicated in footnote 4 to Part 4.3 (20) para (r).

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**Agenda Item 21: Template for the Bilateral Agreement on Privileges and Immunities (GCF/B.09/19)**

While TI has not substantive recommendation regarding **GCF/B.09/19**, TI impresses that the privileges and immunities conferred by the Fund to its Board members, advisers, secretariat and experts should be enjoyed solely in connect to their Fund related professional activities, and should be abused. To safeguard this purpose, TI *urges* that the Board, without delay, adopt a strong Ethics and Conflict of Interest Policy (see agenda item 9, above) and establish and ensure the functionality of the Fund’s Independent Integrity Unit and Redress Mechanism.
Agenda Item 24: Administrative Guidelines on the Internal Control Framework and Internal Audit Standards (GCF/B.09/18)

Transparency International welcomes the Board draft decision in Annex I to GCF/B.09/18 to endorse the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework as the internal control framework of the Green Climate Fund.

Regarding Annex II to GCF/B.09/18, TI recommends the following textual changes to further clarify the concept of “tone at the top:”

- **Section 1.5: Role and Responsibilities at 1.5.1 (7) (a) (at p. 5)** should be changed from “Setting the ‘tone at the top’ and organisational climate of the Fund” to: Demonstrating integrity and ethical values as enshrined in the Fund’s ‘Policy on Ethics and Conflicts of Interest’ thereby setting the organisational climate of the Fund.”
- **Section 1.7: Implementing the COSO Framework, para 15 (Components of internal control) part (a) (ii) (at p. 8)** can similarly be edited from: “It will be based on the “tone at the top” that is established and promulgated by the Board, the executive Director and the Secretariat’s management team in the conduct of the Fund’s business operations,” to read: “It will be based on the binding commitment of the Board, the executive Director and the Secretariat’s management team in the conduct of the Fund’s business operations, to ensure that internal controls are implemented and that their conduct complies with the integrity standards and ethical values as enshrined in the Fund’s ‘Policy on Ethics and Conflicts of Interest.’”

Further, insofar as the Ethics and Conflicts of Interest Policy does not apply to the Fund’s Secretariat and Experts (pending clarification per Agenda item 9), TI recommends that the Board request the Secretariat to develop and operationalise a code of conduct urgently. The organisational, entity-wide, prevention-oriented relevance of the code of conduct is underscored in GCF/B.09/18 Annex II: Green Climate Fund administrative guidelines on the internal control framework and internal audit standards at Sections 1.1 (f), 1.6.1(a) and 1.6.2 (a).

TI also supports the Board draft decisions in Annex I para (b). However, TI requests the Board or the Secretariat clarify that the “International Internal Auditing (IAA) standards” referred to in the GCF/B.09/18 are in fact the “International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.” There is some confusion as GCF/B.09/18 Section III: Internal Audit Standards, para 12 (at p. 2) refers to standards which have been promulgated by the International Internal Audit Standards Board which sets International Financial Reporting Standards, relevant rather to GCF/B.09/17: GCF Administrative Guidelines on the Budget and Accounting System.

Agenda item 29: Other matters

As per Board Decision GCF/B.08/45 regarding Annex XXIX: Corporate procurement guidelines for goods and services at Annex XXIX, Transparency International requests that the Board or the Secretariat clarify the procedures for the endorsement and approval of “independent members or observers” to the Institutional Procurement Committee at Appendix 1: Implementing Guidelines on Institutional Procurement, Section 3.2.

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1 See e.g. Transparency International’s Assurance Framework for Corporate Anti-bribery Programmes