

17 March 2014

Re: **CIVIL SOCIETY SUBMISSION TO THE GREEN CLIMATE FUND ON ACCREDITATION, SAFEGUARDS AND FIDUCIARY STANDARDS**

To: Green Climate Fund Accreditation and Safeguards Committee

Cc: Green Climate Fund Secretariat

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CIVIL SOCIETY SUBMISSION TO THE GREEN CLIMATE FUND ON ACCREDITATION, SAFEGUARDS AND FIDUCIARY STANDARDS

17 MARCH 2014

EXECUTIVE SUMMARY

At the recent meeting in Bali, the GCF's Board instructed the Secretariat to further develop the accreditation system and safeguard standards for discussion in the May 2014 Board meeting and inputs were requested from civil society. This submission provides some initial commentary on the progress report, the accreditation system and the proposed environmental and social safeguards, noting that many of the crucial elements of an effective accreditation and safeguard system have not yet been fully addressed. For example, the accreditation cycle and associated governance and organizational arrangements have yet to be developed, the social and environmental safeguards are not sufficiently detailed to ensure a "do no harm" result, and gender considerations are currently missing or vague.¹

Key Points on Accreditation

- To strike a balance between rigor and accessibility, accreditation criteria for social and environmental safeguards should be appropriate to the environmental and social and gender risks of the activities being undertaken. Additional accreditation should be required when substantively different projects or programs are being proposed.
- To ensure a rigorous and robust accreditation process, the GCF must invest significant effort and resources to properly assess the capacity and commitment of the candidate entity to implement the relevant safeguards, particularly to avoid high-risk activities.
- Accreditation standards on transparency (including information disclosure), accountability (including grievance mechanisms) and comprehensive and gender-responsive stakeholder engagement are needed in addition to the proposed standards.
- The GCF role in exercising effective oversight must be clearly articulated, and should include assessment and monitoring of actual practice of implementing entities and intermediaries.

Key Points on Environmental, Social and Gender Safeguards

- Commit to a "do no harm" approach. The GCF should not fund activities with significant social, gender equity or environmental risks. The Fund's environmental and social and gender safeguards will prescribe what actions must be taken and must not be taken to help prevent investments which result in significant environmental or social and gender-specific risks and will ensure robust gender-responsive consultation with affected communities to identify risks.
- The GCF must adopt the highest international standards possible. Best practices are spread across institutions—no single institution provides a model policy. The IFC Performance Standards do not represent international best practice and should not form the basis for GCF safeguards.²
- Currently, fiduciary standards are elaborated in far more detail, with more rigorous and mandatory requirements (external, independent audits, etc.) than those of environmental, social and gender safeguards. The safeguards must be developed with the same level of detail, rigor and systematic application as fiduciary standards. Significant further development of the assessment processes for both is required.

¹ GCF/B.06/9; pg 14; section IV.

² http://www.cao-ombudsman.org/documents/Audit_Report_C-I-R9-Y10-135.pdf, a review of 188 investments of 63 clients, 25 countries.

- The roles and responsibilities of implementing entities and intermediaries and those of the GCF Secretariat, Board and Committees, in assessing environmental and social risk must be developed and clarified.
- Current high-level outcome based requirements need to be more detailed and specific to enable effective assessment, implementation and monitoring and key areas where safeguards have not yet been developed must be incorporated, including on the crucial issues of land tenure and the consent of affected communities.
- Standards on transparency, accountability and comprehensive and gender-responsive stakeholder engagement are needed.
- Other ways should be considered to limit environmental, social and gender risks in addition to the safeguards, including project selection and approval criteria and the development of an exclusion list, for example through the GCF Investment Framework and the GCF Board project/program approval process.

SECTION I: COMMENTS ON PROGRESS REPORT

INTRODUCTION

The GCF’s proposed approach to assessing, managing and mitigating risk in the projects and programs it supports is based on two core elements: (a) a system for accrediting implementing entities and intermediaries to apply those standards, based upon their capacity to manage the fiduciary and social (including gender-specific) and environmental risks of the supported projects and programs; and (b) a set of fiduciary standards and environmental and social safeguards that will be applied to projects and programs supported by the GCF.

In general, the GCF proposes a heavy reliance on the policies and standards of the Adaptation Fund and the IFC. However, it is essential for the GCF to conduct a nuanced analysis of the strengths and weaknesses of different standards before adopting any one standard wholesale from a given institution. We especially underscore the weaknesses inherent in the use of the IFC Performance Standards. In many respects, the World Bank and some ADB safeguards provide more comprehensive requirements for environmental and social and gender assessment, consultation requirements and requirements for financial intermediaries. The primary advantage of the recommended approach is that the Fund’s environmental and social and gender safeguards would be a clear and complete set of assessment, consultation and implementation requirements that are more appropriate for the kinds of activities that the Fund will be undertaking. Accordingly, the GCF should not adopt the safeguards of any particular institution, but rather should select the best practices from a range of institutions. This should include the policies of other IFIs, but also other internationally-agreed upon principles, objectives and commitments regarding environmental and social protection and human rights. These may also include international conventions, treaties, codes, action plans, soft law instruments, and sectoral “best practice” standards.

COMMENTS ON ACCREDITATION

Noting that the GCF should not support activities with substantial environmental and social risks, accreditation criteria for safeguards should be specifically calibrated to the environmental and social (including gender-specific) risks of the activities being undertaken. Additional accreditation should be required when substantively different projects or programs are being proposed.

A central challenge in defining the requirements for accreditation will be to strike the right balance between (a) enabling a broad array of implementing entities to directly access the GCF; and (b) ensuring that implementing entities that are accredited have the capacity to manage the risks of the programs that they undertake in accordance with the GCF's international best practice standards, to ensure no harm to communities or the environment.

At the Bali Board meeting, a number of Board members observed that this balance could best be struck by differentiating accreditation requirements based upon the risks associated with the size and type of programs proposed. Under this approach, accreditation requirements would become more stringent as the environmental and social (including gender-specific) risks of the proposal increase. For example, an implementing entity that wanted to undertake a low-risk program such as a compact fluorescent lamp (CFL) distribution program would have to meet much lower environmental and social accreditation requirements than one that proposed to undertake a more complex, riskier activity such as a program that would subsidize wind farms in sensitive ecosystems.

We strongly support this approach, as we believe it would allow the greatest number of implementing entities to gain direct access to the Fund, while ensuring that each implementing entity can properly manage the risks of the programs that they take on. In addition, it will also expedite accreditation for entities proposing programs that do not involve substantial trade-offs between local benefits and harms—precisely the kind of program that the GCF should prioritize to realize its objective of catalyzing a paradigm shift in the context of sustainable development.

Five points are important to keep in mind in developing a system of differentiated accreditation:

- The GCF should accredit implementing entities and intermediaries based on the activities they wish to undertake. If an entity that has been accredited to undertake one kind of program subsequently wants to be accredited to implement a riskier program, it should have to apply for additional accreditation at the higher risk level.
- Even a differentiated accreditation approach will require the GCF to invest significant effort and resources to (a) properly assess the capacity and commitment of the candidate entity to implement the relevant safeguards, and (b) continuously engage accredited entities and maintain a highly competent oversight system to ensure good outcomes.³ The GCF will need to develop approaches to assess commitment, evaluate the incentives that apply to each client type and design a calibrated approach to each. Moreover, to ensure strong incentives for implementation, the GCF must also retain the leverage of potentially removing accreditation due to under-performance or violations of safeguards requirements.
- To ensure that accreditation is transparent, objective and consistent, the GCF should develop clear, *ex ante* accreditation standards based on the level of risk associated with proposed programs. This could build on the independent categorization standards that are commonly employed in the environmental

³ An independent audit of the IFC's financial intermediary portfolio has shown that difficult-to-assess factors such as strong managerial commitment and proper organizational incentives are key ingredients of successful implementation, and that continuous oversight of outcomes is essential. http://www.cao-ombudsman.org/documents/Audit_Report_C-I-R9-Y10-135.pdf

and social assessment policies of other international financial institutions, but will also need to address specific issues that will arise in the context of a given project or program.⁴

- More complex financing arrangements can make it more difficult to see the environmental and social impacts and risks of the underlying activities financed, impeding oversight and management. Intermediaries without the oversight capacity to ensure that environmental and social safeguards are met in all the funding they intermediate should not be accredited.
- As noted by the subcommittee in the background paper, flexibility in accreditation should not imply flexibility or weakness in the application of standards. Consistent, best-practice standards should be applied. The accreditation process should assess whether the applicant implementing entity has the capacity to rigorously apply those best practice standards to the type of risks associated with proposed activity.

Accreditation processes should include evaluation of mechanisms for ensuring transparency, accountability and comprehensive and gender-responsive stakeholder engagement.

Accreditation standards should allow thorough assessment of the ability of the implementing entity to take decisions in accordance with best practices related to transparency and information disclosure, comprehensive and gender-responsive stakeholder engagement and participation, and accountability under rule of law during the proposal development, approval and implementation stages. Towards this end, the GCF should develop standards for accreditation in these areas that—as with substantive standards—become more stringent as the environmental and social (including gender-specific) risks of the proposal rise.

Accreditation processes must look beyond the specific capacity of the implementing entity when considering the risk profile of proposed activities for financing, and consider the risks associated with the broader governance context. Strong and routinely implemented laws on environmental and social and gender protection, low levels of corruption and effective anti-corruption efforts, and an independent judiciary and adherence to the rule of law are all important prerequisites for accreditation, depending on the size, nature, and risks of the program.

⁴ For example, the World Bank classifies projects into one of four categories, depending on the type, location, sensitivity, and scale of the project and the nature and magnitude of its potential environmental impacts. Category A projects are those that are “likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented.” Category B projects have potential adverse environmental impacts on human populations or environmentally important areas—including wetlands, forests, grasslands, and other natural habitats that are less adverse than those of Category A projects. These impacts are site-specific; few if any of them are irreversible; and in most cases mitigatory measures can be designed more readily than for Category A projects. Category C projects are likely to have minimal or no adverse environmental impacts. Category FI projects involve investments through a financial intermediary, in subprojects that may result in adverse environmental impacts. The ADB has detailed requirements for financial intermediaries, stronger than the World Bank and IFC. Bilateral OPIC has the strongest FI safeguards.

Thus, under a differentiated accreditation approach, an implementing entity would be required to demonstrate capacity and competence to manage such complexity and significant risks. It would also have to specifically demonstrate the competence to manage the specific types of risks that are expected to arise, such as those related to managing critical natural habitats, addressing the particular needs of indigenous peoples, etc. Institutions such as the ADB require ADB oversight and independent monitoring of risks and impacts of activities, including those via financial intermediaries.

The GCF role in exercising effective oversight must be further developed, including assessment and monitoring of actual practice of implementing entities and intermediaries.

The GCF proposes to devolve primary responsibility for the implementation of its environmental, social and gender standards to accredited implementing entities and intermediaries. As such, it is crucial that the GCF carefully design accountability and oversight mechanisms to ensure that its standards are being met in the projects and programs it funds. Importantly, the progress note states that entities and intermediaries “will need to comply with [fiduciary safeguards] to obtain accreditation with the Fund and maintain them properly thereafter for as long as the entity intends to retain its accreditation status and commitments with the Fund.” This same commitment must be made for environmental and social safeguards as well.

In designing its approach to oversight, the Board should give careful consideration to the problems that other institutions have encountered with financial intermediaries and the conflicts of interest inherent in safeguards models dependent on self-assessment and self-monitoring. Assessment of which models to incorporate must include an assessment of the track record of existing models in real world situations. There is a wealth of evaluations (independent and done by the IFIs themselves) that provides critical insights into lessons that the GCF would do well to take on board. For example, in 2012, the IFC’s Compliance Advisor Ombudsman conducted an independent review of the IFC’s financial intermediaries’ portfolio, which is similar to the GCF’s proposed use of accredited institutions. It found that IFC relied too heavily on self-assessment and self-reporting by clients, and clients (and sub-clients) failed to identify, monitor or report on the level of risk, status and impacts of the project. It also found that IFC was unable to track the environmental and social impacts of its financial intermediary portfolio.⁵

In this regard, the Independent Redress Mechanism will be a critical tool for alerting the Board to problems in implementation. Additionally, the Board should adopt other auditing and oversight procedures and performance reviews to ensure high quality implementation. This includes:

- The GCF should conduct a regular accreditation review to consider the actual practice of accredited institutions and intermediaries against their assessed competencies and associated environmental, social and gender safeguards. At a minimum, such a process should include review of any complaints related to a GCF funded program registered with the grievance mechanisms of implementing agencies and regulatory, law enforcement and judicial agencies in the host country.
- To ensure strong incentives for implementation, the GCF should retain the authority to withdraw accreditation due to under-performance or violation of safeguards requirements. Safeguards

⁵ It is important to note that the CAO found weaknesses with not only the implementation of PS, but also the type of assessment required by the PS, i.e. :

“The SEMS-based approach to E&S management” [Note: this is a key basis for IFC determination that a client is “compliant”] is “limited in its impact on the end-use of funds.” Pg 39

“The IFC approach, which is based on achieving change through the application of a management system, does not generate information about actual E&S results at the subclient level.” Pg 35 [E&S – environmental and social]

“Observations: IFC appears to have three different types of E&S objectives for its financial markets activities. The narrow, more technical objective, which is typically described as an “E&S outcome” in investment Board Papers, is to ensure that IFC’s clients implement a Social and Environmental Management System (SEMS) to manage their E&S commitments. The individual Board Papers do not specify any broader influence on the end use of funds by subclients, other than the implicit possible effects generated by a client’s having implemented a SEMS. ... The second, broader objective, which is stated in IFC’s Sustainability Framework, is to ensure that the end use of funds by subclients does no harm.... IFC does not have the tools to measure E&S performance at the subclient level to confirm that there has been no harm, in accordance with the second objective. “ page 35

requirements must be incorporated as legally binding covenants into all GCF contracts as well as in contracts between intermediaries and their clients/implementation partners.

COMMENTS ON ENVIRONMENTAL, SOCIAL AND GENDER SAFEGUARDS

Commit to a “do no harm” approach. GCF should not fund activities with significant social, gender equity or environmental risks. The Fund’s environmental and social and gender safeguards will prescribe what actions must be taken and must not be taken to help prevent investments which result in significant environmental or social and gender-specific risks and will ensure robust gender-responsive consultation with affected communities to identify risks.

The GCF safeguards must be designed to ensure a “do no harm” outcome for impacts on affected communities, the environment, and any fiduciary aspects. Thus, as a preliminary matter, the GCF should not undertake activities with significant environmental, social, and gender risks. Safeguards must be mandatory in nature, meaning that all implementing entities and intermediaries are required to implement safeguards for all projects/programs. The commitment to strong mandatory fiduciary standards must be paralleled by strong mandatory environmental, social and gender safeguards. If harms do occur, there must be access to redress for those who are harmed.

Decades of experience have demonstrated that, in order to “do no harm”, the GCF must adopt, at a minimum, the highest international standards possible. Best practices are spread across institutions—no single institution provides a model policy. The IFC Performance Standards do not represent international best practice and should not form the basis for GCF safeguards.

The background paper’s assumption that the IFC’s Performance Standards represent best practice is not correct. For example, the World Bank and some ADB safeguards provide more comprehensive requirements for environmental and social and gender assessment, consultation requirements and requirements for financial intermediaries. Accordingly, the GCF should not adopt the safeguards of any particular institution. Rather, it should conduct a nuanced analysis of the strengths and weaknesses of safeguards from a range of institutions and select the most robust combination of safeguards to reflect best practice. This should include the policies of other IFIs, but also other internationally-agreed upon principles, objectives and commitments regarding environmental and social protection and human rights. These may include international conventions, treaties, codes, action plans, soft law instruments, and sectorial “best practice” standards.

Environmental, social and gender safeguards must be developed with the same level of detail, rigor and systematic application as fiduciary standards. Significant further development of the assessment processes for both is required.

Currently, there is greater detail, clarity, and more systematic application of fiduciary standards than there is for environmental and social safeguards; this needs to be addressed in the next draft of the accreditation and safeguards framework.

For instance, the fiduciary standards must be met on an institutional basis during the accreditation process, and throughout the lifetime of the entity/intermediary’s accreditation.⁶ The judgment is made, presumably by an expert panel and against clearly defined criteria, whether there is the institutional capacity to meet either the basic fiduciary standards, or in some cases specialized fiduciary standards. A similar judgment is required to assess whether those standards actually are met during project and program

⁶ GCF/B.06/9; pg. 6; paragraphs 33 and 34

implementation, although this is not clearly provided for, and it would be helpful to have detailed language specifying the manner by which both such assessments will be made. In contrast, it is unclear whether environmental, social, and gender safeguards will be assessed or required on an institutional level, and there is no language requiring them to be externally assessed throughout the lifetime of accreditation. The environmental and social safeguards seem only to be applied on a project or program level, and the mechanisms by which any assessment of environmental, social and gender safeguard compliance are simply not specified yet.

The roles and responsibilities of implementing entities and intermediaries and those of the GCF Secretariat, Board and Committees, in assessing environmental and social risk must be developed and clarified.

While the client has primary responsibility for implementing the safeguards, most other international financial institutions play an active role in monitoring and supervising the project or program to ensure that the safeguards are followed. At present, there is no clarity on how or whether the GCF secretariat would retain any role in project-by-project and program-by-program implementation of environmental, social and gender safeguards. This is a particular challenge for the GCF given the objective of devolving responsibility to implementing entities and intermediaries, and the previously mentioned constraint of the Fund in terms of GCF secretariat capacity compounded by a disinclination to expand staffing to bring social, gender and environmental assessments and oversight ‘in house’. However, for programs that could have environmental, social, and gender risks (and particularly severe reputational risks for the GCF), or those carried out by financial intermediaries, the GCF should retain independent consultants to oversee implementation and ensure rigorous compliance with GCF standards and safeguards.

Current high-level outcome based requirements need to be more detailed and specific to enable effective assessment, implementation and monitoring and key areas where safeguards have not yet been developed must be incorporated.

The current principle-based formulation of the environmental, social, and gender safeguards, which follows the Adaptation Fund model, does not easily lend itself to assessment or accreditation, and provides little guidance to implementing entities of what will be expected of them. For example, safeguards as broad as “respect international human rights obligations”—while important—are worded in a way that would make them challenging to implement, monitor, or assess. This raises questions as to how compliance would be evaluated. Similarly, the requirement to be “consistent with the rights and responsibilities set forth in the United Nations Declaration on the Rights of Indigenous Peoples” requires further elaboration of what is expected in order for implementing entities to be able to effectively design and propose programs and projects. The level of human rights knowledge and skill required to appropriately interpret these laws and treaties is significant and without further guidance being provided, risks subjective and inconsistent application or even violation.

We note that numerous UN bodies—including human rights treaty bodies, special procedures under the UN High Commissioner on Human Rights, and the UN Permanent Forum on Indigenous Issues, among others—have already done substantial work to elaborate what is required under the international human rights system. It will not be necessary for the GCF to “reinvent the wheel.” Rather, the GCF safeguards should point with as much specificity as possible to specific international standards.

Further safeguards could be considered to ensure that the proposed safeguards are comprehensive and appropriately address the range of risks that may be encountered under GCF financing. At a minimum, we recommend an additional safeguard on land tenure, recognizing that land tenure tends to be unclear and

contested in forested areas that are likely to be the target of climate-related financing.⁷ In the environment and social risk assessment process, in addition to specific safeguard areas, attention also needs to be paid to how to address the issue of cumulative impacts.⁸

Standards on transparency, accountability and comprehensive and gender-responsive stakeholder engagement are needed.

The GCF should promulgate standards related to transparency and information disclosure, comprehensive and gender-responsive stakeholder engagement and participation, and accountability during the proposal development, approval and implementation stages.

This includes developing a safeguard on access to information in which the GCF should establish clear standards to ensure that relevant information is disclosed before consultations begin and in locally appropriate languages and formats, and the conditions under which project documents must be made available. A safeguard on meaningful consultation and participation standards would provide implementing entities and intermediaries with requirements on outreach, accessibility, format and frequency of consultation and participation for stakeholders. A safeguard on grievance mechanisms would ensure that affected communities have a channel for gaining redress for harms suffered at the project or program level, in addition to the recourse mechanism of the Fund itself. These safeguard areas echo policy requirements in other international finance institutions and would complement and strengthen the existing range of proposed safeguards.

Other ways should be considered to limit environmental and social risks in addition to the safeguards, including project selection and approval criteria and the development of an exclusion list.

In addition to adopting safeguards regime based on international best practice, we strongly urge the GCF to utilize two other strategies to limit the environmental and social risks of the projects and programs it supports. These strategies could help to overcome the GCF's capacity and staffing limitations by helping to direct funding towards investments that are inherently less risky:

- *Selection and approval criteria used to identify projects and programs for support should include an assessment of environmental and social and gender-specific risks on a “do no harm” basis.* This would help direct funding towards less risky projects. And it would help promote the overarching objective of a “paradigm shift” since a paradigm shift implies capturing synergies with local benefits, rather than simply managing trade-offs between global benefits and local harms.
- *Adoption of an “exclusion list”:* As a number of Board members advocated in the Bali discussions, the GCF should follow the precedent of other international financial institutions, such as the ADB, and adopt an “exclusion list” that clarifies upfront that certain kinds of activities will not be funded because the risks and trade-offs are too high and the reputational risk to the GCF is too severe. For example, the GCF should exclude funding activities that involve the extraction and refinement of fossil fuels.

⁷ Eight items included in the current draft are related to tenure: involuntary settlement, indigenous people, land acquisition, community safety and security, marginalized and vulnerable groups, human rights, gender equity and women's empowerment, and accountability and grievance systems. However, crucially, these items do not add up to being the constituent parts of tenure. This issue is particularly important as performance / results - based incentives require clear identification of the rights-holder(s) to the anticipated stream of benefits. Both proponents and local stakeholders benefit from legal clarity over these tenure arrangements, notably to assure effective rights of exclusion against outside claimants. Any proposed safeguard must be consistent with the UNFCCC safeguards found in 1/CP.16 Annex I.

⁸ By this we follow the approach of the ADB which calls for assessment of direct, indirect, induced and cumulative impacts.

**SECTION II: RECOMMENDATIONS ON LANGUAGES CHANGES ON DRAFT GCF SAFEGUARDS AND FIDUCIARY STANDARDS
GCF/B.06/09**

The following table contains a collection of input from civil society groups, but does not necessarily represent a collective position.

Paragraph, page	GCF/B.06/09	Language change recommendations	Remarks
Annex -1 Draft guiding framework for the Fund’s accreditation process II. Guiding principles for the Fund’s accreditation process			
Para 3, page 15	<p>The guiding principles for the Fund’s accreditation process will consist of:</p> <p>(a) Best practices and continuous update: The Fund’s fiduciary principles and standards and environmental and social safeguards will be consistently in line with international best practices and standards, and systematically endeavour to reflect the best of the experience and lessons learned by relevant institutions, as well as lessons learned from its own experiences with fiduciary principles and standards and environmental and social safeguards;</p> <p>(b) Accountability, transparency, fairness and professionalism: Its governance system, procedures and organizational approach will ensure accountability, transparency, fairness and adequate professionalism in the accreditation process and across all operational procedures, allowing for</p>	<p>(a) Best practices and continuous update: The Fund’s fiduciary principles and standards and environmental, and social and gender safeguards will be ensure compliance consistently in line with international best practices and standards, and systematically endeavour to reflect the best of the experience and lessons learned by relevant institutions, as well as lessons learned from its own experiences with fiduciary principles and standards and environmental, and social and gender safeguards;</p> <p>(b) Accountability, transparency, fairness and professionalism: Its governance system, procedures and organizational approach will ensure accountability, transparency, fairness and adequate professionalism in the accreditation process and across all</p>	<p><u>On point (a):</u> Best practices are spread across institutions—no single institution provides a model policy. Thus, the GCF must take into consideration best practices from different institutions and not just focused on the IFC and the Adaptation Funds A careful analysis of safeguards in, for example, the Asian Development Bank would show that the ADB has a substantial private sector portfolio, applies stringent safeguards to all aspects of it public and private sector portfolio, has relatively strong requirements for Financial Intermediary safeguards, including independent assessment of risk by ADB for FI subprojects; OPIC (bilateral) has strongest FI safeguard language, globally; ADB has stronger consultation, gender and scope language than other MDBs, all of which is applied to both public and private sector activities.</p>

	<p>reasonable levels of assurance and comparability about the presence and performance of the required institutional capacities;</p> <p>(c) Ensuring reliability and credibility while retaining flexibility: Its modalities will pursue rigorous, independent, objective and systematic assessment and review processes, while giving due attention to special circumstances of applicant entities;</p> <p>(d) Striking a balance between robustness and institutional capacity: A dynamic accreditation process will aim at enabling potential entities to increase their scope of activities as their capacity increases over time; and</p> <p>(e) Readiness and effectiveness: The accreditation process will take into account the additional criteria to enhance effectiveness, which may also</p>	<p>operational procedures, allowing for reasonable levels of assurance and public comparability;</p> <p>(c) Ensuring reliability and credibility while retaining flexibility: Its modalities will pursue mandatory, rigorous, independent, objective and systematic assessment and review processes, while giving due attention to special circumstances of applicant entities but not relaxing or diluting environmental or social and gender standards;</p> <p>(d) Striking a balance between robustness and institutional capacity: A dynamic accreditation process will aim at enabling potential entities to increase their scope of activities as their capacity increases over time. However, no projects, investments or programs with significant potential impacts on communities or the environment will be funded through entities lacking the capacity to meet the highest environmental and social and gender safeguards; and</p> <p>(e) Readiness and effectiveness: The accreditation process will take into account the additional criteria to enhance effectiveness, which may also</p>	<p>On point (C): The GCF must ensure no dilution of environmental, social and gender standards to show reliability, credibility and legitimacy.</p> <p>On point (d): The GCF should promote that entities, particularly national ones, increase the scope of their activities as long as these do not pose significant potential impacts on communities or the environment.</p> <p>On point (e): It is essential for communities to be engaged in appropriate consultation and consent processes from the earliest step in project conception, including any readiness or</p>
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	allow for readiness and preparatory support in the context of different capacities and capabilities of countries and institutions.	allow for readiness and preparatory support and public process, including consultation and consent of affected communities in the context of different capacities and capabilities of countries and institutions.	preparatory support being provided for known activities.
III. Fund's fiduciary principles and standards			
Para 5, page 16	The Fund's fiduciary principles and standards will apply to intermediaries and implementing entities that will need to comply with them to obtain accreditation with the Fund and maintain them properly thereafter for as long as the entity intends to retain its accreditation status and commitments with the Fund.	The Fund's fiduciary principles and standards will apply to intermediaries and implementing entities that will need to comply with them to obtain accreditation with the Fund and maintain them properly thereafter for as long as the entity intends to retain its accreditation status and commitments with the Fund.	This addition of "and environmental, social and gender safeguard requirements" is in recognition that requirements will apply to intermediaries and implementing entities.
IV. Fund's initial environmental and social safeguards			
		<p>The Fund's environmental, social and gender safeguard requirements will apply to intermediaries and implementing entities that will need to comply with them to obtain accreditation with the Fund and maintain them properly thereafter for as long as the entity intends to retain its accreditation status and commitments with the Fund.</p> <p>Environmental, social and gender safeguard policies are indispensable elements of the Fund's operational systems and procedures that seek to avoid adverse environmental, social and</p>	This addition of this paragraph underlines the fact that the fiduciary standards and the environmental, social and gender safeguard requirements are of equal importance to the Fund and will be required, assessed and enforced with equal strength.

		<p>gender impacts, including protecting the rights of those likely to be affected or marginalized by activities, projects or programs financed by the Fund.</p> <p>The Fund’s safeguards framework will be developed in line and compliance with relevant international instruments, such as human rights treaties, also those specifically protecting the rights of women and Indigenous peoples, including the international covenants on economic, social and cultural, civic and political rights and ILO conventions.</p>	
<p>Para 10, page. 16</p>	<p>All projects/programmes will be designed and implemented to be consistent with the environmental and social criteria listed below. It is to be expected that not all of the criteria will be relevant to all funding proposals and that the specific geographic setting and context will determine which criteria are applicable.</p>	<p>All projects/programmes will be designed and implemented to be consistent with the environmental, and social, and gender criteria listed below. It is to be expected that not all of the criteria will be relevant to all funding proposals and that the specific geographic setting and context will determine which criteria are applicable.</p> <p>The Fund’s environmental and social safeguards will apply to intermediaries and implementing entities that will need to comply with them to obtain accreditation with the Fund and maintain them properly thereafter for as long as the entity intends to retain its</p>	<p>The GCF must ensure compliance with environmental, social and gender criteria regardless of the specific geographic setting Assessment or prevention of environment and social and gender-specific risks and impacts must be mandatory, as must a “do no harm” approach. This paper makes it clear that compliance with detailed fiduciary due diligence requirements is mandatory. Environmental and social and gender safeguards must be equally mandatory and provided in detail needed with the same level of independent oversight and audit as financial requirements.</p> <p>We suggest the board to delete the second sentence of paragraph 10 to give clarity to the sentence and add the same language found in the</p>

		<p>accreditation status and commitments with the Fund.</p>	<p>fiduciary safeguards section pertaining to the fact that entities/intermediaries will need to comply with, and remain in compliance ESG safeguards in order to obtain and retain accreditation with the Fund.</p> <p>The GCF safeguards should reflect core standards that must be applicable to all accredited entities.</p>
<p>Para 11, page 16</p>	<p>4.1 Compliance with the law Projects/programmes will need to be in compliance with all applicable national law, including those laws implementing host country obligations under international law.</p>	<p>4.1 Compliance with the law Projects/programmes will need to be in compliance with all applicable national law, and international obligations, including those laws implementing host country obligations under international law.</p>	<p>More clarity on the applicability of international instruments mentioned in the document is needed. It is also important to provide guidelines on how countries should interpret obligations under international law to make sure compliance is consistent.</p>

<p>Para 12, page 16-17</p>	<p>4.2 Assessment and management of environmental and social risks and impacts</p> <p>Projects/programmes will need to have an environmental and social management system (ESMS) that:</p> <p>(α) Includes an overarching policy;</p> <p>(β) Ensures environmental and social risks are identified and assessed at the earliest possible stage of design;</p>	<p>4.2 Assessment and management of environmental, social and gender risks and impacts</p> <p>Projects/programmes will need to have an comply with clear environmental, social and gender management system (ESMS) safeguards that:</p> <p>(a) Include a “do no harm” overarching policy;</p> <p>(b) Ensure identification and assessment methodologies for environmental, social and gender risks at the earliest possible stage of design.</p> <p>A process of environmental and social categorization will reflect the magnitude of risks and impacts.</p>	<p><u>On gender at the suggested language change:</u> The paragraph should be consistent with the decision made by the Board in Bali to integrate a gender-sensitivity approach.</p> <p>This section appears to propose, instead of clear mandatory safeguard requirements, the use of a vague, self-monitored case-by-case “Environmental and Social Management System” of the type that was documented by independent audit body, CAO, in 2012 to have failed to allow the IFC to monitor the most rudimentary environmental or social risks and, later, impacts, of over 40% of their portfolio. The use of this ESMS approach is not recommended as a replacement of clear mandatory safeguards, applicable to GCF programs and projects. It falls far below best practice in terms of safeguarding the environment and affected communities.</p> <p><u>On point (a):</u> Clarity on the required policies is needed.</p> <p><u>On point (b):</u> Needs to include mandatory requirements for assessing risks.</p>
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	<p>(χ) Adopts measures to avoid, or where avoidance is not possible, to minimize those risks as outlined in a management programme or plan;</p> <p>(δ) Has organizational capacity to implement the ESMS;</p> <p>(ε) Provides for emergency preparedness and response;</p>	<p>Categories include:</p> <ul style="list-style-type: none"> - Category A: Activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. - Category B: Activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. - Category C: Activities with minimal or no adverse environmental or social risks and/or impacts. <p>The GCF will not fund any Category A activities.</p> <p>(c) Adopt measures to avoid environmental, gender and other social risks as outlined in a management programme or plan required by safeguards;</p> <p>(d) Has organizational capacity to implement the ESMS safeguards;</p>	
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	<p>(φ) Includes monitoring and review of the effectiveness of the ESMS;</p> <p>(γ) Establishes a process of stakeholder engagement and disclosure, and</p> <p>(η) Provides a grievance mechanism for affected communities.</p>	<p>(e) Provides for gender sensitive and responsive emergency preparedness and response;</p> <p>(f) Includes independent monitoring and review of the effectiveness of the ESMS safeguards;</p> <p>(g) Establishes a process of meaningful, comprehensive and gender-sensitive stakeholder engagement, fully documented disclosure and consent (or withholding of consent) by affected communities in compliance with safeguards requirements; and</p> <p>(h) Provides a gender-sensitive and independent grievance mechanism that is easily accessible to individuals and communities who may be adversely impacted by a project, programme, or activity funded by the GCF affected communities.</p>	<p><u>On point (f)</u> Independent monitoring is of key importance to ensure safeguards implementation.</p> <p><u>On point (g):</u> Having a meaningful and documented stakeholder consultation and consent process is essential for the effectiveness of the project/program results.</p> <p><u>On point (h):</u> The GCF must ensure its grievance mechanism is independent from project proponents and that is of easy access by affected communities.</p>
<p>Para 13, page 17</p>	<p>The ESMS will be appropriate to the nature and scale of the funding proposal and commensurate with the level of environmental and social risks and impacts.</p>	<p>The ESMS-safeguards will be applied in a manner appropriate to the nature and scale of the funding proposal and commensurate with the level of environmental, social and gender risks and impacts, which must be independently determined and monitored.</p>	<p>Independent categorization of the degree of risk associated with projects and programs is needed. A system similar to that of the World Bank's category A, B, C could be utilized but would need to be overseen by the GCF and not by the client. Project, program and investment risk categorization should be determined by the GCF and must not be self-assessed by the client.</p>

14, p.17	<p>4.3. Disadvantaged and vulnerable groups Projects/programmes will avoid imposing any disproportionate adverse impacts on disadvantaged and vulnerable groups. Where individuals or groups are identified as disadvantaged or vulnerable, measures will be implemented so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities.</p>	<p>4.3. Disadvantaged and vulnerable groups Projects/programmes will avoid not impose ing any disproportionate adverse impacts on disadvantaged and vulnerable groups. Where individuals or groups are identified as disadvantaged or vulnerable, measures will be implemented so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities.</p>	<p>In order to promote a paradigm shift it is essential for the GCF to provide equal conditions to vulnerable groups and implementing/executing agencies when designing and deciding on a project/program proposal to avoid imposing adverse impacts or the creation of uneven benefits.</p> <p>The “do no harm” principle is paramount.</p>
Para 15, page 17	<p>4.4 Human rights Projects/programmes will respect internationally accepted human rights.</p>	<p>4.4 Human rights Projects/programmes will respect protect and comply with international ly-accepted human rights obligations, which means avoiding infringing on the human rights of others and addressing human rights impacts with which they are involved. It is recognised that projects/programmes can have an impact on the entire spectrum of human rights, including rights contained in:</p> <ul style="list-style-type: none"> - The Universal Declaration of Human Rights (1948); - The International Covenant on Civil and Political Rights (1966); - The International Covenant on Economic, Social and Cultural Rights (1966); 	<p>The GCF must ensure compliance with existing international obligations. Human rights obligations are not negotiable and must be respected in the implementation of all GCF funded activities (the word respect alone is too weak)</p> <p>This includes the International Bill of Human Rights, the eight core labor conventions, and human rights treaties that the borrower country has ratified. This should also include instruments related to the collective and individual rights particular individuals, peoples and groups (such as indigenous peoples; women; national or ethnic, religious and linguistic minorities; children; persons with disabilities; and migrant workers and their families). In fragile and conflict-affected states, it may also be necessary to apply instruments related to international humanitarian law.</p>

		<p>And the principles concerning fundamental rights set out in the:</p> <ul style="list-style-type: none"> - International Labour Organisation Declaration on Fundamental Principles and Rights at Work (1998) and its eight core Conventions: ILO conventions 29 and 105 (forced and bonded labour), 87 (freedom of association), 98 (right to collective bargaining), 100 and 111 (discrimination), 138 (minimum age) 182 (worst forms of child labour). <p>Where there is risk that the project/programme will adversely affect the rights of individuals belonging to particular groups or peoples – for example women; children; migrant workers and their families; persons belonging to national or ethnic, religious and linguistic minorities; persons with disabilities; and indigenous peoples – they should consider other specialised standards that set out their specific internationally-recognised rights including:</p> <ul style="list-style-type: none"> - The Convention on the Elimination of All Forms of Discrimination Against Women (1979); - The UN Convention on the Rights of the Child (1989); - The International Convention on the Protection of the Rights of All Migrant Workers and 	<p>A number of authoritative sources exist at the UN, such as reports by the UN Human Rights Council, UN treaty bodies, UN Special Procedures of the High Commissioner on Human Rights, as well as international court rulings, to provide guidance to the Fund and its implementing entities and intermediaries.</p>
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		<p>Members of Their Families (1990);</p> <ul style="list-style-type: none"> - The Declaration on the Rights of Persons Belonging to National or Ethnic, Religious and Linguistic Minorities (1992); - The Convention on the Rights of Persons with Disabilities (2006); - The UN Declaration on the Rights of Indigenous Peoples (2007). 	
Para 16, page 17	<p>4.5 Gender equity and women's empowerment</p> <p>Projects/programmes will be designed and implemented in such a way that both women and men:</p> <ul style="list-style-type: none"> (a) Are able to participate fully and equitably; (b) Receive comparable social and economic benefits; and ((c) Do not suffer disproportionate adverse effects during the development process. 	<p>4.5 Gender equity and women's empowerment</p> <p>Projects/programmes will be designed and implemented in such a way that both women and men:</p> <ul style="list-style-type: none"> (a) Are able to participate fully and equitably; (b) Receive comparable social, gender and economic benefits; and (c) Do not suffer disproportionate adverse effects during the development process. 	<p>The following language on point (c) 'disproportionate adverse effects' is ambiguous. The safeguards must be stated in a simple, clear, and unambiguous language. The safeguards must describe the protection of vulnerable people and prevent forced resettlement and the destruction of biodiversity and natural habitat.</p>
Para 17, page 17	<p>4.6 Labour and working conditions</p> <p>Projects/programmes will comply with national employment and labour laws and be guided by the conventions and instruments of the International Labour Organization and the United Nations relating to the fundamental rights of workers. Projects/programmes will provide a safe and healthy working</p>	<p>4.6 Labour and working conditions</p> <p>Projects/programmes will comply with national employment, social security and labour laws and comply with be guided by the conventions and instruments of the International Labour Organization, including relevant sectorial standards, and the United Nations relating to the fundamental</p>	<p>Compliance with these existing obligations and standards are a must (the word respect in the report is too weak)</p> <p>When referring to the ILO Convention and relevant sectoral standards: non-industrial labour standards should be included considering that GCF also covers non-industrial activities among others such as agriculture, forest management,</p>

	<p>environment and will take steps to prevent incidents, injury, and disease arising from, associated with, or occurring in the course of work.</p>	<p>rights of workers. Projects/programmes will provide a safe and healthy working environment and will take steps to prevent and mitigate incidents, injury, and disease arising from, associated with, or occurring in the course of work.</p> <p>Project/programmes will</p> <ul style="list-style-type: none"> - Respect the human rights of workers, including the right to establish or join trade unions and to have trade unions of their own choosing recognised for the purposes of collective bargaining - Promote the fair treatment, non-discrimination, and equal opportunity of workers; - Establish, maintain and improve a sound worker-management relationship; - Promote compliance with any collective agreements to which the accredited entity is a party, national labour and employment laws, and the fundamental principles and key regulatory standards embodied in the ILO conventions that are central to this relationship⁹; - Protect and promote the safety and health of workers, especially by 	<p>REDD</p>
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⁹ ILO conventions 29 and 105 (forced and bonded labour), 87 (freedom of association), 98 (right to collective bargaining), 100 and 111 (discrimination), 138 (minimum age) 182 (worst forms of child labour).

		<p>promoting safe and healthy working conditions¹⁰, and;</p> <p>- Avoid the use of forced labour and child labour (as defined by the ILO).</p>	
<p>Para 18, page 17</p>	<p>4.7 Indigenous peoples Projects/programmes will be consistent with the rights and responsibilities set forth in the United Nations Declaration on the Rights of Indigenous Peoples and other applicable international instruments relating to indigenous peoples.</p>	<p>4.7 Indigenous peoples Projects/programmes will be consistent- comply with the rights and responsibilities set forth in the United Nations Declaration on the Rights of Indigenous Peoples and other applicable international instruments relating to indigenous peoples.</p> <p>Projects/programmes impacting on indigenous peoples will only proceed with their free, prior and informed consent having been obtained documented and sustained.</p> <p>Projects/programmes must respect indigenous customary laws including, but not limited to, tenure and customary land rights, in the recipient countries and regions where the projects/programmes are implemented.</p>	<p>As part of implementing the responsibilities outlined in the UN Declaration on the Rights of Indigenous Peoples, the principle of free, prior and informed consent is critical in ensuring that the rights reiterated in the UNDRIP are respected, in particular with regards to any activities impacting on the rights of indigenous peoples, or impacting on their lands, territories and/or resources.</p>
<p>Para 19, page 18</p>	<p>4.8 Involuntary resettlement Projects/programmes will be designed and implemented in a way that avoids the need for involuntary resettlement (physical and economic displacement).</p>	<p>4.8 Involuntary resettlement Projects/programmes will be designed and implemented in a way that avoids the need for forced evictions, including physical and economic displacement.</p>	<p>Following the trend at international financial institutions, the GCF should not finance any activities that include forced evictions. Resettlement should be voluntary, and affected people should receive just compensation in a</p>

¹⁰ In compliance with ILO convention 155 (safety and health), 187 (health and safety in building sector) and 164 (health and safety in agriculture)

	<p>When limited involuntary resettlement is unavoidable, it should be minimized and ideally resolved through negotiated settlement and expropriation should be avoided. Due process should be observed so that displaced persons are informed of their rights, consulted on their options, and offered technically, economically and socially feasible resettlement alternatives or fair and adequate compensation (at replacement cost).</p> <p>If livelihoods are adversely impacted, they should be restored.</p>	<p>When limited involuntary resettlement is unavoidable, as determined by independent third party verification and assessment (during which the project will be put on hold), it should be minimized and ideally resolved through negotiated settlement documented free, prior, and informed consents (see for a definition below) and Expropriation shall not be allowed under GCF funded project and programs.</p> <p>Meaningful consultation is a process that (i) begins early in the program at the project preparation stage and that it is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.</p>	<p>manner consistent with international law.</p>
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Para 20, page 18	<p>4.9 Protection of natural habitats Projects/programmes will not cause unjustified conversion or degradation of critical natural habitats, including areas that are:</p> <p>(a) Legally protected;</p> <p>(b) Officially proposed for protection;</p>	<p>4.9 Protection of natural habitats Projects/programmes will not cause unjustified conversion or degradation of critical natural habitats, including areas that are:</p> <p>(a) Legally protected;</p> <p>(b) Officially proposed for protection;</p> <p>(c) Recognized by authoritative</p>	<p>The term 'unjustified' is ambiguous. The safeguards must be stated in simple, clear, and unambiguous language to describe the protection of vulnerable people, to prevent forced resettlement and the destruction of biodiversity and natural habitat.</p> <p>Point (c): must acknowledge the rights of local</p>

	<p>(c) Recognized by authoritative sources for their high conservation value, including as critical habitat; or</p> <p>(d) Recognized as protected by traditional or indigenous local communities.</p>	<p>sources, including through local and indigenous knowledge, for their high conservation value, including as critical habitat; or</p> <p>(d) Recognized as protected by traditional indigenous peoples or local and local communities.</p>	<p>and indigenous peoples over their lands and territories.</p>
<p>Para 21, page 18</p>	<p>4.10 Conservation of biological diversity Projects/programmes will be designed and implemented in a way that avoids any significant or unjustified reduction or loss of biological diversity or the introduction of known invasive species.</p>	<p>4.10 Conservation of biological diversity Projects/programmes will be designed and implemented in a way that avoids any significant or unjustified reduction or loss of biological diversity or the introduction of known invasive species.</p>	<p>The terms ‘significant or unjustified’ are ambiguous. The safeguards must be stated in a simple, clear, and unambiguous language to describe the protection from the destruction of biodiversity and natural habitat.</p> <p>GCF funds must not be used to destroy biodiversity and natural habitat.</p>
<p>Para 22, page 18</p>	<p>4.11 Climate change Projects/programmes will not result in any significant or unjustified increase in greenhouse gas emissions or other drivers of climate change but would contribute to climate mitigation or adaptation to the adverse effects of climate change.</p>	<p>4.11 Climate change Projects/programmes will not result in any significant or unjustified increase in greenhouse gas emissions or other drivers of climate change but would contribute to climate mitigation or adaptation to the adverse effects of climate change.</p>	<p>The terms ‘significant or unjustified’ are ambiguous.</p> <p>The GCF should focus its support on programmes and projects that contribute to the net reduction of GHG emissions. GCF should not fund projects leading to net GHG increases.</p>
<p>Para 23, page 18</p>	<p>4.12 Pollution prevention and resource efficiency Projects/programmes will be designed and implemented in a way that meets the applicable international standards for maximizing energy efficiency and minimizing material resource use (including water), the production of</p>	<p>4.12 Pollution prevention and resource efficiency Projects/programmes will be designed and implemented in a way that meets the applicable international standards for maximizing energy efficiency and does not result in the substantial use of natural resources (including water), the</p>	<p>GCF must not fund projects that remove or utilize significant natural resources, including water resources when energy technologies are proven to cause destruction in rivers, lake systems and forested areas.</p>

	wastes, and the release of pollutants.	production of wastes, and the release of pollutants. Projects/programmes that significantly impact or alter natural systems, for example river systems in the case of hydroelectric power generation, subsurface freshwater aquifer systems or surface water systems in the case of geothermal energy, or forest systems , should not be supported by the GCF.	
Para 24, page 18	<p>4.13 Public health and safety and security Projects/programmes will be designed and implemented in a way that avoids potentially significant negative impacts on public health, safety and security from risks such as infrastructure and equipment design and safety, hazardous materials management and safety, exposure to disease, and those posed by security arrangements.</p>	<p>4.13 Public health and safety and security Projects/programmes will be designed and implemented in a way that avoids potentially significant negative impacts on public health, including sexual and reproductive health. Projects/programmes should address risks from safety and security from risks such as poor infrastructure and equipment design, hazardous materials management and safety, exposure to disease, and unsafe those posed by security arrangements (including police and military operations). The Implementing entity will take steps to prevent accidents, injury, and disease arising from, associated with, or occurring in the course of works associated with the project and establish</p>	The word ‘potentially significant’ here is ambiguous. The safeguards must be stated in a simple, clear, and unambiguous language that describes the protection from the destruction of biodiversity and natural habitat.

		<p>preventative measures and plans, so far as reasonably practicable, to manage risks to an acceptable level.</p> <p>* * At times, measures to avoid or mitigate community health and safety impacts of the project may be the responsibility of the relevant public authorities as established by law. Under these circumstances, the implementing entity will specify its role and its responsibility to notify and collaborate with the relevant authorities.</p> <p>* The implementing entity will provide workers and affected communities with relevant information, instruction and training relating to health and safety hazards, risks, protective and preventive measures and emergency arrangements that are necessary for their safety throughout the project.</p> <p>* Where any accident, injury and disease arise or occur in the course of works associated with the project, or there is a high potential of such event, the implementing entity will investigate, document and analyse the findings and adopt measures to prevent reoccurrence and, where required by law, notify and collaborate with the relevant authorities.</p>	
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<p>Para 25, page 19</p>	<p>4.14 Physical and cultural heritage Projects/programmes will be designed and implemented in a way that avoids the alteration, damage, or removal of any physical cultural resources, cultural sites, and sites with unique natural values recognized as such at the community, national or international levels. Projects/programmes should also not permanently interfere with existing access and use of such physical and cultural resources.</p>	<p>4.14 Physical and cultural heritage Projects/programmes will be designed and implemented in a way that must be able to protect avoids the alteration, damage, or removal of any physical cultural resources, cultural archaeological/historical, religious/sacred, sites, and sites/habitats/landscapes with unique natural values recognized as such at the community, national or international levels. These sites should be identified through engagement with local and/or indigenous communities of the project/programmes areas. Projects/programmes should also not permanently-interfere with existing access and use of such physical and cultural resources</p>	
<p>Para 26, page 9</p>	<p>4.15 Land and soil conservation Projects/programmes will be designed and implemented in a way that promotes soil conservation and avoids degradation or conversion of productive lands or land that provides valuable ecosystem services including deforestation and forest degradation.</p>	<p>4.15 Land and soil conservation Projects/programmes will be designed and implemented in a way that promotes soil conservation and prevents avoids degradation or conversion of productive lands or land that provides valuable ecosystem and local livelihood services including deforestation and forest degradation.</p>	
		<p>4.xx Information Disclosure, Participation and Stakeholder Engagement xx. The implementing entity will conduct stakeholder engagement on the basis of</p>	

		<p>providing indigenous peoples and local communities directly affected by the project, and other relevant stakeholders with access to timely, relevant, understandable and accessible information, in a culturally and gender appropriate format, and free of manipulation, interference, coercion, and intimidation.</p> <p>xx. Participation outreach and stakeholder engagement will involve the following elements: identification and analysis of stakeholders and rights-holders, engagement planning for stakeholders and rights-holders, disclosure of information, meaningful consultation and participation, gender sensitive and responsive grievance mechanism, and ongoing reporting. Participation outreach will be tailored to the needs and rights of the specific affected groups, and for indigenous peoples will comply with the requirements of the UN Declaration on the Rights of Indigenous Peoples</p> <p>xx. The nature and frequency of participation and stakeholder engagement will be commensurate and proportionate to the nature and scale of the project and its potential adverse impacts on the affected indigenous</p>	
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		peoples and/or communities, the sensitivity of the environment, and the level of public interest. The requirements of national law with respect to public information and consultation, including those laws implementing host country obligations under international law must always be met.	
		Land Tenure [Additional language that specific addresses this issue is recommended.]	The GCF should consider an additional safeguard on land tenure, and it should be consistent with current UNFCCC safeguards found in 1/CP.16 Annex I.

Annex II: Draft Fund’s fiduciary principles and standards

I. Initial basic fiduciary standards

Para 1, page 20	<p>1.1. Key administrative and financial capacities</p> <p>1. Underlying principles are:</p> <p>(a) Financial inputs and outputs are properly accounted for, reported and administered transparently, in accordance with pertinent regulations and laws, and with due accountability;</p> <p>(b) Information relating to the overall administration and management of the entity is available, consistent, reliable, complete and relevant to the required fiduciary standards;</p> <p>(c) Operations of the entity show track record in effectiveness and</p>	<p>1.1. Key administrative and financial capacities</p> <p>1. Underlying principles are:</p> <p>(a) Financial inputs and outputs are properly accounted for, reported and administered transparently, in accordance with pertinent regulations and laws, and with due accountability;</p> <p>(b) Information relating to the overall administration and management of the entity is publicly available, consistent, reliable, complete and relevant to the required fiduciary standards;</p> <p>(c) Operations of the entity show</p>	
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	efficiency.	track record in effectiveness and efficiency, and no track record of fraud, corruption, tax evasion, or other criminal activity.	
Para 2, page 20	<p>1.1.1. General management and administrative capacities</p> <p>Fiduciary requirements under general management and administrative capacities refer to the overall governance and oversight structure that formally defines the roles, responsibilities and assigned authority of each functional area and individual in the organization.</p> <p>(a) Clear and formal definition of the main “corporate governance” actors of the entity and of their respective roles and responsibilities (for example, oversight authorities, audit committee, regulators, governing board, executive body, internal audit body, external audit body);</p> <p>(b) Existence of adequate internal oversight bodies and transparent rules regarding the appointment, termination and remuneration of members of such committees;</p> <p>(c) A consistent, clear and adequately communicated organization chart available, which describes, as a minimum, the entity’s key areas of authority and</p>	<p>1.1.1. General management and administrative capacities</p> <p>Fiduciary requirements under general management and administrative capacities refer to the overall governance and oversight structure that formally defines the roles, responsibilities and assigned authority of each functional area and individual in the organization.</p> <p>(a) Clear and formal definition of the main “corporate governance” actors of the entity and of their respective roles and responsibilities (for example, oversight authorities, audit committee, regulators, governing board, executive body, internal audit body, external audit body, beneficial owners);</p> <p>(b) Existence of adequate internal oversight bodies and transparent rules regarding the appointment, termination and remuneration of members of such committees;</p> <p>(c) A consistent, clear and adequately communicated organization chart available, which describes, as a minimum, the entity’s key areas of</p>	<p>Add language preventing opaque or layered corporate structures, no shell companies domiciled in secrecy jurisdictions, no entities with unclear beneficial owners; Clear and formal definition of the main “corporate governance” actors and the identity of the beneficial owners</p>

	<p>responsibility, as well as well-defined reporting/delegation lines;</p> <p>(d) A consistent and formal process to set objectives and to ensure that the chosen objectives support, and align with, the mission of the entity. Indicators to measure defined objectives and internal documents demonstrating that organization-wide objectives provide clear guidance on what the entity wants to achieve; and</p> <p>(e) A general management plan that also includes processes to monitor and report on the achievement of set objectives.</p>	<p>authority and responsibility, as well as well-defined reporting/delegation lines;</p> <p>(d) A consistent and formal process to set objectives and to ensure that the chosen objectives support, and align with, the mission of the entity. Indicators to measure defined objectives and internal documents demonstrating that organization-wide objectives provide clear guidance on what the entity wants to achieve; and</p> <p>(e) A general management plan that also includes processes to monitor and report on the achievement of set objectives</p>	
Page 21	1.1.3. Internal and external audit	Add similar language & requirements to environmental and social and gender safeguards sections	
Para 3 and para page 21	<p>A. Independent audit committee</p> <p>3. An independent audit committee, or comparable body, is appointed and fully functional and oversees the work of the internal audit function as well as the external audit firm as it relates to the audit of financial statements and control systems and reporting.</p> <p>4. The audit committee or comparable body is guided and mandated by written terms of reference that address its</p>		<p>There is a lack of balance in the audit requirements presented in this document. The section on fiduciary safeguards provides significant detail regarding the requirements for an independent audit committee to ensure compliance with fiduciary safeguards as well as an independent external audit firm. There is no such detail in the section on environmental and social and gender safeguards. The level of independent and external audits must be the same for fiduciary standards and environmental and social and gender safeguards and, as such, this sort of audit committee and external audit is</p>

	membership requirements, duties, authority, accountability and regularity of meetings.		also needed to ensure compliance with environmental, gender and other social safeguards.
Para 6, page 22	<p>C. External audit</p> <p>The external financial audit function ensures an independent review of financial statements and internal controls (as defined by the International Federation of Accountants (IFAC)).</p>	<p><u>Add another bullet:</u> The entity has demonstrated compliance with all international and national tax requirements and anti-money laundering statutes.</p>	<p>Tax evasion and money laundering have been found by Interpol and the World Bank to plague extractive industry and forest sector activities as well as climate finance;</p>
Para 7, page 23	<p>1.1.4 Control framework</p> <p>The Committee of Sponsoring Organizations (COSO) of the Treadway Commission defines internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:</p> <p>(a) Effectiveness and efficiency of operations;</p> <p>(b) Reliability of financial reporting;</p> <p>(c) Compliance with applicable laws and regulations;</p> <p>(d) A control framework that has been adopted and that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and</p>	<p>1.1.4 Control framework</p> <p>The Committee of Sponsoring Organizations (COSO) of the Treadway Commission defines internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:</p> <p>(a) Effectiveness and efficiency of operations;</p> <p>(b) Reliability of financial and safeguards reporting;</p> <p>(c) Compliance with applicable laws and regulations including tax requirements, safeguards requirements (including consultation and consent), know your customer due diligence and</p>	<p>As for fiduciary standards, there is an equal need to have a detailed Control Framework not solely for fiduciary standards but for social and environmental safeguards. This should be added to the environmental & social safeguards section or the fiduciary section should be amended to include environmental and social safeguards due diligence.</p>

	<p>other personnel;</p> <p>(e) The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing;</p>	<p>anti-money laundering due diligence;</p> <p>(d) A control framework that has been adopted and that is documented and includes clearly defined roles for management, internal auditors, the board of directors or comparable body, and other personnel;</p> <p>(e) The control framework covers the control environment (“tone at the top”), risk assessment, internal control activities, monitoring, and procedures for information sharing;</p>	
<p>Para 10, page 24 - 25</p>	<p>1.2.1 Code of ethics</p> <p>(a) The organization has in place either a documented code of ethics that defines ethical standards to be upheld, listing parties required to adhere to the standards including employees, consultants, and independent experts; or alternatively, a set of clear and formal management policies and provisions are in place to define expected ethical behaviour by all individuals contracted or functionally related to the organization;</p> <p>(b) All individuals with functional and or contractual relation to the</p>		<p>Transparency and Accountability / Code of Ethics – The GCF needs to articulate what this “code of ethics” is, and apply strongest international standard. Does the code of ethics apply to board, advisory panel and consultants? If a company has been convicted of bribery, can that company have staff acting as advisor, contractor, or play any role in GCF decision-making or operations?</p> <p>Are there any international standard code of ethics that another institution or body has developed that could be made reference to here?</p>

	<p>organization are made aware of such code of ethics or policies/provisions as appropriate; and</p> <p>(c) The organization has in place an ethics committee or has allocated such function to other relevant instances within the organization.</p>		
II. Initial specialized fiduciary standards			
<p>Para 13, page 26</p>	<p>2.1 Initial specialized fiduciary standards relating to project/programme management</p> <p>Underlying principles are:</p> <p>(a) Ability to identify, formulate and appraise projects or programmes, including the identification and assessment of environmental and social risks in a scaled risk-based approach and the adoption of measures to address those risks;</p> <p>(b) Competency to manage or oversee the execution of approved funding proposals, including the ability to manage executing entities or project/programme sponsors and to support project/programme delivery and implementation;</p> <p>(c) Capacity to consistently and transparently report on the progress, delivery and implementation of the approved funding proposal; and</p> <p>(d) Capacity to undertake monitoring</p>	<p>2.1 Initial specialized general fiduciary standards relating to project/programme management</p> <p>Underlying principles are:</p> <p>(a) Ability to identify, formulate and appraise projects or programmes, including the identification and assessment of environmental and social risks in a scaled risk-based approach and the adoption of measures to address those risks;</p> <p>(b) Competency to manage or oversee the execution of approved funding proposals, including the ability to manage executing entities or project/programme sponsors and to support project/programme delivery and implementation;</p> <p>(c) Capacity to consistently and transparently report on the progress, delivery and implementation of the approved funding proposal; and</p> <p>(d) Capacity to undertake public consultation, documentation of</p>	<p>The document presents requirements for measuring fiduciary/financial risk. Similar rigor must be applied to measuring and managing environmental and social, including gender-specific risk.</p> <p>On 2.1 There is a troubling division between “general” and “specialized” fiduciary standards. According to the definitions contained in the enhanced direct access paper, all entities will be required to meet general fiduciary standards but not all entities, including financial intermediaries, will be required to have met “specialized fiduciary standards” requirements including project appraisal, oversight, control, monitoring and evaluation. This makes it clear that not all entities receiving GCF funds are required to be able to prepare and appraise projects, implement and control them, monitor and evaluate them, or manage risks. These activities are, rather, considered “specialized”. It is not reasonable that these are considered ‘specialized’ competencies and must, instead, all be considered basic competencies for all entities - IEs to intermediaries to Funding entities. The CAO 2012</p>

	and evaluation, including monitoring of measures for the management of environmental and social risks.	consent or lack of consent, monitoring and evaluation, including monitoring of measures for the management of environmental and social risks.	<p>audit of IFC Financial Intermediaries portfolio showed that it was impossible for the IFC to track environmental and social risks or damage associated with its FI projects. This argues for a very careful approach to FI investments and a ban on high risk activities funded through FIs or the involvement of FIs with out basic appraisal, oversight, monitoring and risk assessment capacity.</p> <p>Information disclosure to public “should be added to the scope of Basic fiduciary criteria on transparency and accountability. Also, “consultation, consent of affected communities” should be included within the Project/ programme management scope of the specialized fiduciary criteria.</p> <p>Section 3.3.3 of the report talks about other specialized fiduciary standards – including “structuring”, “blending”, “financial engineering” (3.3.3) - The Board hasn’t agreed to more complex financial tools, this is premature.</p>
Para 13, page 26,	2.1.1 Project/programme preparation and appraisal Point (a) to (d)	2.1.1 Project/programme preparation and appraisal Point (a) to (d)	The document presents requirements for measuring fiduciary/financial risk. Similar rigor must be applied to measuring and managing environmental and social risk.
	2.1.2. Project/programme implementation, oversight and control	2.1.2. Project/programme implementation, public consultation, documented consent, oversight and control	As above

	<p>(a) Operational systems, procedures and overall capacity to consistently prepare project/programme implementation plans, including project/programme budgets and reporting guidelines and templates to be used by executing entities or project/programme sponsors;</p> <p>(b) Operational capacity and organizational arrangements to continuously oversee the implementation of the approved funding proposal in order to regularly assess project/programme expenditure against project/programme budget as well as to monitor and identify opportunities for improving project/programme performance against its budget and timelines;</p> <p>(c) Appropriate reporting capabilities and capacities to appropriately publish implementation reports; and</p> <p>(d) (d) Operational systems and overall capacity to conduct necessary activities relating to project/programme closure, including due reporting on results achieved, lessons learned, recommendations for improvement, as well as capacity to disseminate results and make key findings publicly available.</p>	<p>(a) Operational systems, procedures and overall capacity to consistently prepare project/programme implementation plans, including project/programme budgets and reporting guidelines and templates to be used by executing entities or project/programme sponsors;</p> <p>(b) Operational capacity and organizational arrangements to continuously oversee the implementation of the approved funding proposal in order to regularly assess project/programme expenditure against project/programme budget the documented processes of public consultation and ensuring consent, safeguards implementation as well as to monitor and identify opportunities for improving project/programme performance against its budget and timelines;</p> <p>(c) Appropriate reporting capabilities and capacities to appropriately publish implementation reports; and</p> <p>(d) (Operational systems and overall capacity to conduct necessary activities relating to project/programme closure, ensuring the “do no harm” standard has been met, including due reporting on</p>	
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		results achieved, lessons learned, recommendations for improvement, as well as capacity to disseminate results and make key findings publicly available.	
Para 15, page 27	<p>2.1.3. Monitoring and evaluation</p> <p>The evaluation function assesses the extent to which projects; programmes, strategies, policies, sectors or other activities achieve their objectives and contribute to the initial results areas of the Fund. The goal of evaluation is to provide an objective basis for assessing results, to provide accountability in the achievement of objectives, and to learn from experience (and to early detect any deviation from project/programme planning).</p>	<p>2.1.3. Monitoring and evaluation</p> <p>The evaluation function assesses the extent to which projects, programmes, strategies, policies, sectors or other activities achieve their objectives and contribute to the initial results areas of the Fund and meet the “do no harm” objective. The goal of evaluation is to provide an objective basis for assessing results, to provide accountability in the achievement of objectives, and to learn from experience (and to early detect any deviation from project/programme planning).</p>	
Para 15, page 27 -28	<p>B. Evaluation</p> <p>(a) Independent evaluations are undertaken by an established body or function as part of a systematic programme of assessing results, consistent with relevant requirements and related Fund policy;</p> <p>(b) The evaluation function follows impartial, widely recognized, documented and professional standards and methods;</p>	<p>B. Evaluation</p> <p>(a) Independent evaluations are undertaken by an established body or function as part of a systematic programme of assessing results, consistent with relevant requirements and related Fund policy;</p> <p>(b) The evaluation function follows impartial, widely recognized, documented and professional standards and methods, and involves transparent gender-sensitive public</p>	

	<p>(c) The evaluation body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the entity, ideally reporting directly to the board of directors or comparable body. If its structural independence is limited, the evaluation body or function has provisions that ensure transparent reporting to senior management;</p> <p>(d) (An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved in the project or programme. To enhance transparency, to the extent possible, reports are available publicly.</p>	<p>consultation;</p> <p>(c) The evaluation body or function is structured to have the maximum independence possible from the organization's operations, consistent with the structure of the entity, ideally reporting directly to the board of directors or comparable body. If its structural independence is limited, the evaluation body or function has provisions that ensure transparent reporting to senior management;</p> <p>(d) An evaluation disclosure policy is in place. Evaluation reports are disseminated as widely as possible, and at a minimum to all parties directly or indirectly involved or impacted in the project or programme. To enhance transparency, to the extent possible, reports are available publicly.</p>	
<p>Para 15, page 28</p>	<p>2.1.4 Project-at-risk systems and related project risk management capabilities</p> <p>(a) A process or system, such as a project-at-risk system, is in place to early flag when a project/programme has developed problems that may interfere with the achievement of its objectives, and to respond accordingly to redress the problems;</p>	<p>2.1.4 Project-at-risk systems and related project risk management capabilities</p> <p>(α) A process or system, such as a project-at-risk system, is in place to early flag when a project/programme has developed problems that may interfere with the achievement of its objectives or to threaten negative environmental or social and gender impacts, and to respond accordingly</p>	

	<p>(β) Availability of an independent risk management function differentiated from project implementation and project supervision responsibilities;</p> <p>(χ) Risk assessment:</p> <p>(i) Demonstrated capabilities to undertake assessment of financial, economic, political and regulatory risks at the preparation, appraisal as well as implementation stages;</p> <p>(ii) Demonstrated ability to undertake assessment of environmental and social risks, in accordance with the Fund’s environmental and social safeguards and on scaled risk-based approach at the preparation, appraisal as well as implementation stages;</p> <p>(iii) Demonstrated ability to integrate risk mitigation and management strategies into the funding proposal at all levels listed above, and to exercise such strategies at the implementation stage.</p>	<p>to redress the problems;</p> <p>(β) Availability of an independent risk management function differentiated from project implementation and project supervision responsibilities;</p> <p>(χ) Risk assessment:</p> <p>(i) Demonstrated capabilities to undertake assessment of financial, economic, political and regulatory risks at the preparation, appraisal as well as implementation stages;</p> <p>(ii) Demonstrated ability to undertake assessment of environmental and social risks, in accordance with the Fund’s environmental and social safeguards and on scaled risk-based approach at the preparation, appraisal as well as implementation stages;</p> <p>(iii) Demonstrated ability to integrate risk mitigation and management strategies into the funding proposal at all levels listed above, and to exercise such strategies at the implementation stage with full and open consultation with project-affected peoples and with the</p>	
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		consent of affected peoples.	
New addition section: Exclusion List			
		<p>The following activities do not qualify for GCF financing:</p> <p>(a) Production or activities that impinge on lands, territories or resources owned or claimed under adjudication by indigenous peoples without full documented consent of such peoples.</p> <p>(b) Production or activities involving harmful or exploitative forms of forced labour or child labour, sexual exploitation, and trafficking in person;</p> <p>(c) Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase outs or bans, such as (a) pharmaceuticals, pesticides, and herbicides (b) ozone-depleting substances (c) polychlorinated biphenyls and other hazardous chemicals, (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora and (e) trans-boundary trade in waste or waste products;</p>	<p>Adopted from ADB Safeguard Policy Statement (SPS/2009) and Comments of NGO Forum on ADB to the second draft of Safeguard Policy Update (2008).</p>

		<p>(d) Production of or trade in weapons and munitions, including paramilitary materials;</p> <p>(e) production of or trade in alcoholic beverages, excluding beer and wine;</p> <p>(f) production of or trade in tobacco;</p> <p>(g) gambling, casinos, and equivalent enterprises;</p> <p>(h) production of or trade in radioactive materials, including nuclear reactors and components thereof;</p> <p>(i) production of, trade in, or use of unbonded asbestos fibers;</p> <p>(j) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and</p> <p>(k) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.</p>	
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