

Compilation of Submissions: Monitoring and Accountability Framework Call for Public Input

On 30 July 2015, the GCF published a call for public input that invited individuals, organizations and all entities involved and interested in climate mitigation, adaptation, climate change monitoring and evaluation, environmental and social safeguards and related topics to provide inputs to support the development of the GCF's initial monitoring and accountability framework. The deadline for submissions was 17 August 2015 and the GCF Secretariat has subsequently collected and compiled all inputs received.

This document is the compilation of inputs received and is published for public information as indicated in the call for inputs document. Please note that this compilation document presents the inputs as they were received in response to the call.

During the development of the initial monitoring and accountability framework, comments have been received in addition to the inputs responding to the call. While this compendium incorporates only the inputs received, the comments received have been duly considered.



Table of Contents

1. Asian Development Bank	3
2. CARE International	5
3. Challenge 2050	12
4. Focal Point for Peru	19
5. Heinrich Böll Stiftung North America	22
6. Interamerican Association for Environmental Defense	31
7. Interamerican Association for Environmental Defense; AKSI! For gender, social and ecological justice; Both ENDS; Carbon Market Watch; CARE International; Center for International Environmental Law; Global Alliance for Incinerator Alternatives; Heinrich Boell Stiftung North America, NGO Coalition for Environment, Nigeria; Tebtebba; Transparency International; UI u Foundation	40
8. Ministry of Resources, Guatemala	51
9. National Bank for Agriculture and Rural Development	55
10. Secretariat for Pacific Regional Environment Programme	59
11. Sierra Club	61
12. Sierra Club, Center for International Environmental Law	65
13. Transparency International	70
14. United Nations Environment Programme	79



14 August 2015

Dear GCF Secretariat,

Thank you for the opportunity to provide inputs to the Board of the Green Climate Fund (GCF) for the initial monitoring and accountability framework. ADB would like to bring forth elements related to efficiency, compliance, and consistency with AMA for your consideration, as detailed below.

Efficiency

Accredited entities, including ADB, have gone through a rigorous accreditation process under which the entities' institutional capacities to deliver against GCF's objectives were assessed, in accordance with GCF's basic and specialized fiduciary standards, environmental and social safeguards and gender policy. The accreditation process required enormous efforts and resources, both on the side of GCF and accredited entities. To maximize efficiency and avoid redundancies, the monitoring and accountability framework should cover only those areas which have not yet been covered by the accreditation process. For example, ADB's Accountability Mechanism Policy 2012 (<http://www.adb.org/sites/default/files/institutional-document/33440/files/accountability-mechanism-policy-2012.pdf>) and Accountability Mechanism Annual Report 2013 (<http://www.adb.org/sites/default/files/institutional-document/42699/files/adb-accountability-mechanism-annual-report-2013.pdf>) were submitted to GCF during the accreditation process and were taken into account when the GCF Board decided to accredit ADB. For your reference, Accountability Mechanism Annual Report 2014 became available in April 2015 and can be accessed at <http://www.adb.org/sites/default/files/institutional-document/158478/adb-accountability-mechanism-annual-report-2014.pdf>.

Compliance Checks

Through the accreditation process, GCF thoroughly assesses applicant entities' basic and specialized fiduciary standards, environmental and social safeguards and gender policies and confirms that entities' compliance with their own respective policies and procedures would enable them to comply also with GCF's respective policies and procedures. GCF's assessment and confirmation form the basis for accreditation. Differences in the entities' capacities should be taken into account at this stage as entities are accredited for different scopes and activities according to GCF's fit-for-purpose accreditation approach. Once accredited, accredited entities as well as GCF should be able to rely on the accreditation for the entire accreditation period and further compliance checks are not necessary. Any self-reporting by accredited entities should be limited to important changes that affect their ability to comply with GCF's basic and specialized fiduciary standards, environmental and social safeguards and gender policy.

During the project implementation period, accredited entities are required to provide GCF with reports on both the implementation of funded activities as well as the financial status of the funds provided by GCF (GCF Proceeds and Other GCF Funds). If GCF has valid grounds to have concerns as to the manner in which GCF Proceeds or Other GCF Funds for any funded activity have been used, GCF could request the accredited entity to cause accounts and records of the funded activity to be audited by the accredited entity's external auditors on terms agreed with the accredited entity and GCF, with the costs of such audits to be borne by GCF.

Consistency with AMA

Accredited entities, including ADB, and GCF are in the process of negotiating the Accreditation Master Agreement (AMA), which may contain clause(s) for monitoring and accountability. GCF's initial monitoring and accountability framework should be designed in conjunction with the AMA to avoid any inconsistency and/or duplication between these documents.

We would appreciate an opportunity to discuss the draft initial monitoring and accountability framework, when it is ready. We further suggest that the draft should be discussed with all relevant stakeholders, including the accredited entities, prior to GCF Board approval.

ADB would welcome the opportunity to further contribute to the development of the initial monitoring and accountability framework and will be pleased to provide inputs as necessary at your request.

Yours sincerely,

Preetandari

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Call for inputs into the Monitoring and Accountability Framework of the Green Climate Fund¹ August 2015

CARE International, one of the leading international, non-governmental development and emergency agencies, is pleased to share with the GCF Board and Secretariat views in response to the call for inputs on the Monitoring and Accountability Framework.

CARE is working with people at the frontline of climate change and has been responding to climate change. Poverty reduction, social justice and gender equality/women's empowerment have been at the centre of this. CARE also approved a specific CARE Climate Change Strategy (2013-2015). In 2014, CARE overall worked in 90 countries and 880 projects.

CARE has gained a wealth of experience from various initiatives in promoting, applying and testing approaches of **participatory monitoring and accountability**. The information provided here builds in particular on two publications regarding "Participatory Monitoring, Evaluation, Reflection and Learning (PMERL) for community-based adaptation² and "The power of participatory monitoring in making the Sustainable Development Goals a reality"³. This input focuses on the following question of the Call for Input terms of reference:

GCF Call for input: How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback the performance of accredited entities?

We would like to make two preliminary remarks. *Firstly*, the question implies to limit the local monitoring system "to provide feedback on the performance of accredited entities" which we would regard as inadequate. On the one hand, the M&A framework should be related more broadly to the **performance of the funded activities** which decide over whether key objectives and the needs of the beneficiaries can be delivered on. The performance of the accredited entities is only one element therein. Others include the performance of executing entities and service deliverers and the overall achievement of the activity outcomes and results. On the other hand, "feedback" implies a rather passive approach where the stakeholders are only consulted to comment on the work of the entities, rather than engaging them early on in a continuous monitoring process, incl. in the contextualization of indicators whereby progress on performance can be used to review and adjust activities in order to enhance effectiveness and delivery of results.

Secondly, a participatory approach is indispensable across the whole spectrum of activity design, implementation, monitoring, evaluation and learning, not only for monitoring.

This input will a) make the case for participatory monitoring building on the GCF Governing Instrument and concrete experience, b) share key lessons learned and c) provide concrete suggestions on how to move this forward in the context of the GCF M&A framework.

¹ Contact: Sven Harmeling, sharmeling@careclimatechange.org, GCF focal point

² CARE, 2014: Participatory Monitoring, Evaluation, Reflection and Learning for community-based adaptation: PMERL: a revised manual for local practitioners. http://careclimatechange.org/wp-content/uploads/2014/12/2014_PMERL.pdf

³ CARE, 2015: The power of participatory monitoring in making the Sustainable Development Goals a reality. http://insights.careinternational.org.uk/media/k2/attachments/SDGs-and-participatory-monitoring_CARE-March-2015.pdf

A. Making the case for participatory monitoring

The **Governing Instrument** of the Green Climate Fund explicitly mandates the encouragement of participatory monitoring:

“Para 57. The programmes and projects, as well as other activities, funded by the Fund will be regularly monitored for impact, efficiency and effectiveness in line with rules and procedures established by the Board. **The use of participatory monitoring involving stakeholders will be encouraged.**”⁴

However, so far this mandate has not been delivered on and has received little attention so far, and the design of the monitoring and accountability framework is now the opportunity to follow through on this mandate.

CARE believes that **participatory monitoring and social accountability mechanisms more generally are crucial** for

- making the voices of the most marginalized heard,
- increasing public awareness of global climate and development goals,
- and by so doing, generating collective action and bottom-up demands against inadequate service-delivery.

It has the **dual benefit** of allowing beneficiary communities themselves to assess the quality of service provision and provide accurate information about their own satisfaction, while also offering service- providers and district and national officials the opportunity to assess the perception of users in terms of quality of services, to track outcomes, and to take corrective measures to improve performance. This creates a potentially **virtuous circle of accountability, reflection, learning and responsiveness** that could be applied to the GCF funded activities.⁵

All of these aspects we also regard as **central to the mission and success of the Green Climate Fund**, which cut across aspects such as

- Identification, assessment and achievement of outcomes and results;
- Compliance with environmental and social safeguards, as well as effectiveness and fiduciary standards;
- Monitoring and evaluation and making the GCF a “continuously learning” institution as envisaged in para 3 of the Governing Instrument.

Participatory monitoring is much more than the use of participatory techniques within a conventional monitoring and evaluation setting. Essentially, participatory monitoring has **four broad principles**:

- **Participation** which means opening up the design of the process to include those most directly affected, and agreeing to analyse data together;
- **Negotiation** to reach agreement about what will be monitored or evaluated, how and when data will be collected and analysed, what the data actually means, and how findings will be shared, and action taken;
- **Learning** which becomes the basis for subsequent improvement and corrective action;
- **Flexibility** is essential, since the number, role, and skills of stakeholders, the external environment, and other factors change over time.

⁴ GCF, 2011: Governing Instrument for the Green Climate Fund.

http://gcfund.net/fileadmin/00_customer/documents/Key_documents/GCF_Governing_Instrument_web.pdf ⁵

CARE, 2015: The power of participatory monitoring in making the Sustainable Development Goals a reality.

http://insights.careinternational.org.uk/media/k2/attachments/SDGs-and-participatory-monitoring_CARE-March-2015.pdf; page 5

With regard to adaptation to climate change impacts, given that it is often difficult to predict the impacts of climate change, particularly at the local level, it follows that it is not always easy to know what exactly communities are adapting to, or what ‘successful’ adaptation looks like. Managing this uncertainty requires a ‘learning-by-doing’ approach, where communities and practitioners are able to track, respond to, and take advantage of changing contexts and unexpected events. This requires a system for monitoring changes in a variety of contexts and the effectiveness of responses to changing contexts, and then feeding this information back into the planning and implementation cycle, so that adjustments can be made as necessary.⁶

While the GCF in its result investment framework and the results management framework has identified key result indicators to apply, and refers to the IFC performance standards in the context of environmental and social safeguards, it lacks clear process indicators. In CARE’s experience the use of process indicators is a very important complement to using outcome or result indicators in order to understand whether good practice on key issues has been followed. The **Joint Principles for Adaptation (JPA, see Annex for details)** have been developed by a wide group of civil society networks from developing and developed countries in order to assist the design of effective and equitable adaptation frameworks, and the GCF would benefit from applying clearer guidance on key process indicators which can help institutionalising participation and localization of decisions and actions.

B. Key lessons learned

CARE has identified the following key lessons from participatory monitoring in practice⁷:

- participatory monitoring is diverse and adaptable to context
- collaboration is crucial
- participatory monitoring must become more strategic
- local-level information adds crucial texture to generic outcome indicators
- contextual analysis is fundamental
- process matters when it comes to data collection and service-delivery
- participatory monitoring should complement and inform existing accountability mechanisms
- the process must allow for qualitative and quantitative data/evidence collection analysis and use.

These lessons are also complemented by more specific experience on the use of participatory monitoring in adaptation to climate change impacts⁸:

- Effective **adaptation decision making** is informed by past, present and future climate information, enabling plans and actions for climate-resilient livelihoods and disaster risk reduction.
- **a multi-stakeholder platform** enables sharing, understanding, interpreting and communicating climate information, by giving space for dialogue on local adaptation issues and options. Synergising across stakeholders is essential for responding to the challenge of unknown futures.
- Combining **local and scientific knowledge** systems is important for making climate information relevant locally and for empowering communities.

⁶ CARE, 2014: “Participatory Monitoring, Evaluation, Reflection and Learning for community-based adaptation: PMERL: a revised manual for local practitioners. http://careclimatechange.org/wp-content/uploads/2014/12/2014_PMERL.pdf; page 8

⁷ See http://insights.careinternational.org.uk/media/k2/attachments/SDGs-and-participatory-monitoring_CARE-March-2015.pdf for more details, page 16

⁸ CARE, 2011: Decision-making for climate resilient livelihoods and risk reduction: A Participatory Scenario Planning approach. http://careclimatechange.org/wp-content/uploads/2015/05/ALP_PSP_EN.pdf

- **local adaptive capacity** is enhanced by including communication and use of climate information in adaptation planning processes, enabling communities to live with the uncertainty and risks that climate change presents.

CARE envisions a six-step model for participatory monitoring⁹:

STEP 1: Preparation and training of local facilitators and community agents

STEP 2: Community validation of indicators and scoring

STEP 3: Service providers score on these indicators

STEP 4: Data gathering on service-delivery outcomes by the community

STEP 5: Interface meetings between service providers, service users and public authorities

STEP 6: Community agendas corroborate findings and follow-up on the action plan

This model's consultative focus and its inherent reliance on community involvement ideally suits the proposed Tier 2 indicators and, if institutionalized within existing reporting structures, could produce a significant shift toward evidence-based policy, decision-making and planning, even at local and district levels. The lack of reliable information at this level has severely impeded progress on improving service provision, particularly in rural areas. Well-managed and well-coordinated Community scoring cards could provide a compelling option to quickly expand the base for data collection in these marginalised areas while having the positive side-effect of engendering greater cooperation and trust among community members, service providers, and local government officials.

Such a model could also serve as inspiration for how to set up activity-specific local monitoring systems under the GCF.

C. Suggestions for concrete steps by the GCF

Specific amendments in the funding proposal template

The GCF Secretariat has already published a funding proposal template.¹⁰ The aspect of participatory monitoring is currently missing despite the clear mandate of the GCF Governing Instrument. We propose the following amendments which can easily be implemented by the Secretariat without an additional board decision. Amendments are suggested in three sections and are provided in **bold**. The concept note template should be amended accordingly, as appropriate.

H.2. Arrangements for Monitoring, Reporting and Evaluation

*Please specify institutional setting and implementation arrangements for monitoring and reporting **throughout the project/programme, incl. aspects of participatory, local monitoring**. Please indicate how you will organize mid-term and final evaluations.*

Please provide methodologies for monitoring and reporting of the key outcomes of the

⁹ See http://insights.careinternational.org.uk/media/k2/attachments/SDGs-and-participatory-monitoring_CARE-March-2015.pdf for more details, page 23

¹⁰

http://www.gcfund.org/fileadmin/00_customer/documents/Operations/GCF_Funding_Proposal_Template_Version_1.0.docx

Justification: The section monitoring, reporting and evaluation must include a specific provision to address aspects of participatory monitoring, in line with the GCF GI mandate. It is also important to convey that monitoring is not limited to mid-term and final evaluations, but must be embedded in any programme/ project throughout its design and implementation to allow for continuous review and adjustment of activities in order to enhance effectiveness and impact as previously outlined. It is also suggested to refer to some examples of participatory monitoring methodologies (in line with the practice in other sections of the template).

E.5.3. Engagement with civil society organizations and other relevant stakeholders

Please specify the multi-stakeholder engagement plan and the consultations that were conducted when this proposal was developed **and how inputs received have been reflected in the proposal (including with regard to the participatory identification of beneficiaries' needs, the interpretation of indicators, the set-up of the monitoring and evaluation approach, and the application of environmental and social safeguards)**

Justification: We suggest to provide some specification of aspects that proponents have to respond to when they specify the multi-stakeholder engagement in order to have a more consistent approach and be able to identify whether key aspects have been addressed. Furthermore, it is important that proponents outline how aspects brought up in consultations have generally been reflected, to provide transparency whether key issues were addressed or not, and for what reasons.

H.1.1. Paradigm Shift Objectives and Impacts at the Fund level¹¹

Paradigm shift objectives						
Choose appropriate expected result	Please elaborate on the paradigm shift objectives (<u>quantitative and qualitative aspects</u>) to which the project/programme contributes. <u>It is encouraged to use particularly locally defined indicators in addition to those from the GCF's performance measurement framework, as appropriate.</u>					
Expected Result	Indicator	Means of Verification (MoV)	Baseline	Target		Assumptions
				Mid-term (if applicable)	Final	
Fund-level impacts						
Choose appropriate expected results	Please select relevant GCF indicators from the Fund's performance measurement framework . More than one indicator may be selected per expected impact result.					
Choose appropriate expected results						

¹¹ Information on the Fund's expected results and indicators can be found in its Performance Measurement Frameworks available at the following link (Please note that [some indicators are under refinement](#)): http://www.gcfund.org/fileadmin/00_customer/documents/Operations/5.3_Initial_PMF.pdf

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Justification: Reflecting CARE’s experience as outlined above, the GCF could benefit from complementing the globally defined indicators with clearly locally defined indicators which can trigger local transformation (e.g. through the improved implementation of standards and rules in service delivery). This would add value through a stronger local-global link. In addition, it is important to address both quantitative and qualitative aspects.

Inclusion of participatory tools in the M&R toolkit

When developing the **M&R toolkit and online tool**, the Secretariat should include **concrete examples of participatory monitoring tools**, building on the wealth of experience that exists both within climate actions and more broadly, and require information provision on the application of a participatory monitoring approach by the institutions implementing programmes. The CARE experience referenced here could inform this, in addition to other established tools.

Disaggregation of indicators

The current Performance Measurement Framework of the GCF specifies for some envisaged results a disaggregation of data by certain parameters. However, these vary and are not applied consistently. In line with the recent agreement on the 2030 Agenda for Sustainable Development (which includes aspects related to climate change), the GCF should consider applying the disaggregation criteria agreed therein comprehensively in the generation of data as a monitoring means (not in the setting of envisaged results). This would be conducive to better understand social dynamics and can provide a basis for developing more targeted and effective activities. In addition, quantitative data must be complemented by in-depth qualitative data which gives an understanding of changes with social dynamics.

Transforming our world: the 2030 Agenda for Sustainable Development

Para 74g: They will be rigorous and based on evidence, informed by country-led evaluations and data which is high-quality, accessible, timely, reliable and disaggregated by income, sex, age, race, ethnicity, migration status, disability and geographic location and other characteristics relevant in national contexts.¹²

¹² <https://sustainabledevelopment.un.org/content/documents/7891TRANSFORMING%20OUR%20WORLD.pdf>

ANNEX

JOINT PRINCIPLES FOR ADAPTATION 2.0: A CIVIL SOCIETY INITIATIVE TO PROMOTE EFFECTIVE AND EQUITABLE ADAPTATION TO CLIMATE CHANGE¹³

National frameworks for climate change adaptation are more equitable and more effective when

PRINCIPLES	Criteria
A. The formulation, implementation and monitoring is participatory and inclusive	<ol style="list-style-type: none"> 1. Multiple stakeholders (such as, but not limited to civil society, sub-national governments, research institutes, academia, private sector, and indigenous peoples) participate in defining options and priorities 2. The knowledge and experience of local communities and indigenous peoples is incorporated 3. Plans and policies are publicised in ways that local people can understand and engage with
B. Public funds for adaptation are utilised efficiently and managed transparently and with integrity	<ol style="list-style-type: none"> 1. The implementation and financing of plans is periodically monitored by a body on which civil society is represented 2. Adaptation funding is made available through a transparent process of allocation 3. There is full and free access to information on how adaptation funds are being spent (finances and processes) 4. There is a mechanism in place to safeguard against initiatives that might have negative impacts 5. A secure mechanism for expressing grievances and seeking redress is available
C. All government sectors and levels of administration have defined responsibilities and appropriate resources to fulfil them	<ol style="list-style-type: none"> 1. National adaptation plans carry the authority to enable different government sectors to work in a coordinated way 2. Existing initiatives are enhanced to take climate change into account 3. Funding for adaptation is explicitly provided for within the national budget and respective sectorial allocations 4. Local level adaptation plans are guided by mechanisms to ensure coherence with national adaptation policies
D. Local adaptation plans are developed through approaches that build resilience of communities and ecosystems	<ol style="list-style-type: none"> 1. Communities affected by climate change participate in defining adaptation options and priorities 2. Local adaptation plans are formalised and integrated into the development priorities of local administrations 3. Significant resources are allocated towards implementation of local adaptation plans 4. Financing arrangements make commitments for multi-year programmes of support to vulnerable communities
E. The resilience of groups who are most vulnerable to climate change is promoted	<ol style="list-style-type: none"> 1. Plans and policies address the issues affecting different groups of women, men, boys and girls 2. Groups of people who are vulnerable to social, cultural, economic and environmental conditions are identified and targeted 3. Initiatives take into account the differentiated needs and capacities of women and men in different age groups 4. Initiatives promote greater social equity and cohesion
F. There is appropriate investment in the building of skills and capacities, as well as in physical infrastructure	<ol style="list-style-type: none"> 1. Adequate resources are made available to improve the effectiveness of institutions responsible for managing climate change adaptation 2. Adequate resources are made available for raising public awareness and education about climate change 3. Investment plans contain targets for developing human capacities, natural capital, and physical infrastructure
G. Plans and policies respond to evidence of the current and future manifestations and impacts of climate change	<ol style="list-style-type: none"> 1. Adaptation plans consider how climate is affecting existing vulnerabilities 2. Vulnerability and adaptation scenarios are based on the best available science and evidence from the ground 3. Interventions are modified as new information becomes available 4. Climate information is made accessible to enable adaptive decision making by all stakeholders

¹³ <http://www.southernvoices.net/en/documents/key-documents/51-joint-principles-for-adaptation-version-2-0/file.html>

Green Climate Fund

Call for Public Inputs: Monitoring and Accountability Framework

Incheon, 30 July 2015 – At its 10th meeting, the Board of the Green Climate Fund (the Fund) requested the Secretariat to further develop its initial monitoring and accountability framework and engage a wide group of stakeholders, including women through a call for public input (Board Decision B.10/07)*. In particular, the Board requested the following elements to be addressed within the Fund's monitoring and accountability framework:

Inputs requested

The Fund's Secretariat is pleased to invite individuals, organizations and all entities involved and interested in climate mitigation, adaptation, climate change monitoring and evaluation, environmental and social safeguards and related topics, to provide inputs to support the development of the Fund's monitoring and accountability framework.

Our input is based on our experience (10+ years) with more than 120 countries as well as regional programs in the context of Public Health (HIV/AIDS, Tuberculosis and Malaria).

In particular, there is interest in receiving inputs in relation to:

- which corrective actions and remedies can be implemented in cases of non-compliance of the fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the fund;
- **Based on the level of non-compliance (critical or not) as well as the accreditation level, here is a set of possible corrective actions:**
 - **Corrective action to be embedded into the yearly assessment's improvement plan (with dates, verifiable outputs and monthly follow up from the GCF Secretariat). Allowing the proper technical (i.e. working with bilateral support mechanisms like GIZ) and financial support (from the Readiness program) to fulfil the agreed action.**
 - **Outsourcing of the particular functional areas under concern (i.e. placing the AE under the authority of a fiduciary agent).**
 - **Requalifying the accreditation level in extreme cases. In such case, the business continuity can be achieved by pairing up the current AE with a robust international AE. The technique of "Shadowing/Reverse shadowing" (first the international AE leads, then reverse) can be used to ensure a proper transition back to the AE over an agreed period of time.**
- How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation;
 - **The GCF should implement a "Performance Based Funding" (PBF or RBF, based on the implementation) system and link it to disbursements**

(in tranches, when possible). The performance level (based on upfront agreed indicators) should influence the way the AE are receiving funding. It can be a pure reduction of funds (VS original budget) but also it can take different forms as influencing the interest rates in some cases (or condition for reimbursement). It can also take a positive note, like incentivizing a future scale up of the same program (going to a bigger project's scale) when performances are good/exceptional.

- Stimulating the regional potential by promoting good practices and successes. Our experience shows that this leverage is crucial as there is a real competition amongst countries (of the same region) to 'be the first/best'. This can be achieved by: documenting best practices and publishing on the GCF website, promoting key stakeholders' presentations during GCF regional workshops as well as catalysing 'South to South' collaboration and technical support (for this point, it will be critical to partner with the main technical support/readiness support providers).
- Creating a special status for 'challenging operating environments' (at the country level) to allow the GCF to partner with pre-qualified AE (i.e. UNDP) as it is very unlikely that the requested level of accreditation would be met in those contexts. This would allow the GCF and the selected partner to work with different parameters (more flexibility).
- How to implement compliance checks in the areas listed below:
 - Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity);
- Based on our experience in assessing countries (country coordination mechanisms as well as the equivalent of the AEs), it is crucial to:
 - Accompany this process (for the first few years at the very least) with the necessary technical support (in country). This support has to be done by an entity that does not do anything else than capacity building (ie. not done by someone doing verification or results like a local fund agent) as the concept is to have a 'self-assessment', not an external one. All people involved in such capacity building exercise (as a provider) should be properly trained (we saw that the best articulation –cost effectiveness wise - is a combination of an eLearning module and a 'face to face' training).
There needs to be 3 components to this assessment:
 - A quantitative part (part 1): providing ratings for established indicators by providing the supporting documentation.
 - A qualitative part (part 2): interviewing key stakeholders to understand what cannot be detected by the quantitative part.

From our experience, this is from that part that the most useful information are coming from and where the agreed actions will bring the most benefits in terms of potential for improvements.

- **An improvement plan (part 3): based on the overall diagnostic from part 1 and 2, the AE will, with the technical support of the experts, draft and commit to an improvement plan, with detailed activities (with deadlines) to be agreed upon with the GCF.**

Once submitted, the assessment can be reviewed by the local fund agent (optionally). The final submission/negotiations is with the GCF Secretariat (country manager and functional managers – Finance, M&E, Governance....).

The idea of having capacity building experts supporting that process is not to remove the self-assessment from the AE's hands but to ensure that a standardized methodology is being used (all across) as well guiding the AE around the process (hence reducing the number of support queries to the GCF). The expert's training is making a strong point to ensure that the experts are not assessing the AEs but rather are helping them into a self-assessment process. This is why local fund agent (entities checking results for the GCF) are not suitable entities for this process.

For an organization like the GCF, it would be reasonable to train around 100 experts (from different regionals/language skills).

- **Have a robust assessment process with tools (that work both online and off-line as developing countries are often experiencing internet connectivity issues) in five languages at least (English, French, Spanish, Portuguese and Russian).**
- **The role of the GCF Country Manager (when the Secretariat will grow) will be critical as they accumulate a lot of intelligence regarding capacity/issues/opportunities and ways to improve for this particular context.**
- **Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance;**

This is where the Local Fund Agent will be useful as they have a lot of intelligence around the different dynamics at the country/regional level. They can intervene (ie. spot check verifications, site visits) without the physical intervention of the GCF secretariat (but on GCF

Secretariat demand).

Similar organizations to the GCF have an OIG (Office of the Inspector General) to complement this work from the Secretariat.

- Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme; and

Here there are two aspects:

- 1. How to select a project/program for the annual review**
- 2. How to conduct annual reviews**

For the point 1, the internal risk management process would be expected to have an annual status update in order to re-assess the risk exposure as well as the current mitigation measure effects.

This process, together with the available intelligence (local fund agent, country manager, accreditation team...), should inform the selection of the program (or not) for annual checks (together with other aspects such as the program size and contextual factors).

For the point 2, the scope is to be tailored to the risk level, ensuring that the most at risk areas (as per the risk management process) are covered.

- A light-touch review of the accredited entity half way through its five-year accreditation period;

Here, we would suggest the same process as the annual assessment, with technical support (to guide) and local fund agent (to validate/check).

- Any additional compliance checks that may be identified;
 - i. How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii);

Based on previous experiences, it is important to understand that the concept of such an Early Warning System is to flag 'potential' issues and therefore this is an information that needs to be very carefully managed in terms of communications. For example, we would not recommend to publish that list on the GCF website (another similar experience here:

http://www.aidspace.org/gfo_article/global-fund-and-fears-transparency)

In terms of implementation, the system should collect information from the countries (contextual like development index, country context stability as well as program/institution-related- credit risk rating...).

Some matching needs to be done in order evaluate if the sum of triggers is above the risk appetite as stabilized by the system and inform the country manager accordingly (for a more qualitative assessment of the situation as any such system is very limited).

- ii. How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the Performance of accredited entities;

Here there are two types of platforms: country coordination mechanism level as well as community based.

Country coordination mechanisms can enforce participation from the beneficiaries/community-based organisations into the program oversight function (just as Global Fund CCMs do). The CCM oversight committee should be composed of different stakeholders, reflecting the country/program specificities.

Local monitoring systems have been set up in African countries for Public Health and in particular with regards to HIV access to treatments. More information is available here about those experiences (ie. Treatment Access Watch in Cameroon):

http://www.aidspace.org/gfo_article/france-awards-funds-technical-support-global-fund-grants

- iii. How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period;

Here, we would suggest the same process as the annual assessment, with technical support and local fund agent checks.

- iv. How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently;

An Operational risk management framework has to be developed (see one example here:

http://www.theglobalfund.org/documents/board/32/BM32_13-RiskManagementPolicy_Report_en/), including the main interventions areas.

We recommend the GCF to implement such a framework and to share with the relevant key stakeholders (AEs, Local Fund Agent,

Focal Points/Country coordinating mechanisms) those assessments to ensure that they can work on the same identified weaknesses (all players being aligned on one methodology).

- v. How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework; **Given the GCF model (where it is not clear how Focal Points/National designated authority are different from Country Coordination Mechanisms -CCMs), it is very unlikely that one entity/person would be able to commit any such time to monitoring/accountability (given the level of such person as well as the amount of work that this would represent).**

Should the GCF decide to move towards a more articulated approach (ie. having proper CCMs), it is possible to have them play an oversight role (Monitoring & Evaluation is operational while Oversight is strategic), ensuring that the national strategy is not being compromised because of the implementation part. Same here, a lot is available here:

<http://www.theglobalfund.org/en/ccm/oversight/> and more in particular here:

http://www.theglobalfund.org/documents/ccm/CCM_CCM_OversightGuidance_Paper_en/

- vi. How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.

Another way to promote accountability is for both the country level as the GCF Secretariat to publish budgets, indicators, results and disbursements on their own website.

Finally a "Global Observer" can help fostering accountability at all levels (from the Board to the beneficiaries): www.aidspace.org

Deadline

The deadline for submissions is 17 August 2015.

Submission

Inputs, preferably in MS Word format, should be sent via email as one document with subjectline "Call for public inputs -M&A framework - Response" to: accreditation@gcfund.org

Submitted by

Plain René-Frederic

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Submitted on behalf of “Challenge 2050”

The submission should clearly indicate:

Full Name Title/Position

Organization/Affiliation

Contact details including telephone and e-mail address Organization’s

Focal Point (name, surname and position).

Submissions should indicate whether the inputs are provided on behalf of an organization, group of organizations or on an individual capacity.

Disclaimer

Inputs provided may be publicly disclosed, made available on the Fund’s website, and/or incorporated in whole or in part in the document presented to the Board.

Submission from Viceminister Gabriel Quijandría Acosta, as Focal Point for Peru to the Green Climate Fund (GCF), to the GCF's Monitoring and Accountability Framework

As Peru's Focal Point for the Green Climate Fund, I am pleased to submit the following inputs to the design of the Fund's Monitoring and Accountability (M&A) framework. This submission responds to a call for inputs issued by the Green Climate Fund's Secretariat and key elements outlined in decision B.10/07. It is based on consultations with relevant government authorities as well as Peru's national accredited entity.

General Comments

1. Lessons and experiences from comparable funds/institutions, including independent evaluations, should be considered and incorporated into the design process of the GCF's M&A framework.
2. The framework should clearly identify linkages with the Fund's Environmental and Social Management System (ESMS) decision B.07/02, with placeholders or references as relevant while the ESMS is developed and approved by the Board.
3. The framework should, with as much detail as possible, clarify and detail the roles of the Secretariat and the Independent Units in different stages of the M&A framework.
4. It would be helpful to include indicative estimates of necessary resources to implement the framework. Further, dedicated technical and financial support should be provided to accredited entities at the national and subnational level to comply with M&A requirements, as well as to National Designated Authorities (NDAs) or Focal Points (FPs) in order to ensure their active participation in the framework.

On Corrective Actions and Remedies in the Case of Non-compliance

1. As a key part of the early warning system and corrective actions and remedies for accredited entities, it would be important that besides informing accredited entities themselves about their own breaches to the Fund's standards, safeguards or policies, the Secretariat timely informs NDAs/FPs of any breaches of the Fund's standards and policies by any accredited entity operating in the country.
2. Based on this information, the framework should allow the NDA/FP and national and sub-national entities in the country that are in breach to collaborate on resolving these breaches.
3. The processes and criteria to determine lack of compliance with safeguards and standards should be adequately detailed in the framework.
4. Failure to comply with environmental and social safeguards or fiduciary standards will likely entail different risks (fiduciary, environmental, social, others) and trigger potential actions with different levels of severity. The framework should differentiate between levels of risks and consequences where necessary and design corrective actions and remedies that respond to those differences (i.e., corrective actions and remedies for projects and programs within risk category C would differ from those for projects within risk category A).

5. The Secretariat should consider approaches to work with national and sub-national accredited entities and incorporate options within the framework that contribute to improve their skills, knowledge, and systems to comply with the M&A requirements.
6. National and subnational accredited entities may need longer time frames to comply with safeguards and standards, or additional support to do so. This should be adequately captured in the framework.
7. The framework should also consider alternative measures whenever accredited entities with lower capacity are already implementing corrective actions, but are slow in attaining full compliance with safeguards and standards.
8. The accredited entity should agree with the NDAs/FPs and the Secretariat a plan to implement the corrective actions receiving technical and financial support from the GCF.

On incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation

1. An incentive equivalent to no more than 5% of the total project budget could be granted to accredited entities based on quality and performance in project and programme implementation. This incentive could be granted under technical assistance or technology transfer schemes.
2. The criteria as well as the process to grant this incentive should be very clearly defined.

On the implementation of compliance checks

1. The procedure, submission deadline and templates for the annual self-reporting and light-touch review should be well defined and timely informed to accredited entities, and NDAs/FPs.
2. The Secretariat should inform accredited entities and NDAs/FPs on the decision to carry out an ad-hoc check with 30 calendar days in advance, along with the list of aspects to be reviewed.
3. The annual self-report could include the results of applying a questionnaire to project beneficiaries on accredited entities performance.

On local monitoring and capacities of national and subnational accredited entities

1. Dedicated support will be required for subnational and national entities to enhance their monitoring systems and staff's skills to comply with the Fund's M&A requirements. The framework should provide tools and channels for these entities to work together with the Secretariat and NDAs/FPs when relevant to obtain adequate training, support, etc.

On involving national designated authorities or focal points in the initial M&A framework

1. Recognizing the NDAs/FPs central and leading role in the coordination of the Fund's engagement within countries, as per decision B.10/10, NDAs/FPs active involvement in the M&A framework is critical for them to retain an overview of the Fund's

operations and their impact within the country, including how the undertakings of accredited entities are adding value to national development priorities and capacities. Transparent flow of information from the M&A framework directly to the NDAs/FPs is critical for these purposes.

2. As mentioned earlier, NDAs/FPs should be informed of any breaches of the Fund's standards and policies by all accredited entities operating in the country. Further, NDAs/FPs should also receive progress reports from accredited entities on the implementation of projects/programs at least every six months, as well as their results, notwithstanding the further development of the Fund's monitoring and evaluation policy / performance measurement frameworks.
3. Recognizing NDAs/FPs efforts to centralize information in order to monitor progress in the achievement of environmental and climate change-related policies in the country, dedicated technical and financial support should be provided to NDAs/FPs in order for them to enhance their monitoring systems and to integrate information from the Fund's M&A framework within these. This would help facilitate their active involvement in the process.
4. Accredited entities operating in the country should, as part of their annual self-reporting efforts, inform NDAs the degree to which its work in the country adds value to national development priorities, builds institutional capacity at the national-level, and how it is promoting a paradigm shift towards low carbon and climate resilient development, in line with decision B.10/10.
5. As part of the reaccreditation assessment conducted by the Secretariat and the Accreditation Panel, whenever considering the reaccreditation of a national accredited entity, the Secretariat should inform the NDA/FP about its intention to submit a reaccreditation request for consideration by the Board, and give the NDA/FP a period of at least 30 days for comments or objections from the NDA/FP, if any. If there are no comments from the NDA/FP, the Secretariat should proceed with submitting the reaccreditation request to the Board.
6. Whenever considering the reaccreditation of an international entity, the Secretariat should inform all NDAs/FPs about its intention to submit a reaccreditation request for consideration of the Board, and open a request for inputs from NDAs/FPs and a wide group of stakeholders of at least 30 days. Any inputs should be submitted to the Board as part of its consideration of the reaccreditation package.
7. The provisions above should be clearly captured in the Accreditation Master Agreements (AMAs) and program/project implementation agreements that would be signed between the accredited entity and the Fund. Further, for transparency and to enable the NDAs/FPs to fulfill their responsibilities in monitoring, these agreements should be shared with the NDAs/FPs.



Submission on the Monitoring & Accountability Framework of the Green Climate Fund

August 17th, 2015 Submitted by:

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*This submission responds to the call for public inputs on the GCF's Monitoring and Accountability (M&A) Framework issued by the Secretariat on July 30 2015 with a deadline for all input to be received by the Secretariat by August 17, 2015. The call is based on GCF Board Decision B.10/07. The decision calls for the engagement of "a **wide group of stakeholders, including women** through a call for public input." The input below is provided on behalf of the Heinrich Böll Stiftung North America.*

*While the public call for input (only the second one in the history of the Fund) is appreciated, the short time-frame for the provision of input must be noted as an obstacle. The time-frame was determined ad-hoc by the GCF Secretariat in the **absence of elaborated GCF consultation guidelines** specifying minimum requirements for GCF stakeholder engagement. So while this call fulfills the letter of Board Decision B.10/07, its time-frame is insufficient to fulfill the spirit of meaningful public consultation as it does not allow for an effective outreach to and inclusion of the views of relevant stakeholders, particularly also women's groups from potential GCF recipient countries few of which are (yet) actively engaged in and familiar with GCF proceedings. This must be kept in mind for future consultation efforts.*

Introduction

The M&A framework of the GCF must be understood as a comprehensive package that brings together the Fund's vision, standards, implementation and monitoring and evaluation procedures and describes the respective roles and responsibilities of all actors in the GCF project/program cycle. This goes beyond the set of issues that the call for public input asked to be addressed. It encompasses specifically also the results management and performance measurement framework of Fund projects and programs (both on aggregate portfolio impacts and outcomes and project/program-specific outputs), still to be finalized, the compliance monitoring system for the environmental and social safeguards and the Fund's gender policy, still to be developed, and the functioning of the three GCF independent accountability mechanisms, which have yet to be set up. Reference to the accountability units and their relationship with the initial M&A framework was also made in GCF Board decision B.10/07, which called on the Secretariat to provide more details, including through stakeholder engagement, on this and other issues, even though it was not included in the public call for input.

It will be crucially important that all these interlocking pieces of the wider GCF M&A framework are frequently checked and updated to ensure comprehensiveness and coherence, with the goal of the GCF following, and ideally improving upon, international best practice. This will also require **securing adequate resources (both financial and in staff capacity) for the GCF Secretariat**, which was another M&A framework-related issue the Board sought more clarity on but which was not included in the public call for input. It is however of great importance to ensure that the Secretariat does not "outsource" too much of the Fund's monitoring and accountability due diligence in the name of resource efficiency to AEs (which might have a conflict of interest in providing comprehensive and honest self-monitoring of their implementation). For example, the Secretariat

must maintain the ability to execute an adequate (and at times varying) number of spot-checks, the financial flexibility to rely on, independent third party expert verification of AE track records and implementation practice as needed and both the staff and financial capacity to recommend and ensure execution of corrective measures and remedies. These might include target capacity building to address concrete, but not fatal shortcomings in GCF project and program design, decision-making and implementation.

Input on recommended actions in response to specific issues:

- (i) **Which corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the Fund?**

The GCF M&A framework must communicate very clearly that the compliance with the Fund's fiduciary standards, environmental and social safeguards and the gender policy is mandatory for all AEs with consequences for non-compliance. A GCF system for sanctions and corrective actions must be transparently describing which sanctions/actions follow which transgression. This system should be tailored to the severity of the transgression ranging from warnings to the AE for relative minor shortcomings, to the establishment of a probationary period with increased monitoring and supervision, to the suspension of funding and/or requirements for repayment, to even blacklisting/termination of accreditation in the most severe cases.

There should be swift corrective actions in any case where human rights violations and environmental harm are suspected, especially if it involves risk category A projects, or widespread or repeat corruption or fraud is likely. These instances should trigger an automatic investigation and funding suspension with project continuation and further financial release only if the suspicion is either found to be unsubstantiated or the issues can be fully remedied, with redress provided in the case of human rights violations. Any AE with a category A risk accreditation with such a substantiated investigation not severe enough to warrant immediate termination of its accreditation should not be allowed to re-accredit for category A after 5 years and would face additional scrutiny and monitoring, including more frequent spot checks by GCF Secretariat staff and independent third party verifiers, during the next accreditation period.

- (ii) **How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation**

The comprehensive and early disclosure of all relevant project and program information documents, from the project proposal in the design phase to regular, included independent third-party implementation reporting (which should involve participatory monitoring of project affected people and communities with a focus on the involvement of women and representatives from indigenous peoples in such monitoring) will provide a crucial incentive for high quality and performance in project and program implementation.

The GCF website should have a public record of all AEs, which projects they are implementing and a rating system for project implementation (listing for example complaints raised by communities and affected people). For completed projects, the categorization could "grade" the success in implementation and performance and the level of compliance with all fiduciary standards, the environmental and social safeguards and the gender policy, with the grading reflecting internal GCF performance measurement through the results management framework as well as third party assessments (for example from NGOs or community groups etc. in the country/region where the project/program was implemented). Relevant reports and assessments of the GCF Independent Evaluation Units or pending or closed cases under the GCF Independent Redress Mechanism should also be included in such a rating effort.

Low-quality project implementation and even partial non-compliance with Fund's fiduciary standards, its environmental and social safeguards and its gender policy could for example disqualify the AE in question from participation in a "request for proposal" (RFP) for GCF funding or a consideration of future funding proposals until the AE has laid out which corrective action it has taken to ensure better implementation quality the next time around. Second chances can be given, but third or fourth ones should not without a record of continued improvements.

Lastly, in most cases the quality and performance of the AE in project and program implementation can only be assured when the accreditation is rigorous; the first two rounds of GCF accreditation by package deal have revealed a number of shortcomings with the current GCF accreditation procedure with some of these problems related to the current GCF interim information disclosure and its prohibition of the release of accreditation applicants' name until the Board's decision on their accreditation. In the future, the GCF accreditation process for vetting of applicants must include third party verification of CSOs in recipient countries for NIEs or RIEs (or for example in the case of MIEs existing international monitoring and watchdog efforts by CSOs).

(iii) **How to implement compliance checks in the areas listed below:**

- **Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity)**

Relying on annual self-reporting as the most significant element of an M&A framework for AEs to guarantee compliance with GCF fiduciary standards, environmental and social safeguards, and the Fund's gender policy is insufficient. The experience of a number of other multilateral organizations with self-reporting has revealed significant weaknesses (see for example the highly GCF-relevant case of the IFC and its project implementation through financial intermediaries for which the IFC's Office of Compliance Advisor/Ombudsman (CAO) detailed structural shortcomings in ensuring compliance with the IFC Performance Standards – even though the IFC has vast greater staff capacity than the GCF Secretariat).¹

While self-reporting is important for institutional reflection and learning in the AE, it can only be in addition to, not as a substitute for independently verified information. It must follow clear guidelines by the Secretariat on what needs to be covered, to what level of detail, and how to substantiate the reported information; the guidelines should include additional levels of specificity required for all high risk category A projects.

Following the self-reporting practice set by the Adaptation Fund, which requires the AE to report against all of the 15 principles of its Environmental and Social Policy (ESP) and involve relevant stakeholders², self-reporting guidelines in the case of the GCF would have to include information on compliance with each safeguard and the gender policy and detail interactions with stakeholders, comments and recommendations received by them and how they were taken into considerations and actions taken in response.

Self-reporting following mandatory GCF reporting guidelines must be accompanied by independent third-party compliance assessments. These can be done by independent experts with relevant expertise on

¹ See CAO audit of a sample of IFC investments in Third-Party Financial Intermediaries (2012); available at http://www.cao-ombudsman.org/documents/Audit_Report_C-I-R9-Y10-135.pdf.

² Adaptation Fund (2015): Guidance document for Implementing Entities on Compliance with the Adaptation Fund Environmental and Social Policy; available at: https://www.adaptation-fund.org/wp-content/uploads/2015/06/ESP-Guidance-document_0.pdf.

environmental or social standards, gender evaluations or specific sectors, who could for example be drawn from a GCF roster of experts. Independent third party compliance assessments should also involve local participatory monitoring systems.

All assessment reports must be publicly released on both the GCF website and the AEs website and should be made available in local languages in addition to English. Local stakeholder, especially project affected people and communities and ensuring the participation of women and indigenous peoples, should also be given an opportunity to provide commentary on AEs self-reporting, which would then become part of the AE's track record with the GCF.

- **Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance**

Ad-hoc checks – and the threat thereof – must be part of the M&A framework for AEs at any time during their accreditation with the Fund. Their initiation should not be limited to the Secretariat and not only to cases, when there a significant warning signs or red flags for AE non-compliance – although such warning signs would automatically trigger further investigations by the Secretariat.

In addition to the Secretariat, Board members should be able to request a closer look at specific AEs and their performance. In the Adaptation Fund, the Ethics and Finance Committee (EFC) reviews such Board member requests for further investigation and decides if action is warranted and which form it should take, including the hiring of an independent evaluator by the AE to assess the situation or evaluate the AE's performance.³

Complaints to the Secretariat by local stakeholders during project implementation worried about an AE's non-compliance with safeguards or standards and feel the entity's response to their prior requests for information or consultation or to address their project/program-specific concerns was inadequate or untimely should trigger ad-hoc checks by the Secretariat, even in cases where no formal complaint has (yet) been filed with the IRM. The Secretariat should provide information on the GCF website on how local stakeholders and affected communities can raise a red flag warning with the Secretariat. While the IRM does only become effective in cases when harm has already been done, a red flag warning by local stakeholders and affected communities would allow for investigation and potential course correction before serious harm occurs. It also puts the AE on notice that it is closely watched to ensure quality implementation and full compliance with GCF requirements.

- **Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme**

In assessing funding proposals, Board Decision B.10/17 confirmed that a scaling pilot for funding proposals will apply to all medium and large proposals. This means that the Secretariat and the independent Technical Advisory Panel (iTAP) will apply competitiveness in selecting all medium- and large-scale proposals for consideration for approval by the Board. The same level of competitiveness in looking at the quality of implementation should be considered. Thus, an annual review of all large-scale projects category A and B is recommended, given the complexity of large-scale projects with multiple financiers and blended finance, to

³ Adaptation Fund (2015): Evaluation Framework, p.7; available at: https://www.adaptation-fund.org/wp-content/uploads/2015/01/Evaluation_framework.pdf.

ensure that the Fund's accountability will not be watered down and due diligence is guaranteed. This is irrespective of the size of the GCF contribution to the total project costs. Large scale projects are defined according to decision B.10/17 as above US\$250 million in total project size.

An annual review through the Secretariat should also be mandatory for all medium size category A approved projects (defined as above US\$ 50 million and up to and including US\$250 million in total project size). Any medium or small scale category B projects "on probation," meaning they had triggered an ad-hoc review in a prior year during a multi-year project or program implementation because of red flags or serious warnings being raised, would also be subject to an annual review.

Projects labeled lower risk (category C) should also be monitored more broadly for the possibility of inadequate risk assessment (too low or changing nature of the project/program during implementation); if a re-categorization to a higher risk is necessary, this project/program should be reviewed annually for the remainder of the implementation period.

- **A light-touch review of the accredited entity half way through its five-year accreditation period**

Labeling the nature of a review half-way through the five-year accreditation period of an AE "light-touch" sends the wrong message to the AEs regarding the seriousness of GCF compliance requirements. The nature of such a review is not only an assessment of whether the AE is up to the task of what it has said it could do, but also to identify possible gaps in the implementing capacity of the AEs and the help needed to address and remedy them, including for example through targeted capacity-building in specific areas. This is crucial as the mid-term of an AE's accreditation period will likely find the AE in mid-implementation of one or more projects/programs. So a committed mid-term review for the AE might be "just in time" to save the implementation quality and intended results of ongoing GCF project or program.

A mid-term review by an independent evaluator is recommended. It should be particularly thorough for all AEs which were accredited under some conditions (because they had for example limited implementation track records or just recently set up ESMS or a gender policy as required for accreditation, as was the case with some of the applicants accredited during the last Board meeting). Such reviews must include the experiences and views of multiple stakeholders affected by projects/programs implemented or under implementation by the AE. They should be made public once completed.

- **Any additional compliance checks that may be identified**

Board members should receive regularly updated information about AEs (in the form of continuously expanded profiles), which include a track record of any problems or incidents with the implementation of safeguards requirements, human rights violations or corruption/money laundering etc. not just of GCF-funded projects but also of projects and programs outside of AEs cooperation with the GCF. The Board acknowledged the importance of this information and its availability before a decision on a funding proposal submitted by any AE is made explicitly in its Decision B.10/08 determining the categories of the risk dashboard of the Fund's risk management framework, where under reputational risk the following reference to AE risk was included: "Adverse publicity that occurs as a result of activities of the AF, or of other parties involved in projects/programmes that are not related to the Fund, or from their failure to disclose relevant information."⁴

⁴ GCF Board Decision B.10/08 in: GCF Board Document GCF/B.10/17, "Decisions of the Board – Tenth Meeting of the Board, 6-9 July 2015", Annex XXIII, p.120.

(iv) How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii)

Any GCF early warning system must include the “input and participation of stakeholders, including private-sector actors civil society organizations, vulnerable groups, women and indigenous peoples in the design, development and implementation of the strategies and activities to be financed by the Fund” in accordance with para.71 of the Governing Instrument.⁵

The GCF has yet to develop such Fund-specific mechanisms to fulfill the GI mandate in a meaningful and comprehensive way for example by setting own ambitious standards for stakeholder engagement with the Fund. Such engagement standards should allow for example for ample time between the full disclosure of project documents and a scheduled Board decisions (in many IFIs, this period is 120 days for projects with potentially significant impacts, i.e. all GCF category A and B projects). The lack of GCF consultation guidelines is worrisome as the Board is scheduled to make first project and program funding decisions already at its next Board meeting in November in the absence of an M&A framework in place and with a restrictive interim information disclosure policy not yet updated. In other funding institutions, for decisions to be taken in November, full project documents would have to be already disclosed to allow for sufficient time for stakeholder commentary and input.

The GCF relies instead on some rudimentary voluntary guidance for stakeholder engagement to National Designated Authorities (NDAs) and focal points as part of its country ownership approach (which, if not seen as a mandatory requirement, will also impede the ability of NDAs and focal points to play an active role in the Fund's M&A). Project and program-related, the GCF Secretariat currently “outsources” stakeholder engagement completely under its interim environmental and social safeguards on IFC Performance Standard 1 but does not offer a clear and defined path and mechanism for stakeholders to sound early warnings and provide continuous feedback throughout the project cycle directly to the GCF.

For context: The Asian Development Bank defines “meaningful consultation” as a process that “(i) begins early in the project preparation stage and 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.”⁶

(v) How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the performance of accredited entities

The GCF Governing Instrument in para. 57 encourages the use of participatory monitoring by stakeholders (which are more explicitly defines in para.71 of the GI as “including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples”), but does not limited it to a feedback on the performance of accredited entities only; instead it sets participatory monitoring in the context of

⁵ GCF (2011): Governing Instrument for the Green Climate Fund; available at:

http://gcfund.net/fileadmin/00_customer/documents/Key_documents/GCF_Governing_Instrument_web.pdf.

⁶ ADB (2009): Safeguard Policy Statement, p.3. Available at: <http://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>.

monitoring “programmes and projects, as well as other activities, funded by the Fund.”⁷ Board Decision B.10/07 requesting the Secretariat to issue a call for input does likewise ask for more detail on local monitoring more broadly.

A participatory monitoring and evaluation approach (PM&E) is for example defined by the World Bank as “a process through which stakeholders at various levels engage in monitoring or evaluating a particular project, program or policy, share control over the content, the process and the results of the M&E activity and engage in taking or identifying corrective actions”.⁸

PM&E encompasses more than a limited and ex-post one-time feedback on the performance of AEs). On the contrary, it demands an active, early and ongoing engagement in project implementation, including in the setting of project/program-specific indicators for local monitoring and an understanding on how data as part of PM&E effort is gathered, analyzed, documented and reported. In this context, it is for example crucially important to involve local women’s groups in the identification and the local monitoring of project benefits for men and women as well as gender-specific project and program output indicators to ensure that the Board’s mandate for a gender-sensitive approach in its results management (Board decision B.07/04) is carried through in GCF individual projects/programs.

Participatory monitoring is part and parcel of the wider stakeholder engagement mandated in para. 71 of the GCF Governing Instrument. It is a key component for providing early warning on potential problems with GCF project implementation by allowing for early corrective action during the implementation instead of waiting for redress or compensation after harm has been done. It is vital to ensure that benefits are shared equitably with those beneficiary groups that are often politically or socially marginalized, like women or indigenous peoples, by making their voices heard throughout the implementation process and by ensuring that their local experiences, expertise and capacities inform project implementation. PM&E strengthens local capacity for project oversight and data collection, which is a prerequisite for the ability of communities to execute future community-based projects directly, for example under potential EDA small grant facility approaches that the GCF might implement.

As highlighted above (in section iv), the GCF cannot rely on “outsourcing” the interpretation of standards for a GCF participatory monitoring approach to accredited entities, executing entities, NDAs or focal points. Instead, it must develop mandatory operating guidelines for participatory monitoring. For these, the GCF can draw on concrete process proposals, for example those elaborated by civil society organizations such as CARE⁹ or other international organizations employing participatory monitoring approaches in community based implementation, including the FAO¹⁰ and the World Bank¹¹. These are to be understood as part of a broader set of GCF mandatory guidelines for meaningful and comprehensive stakeholder input and participation throughout all levels of Fund activities.

⁷ GCF (2011): Governing Instrument for the Green Climate Fund; available at:

http://gcfund.net/fileadmin/00_customer/documents/Key_documents/GCF_Governing_Instrument_web.pdf

⁸ World Bank website; available at:

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTPCENG/0,,contentMDK:20509352~menuPK:1278203~pagePK:148956~piPK:216618~theSitePK:410306,00.html>

⁹ CARE (2014): Participatory Monitoring, Evaluation, Reflection and Learning for community-based adaptation: PMERL: a revised manual for local practitioners; available at: http://careclimatechange.org/wp-content/uploads/2014/12/2014_PMERL.pdf.

¹⁰ FAO: Training Module on participatory community monitoring and evaluation; available at: <http://www.fao.org/docrep/006/ad346e/ad346e0e.htm>.

¹¹ World Bank (2002): Sleeping on our Own Mats: An Introductory Guide for Community-Based Monitoring and Evaluation; available at: <http://siteresources.worldbank.org/INTPCENG/214574-1116505633693/20509339/communitybased.pdf>.

(vi) **How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period**

An independent evaluator should review the implementation record of the AE with the GCF during its five year accreditation period. Such an independent evaluation should also include updated information on the track record of any problems or incidents with the implementation of safeguards requirements, human rights violations or corruption/money laundering etc. not just of GCF-funded projects but also of projects and programs outside of AEs cooperation with the GCF. As part of a thorough third party evaluation process before re-accreditation, the experiences and views of civil society and affected communities with the AE (either in GCF-related project implementation or as a result of activities of the AF in projects/programs that are not related to the Fund but carry a reputational risk for the GCF) must also be taken into account and disclosed publicly. The GCF Board must have the full picture, which includes mandatory stakeholder input in the accreditation review, before making its decision.

(vii) **How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently**

A risk-based approach in monitoring and accountability should take into account the accreditation status of the AE under the fit-for-purpose approach as well as the risk categorization and scale of the projects it implement. As elaborated under section (iii) with respect to an annual review of a subset of the Fund's project and programs, AEs implementing projects under the highest risk categorization have to be subject to more stringent and frequent review and implementation checks, including through increased participatory monitoring and civil society commentary and input, than AEs implementing micro- or small-scale category C projects and programs.

The leveraging of other monitoring processes, for example those provided by accredited financial intermediaries, should be approached cautiously to avoid "outsourcing" of the core accountability responsibility of the Secretariat and the Board for GCF funding actions to the AEs. A significant last resort "due diligence" ability by the GCF Secretariat has to be maintained to provide oversight over all AEs. Here the weaknesses identified in the case of the IFC's lack of oversight over its financial intermediaries for compliance with the IFC performance standards provides for a cautionary tale against overreliance on (or "leveraging" of) other entities' monitoring processes and capabilities.¹²

In addition, a reliance on the GCF accreditation process might not be enough to ensure that existing monitoring and accountability functions and capacities of the AEs are fully equivalent to the standards demanded for monitoring and accountability from the GCF (in particular with respect to a grievance mechanism). This is especially true in the absence of a process for early public disclosure of accreditation applicants to allow for civil society and affected communities commentary on the track record of potential GCF implementing entities. Specifically, the GCF IRM should be accessible for all GCF-project affected people, irrespective of the financial participation of GCF funding in a co-funded/blended projects (in which the GCF contribution might be the minor financial stake). There should also be no requirement that AE grievance mechanisms or complaints procedures have to be exhausted first, before affected people file complaints with the GCF IRM or raise red flag warnings directly with the GCF Secretariat.

¹² See CAO audit of a sample of IFC investments in Third-Party Financial Intermediaries (2012); available at http://www.cao-ombudsman.org/documents/Audit_Report_C-I-R9-Y10-135.pdf.

(viii) How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework

NDAs and focal points play a crucial role in the Fund's monitoring and accountability framework, initially through the setting of country programs for the GCF, their designation of national and regional implementing entities (NIEs/RIEs) as well as in their certification of no-objection to proposed project and program proposals. In these functions, they are early gate-keepers supposed to ensure that only quality national and regional entities capable of fulfilling rigorous GCF fiduciary standards and environmental and social safeguards as well as the GCF gender policy are proposed for GCF accreditation (for which NDAs/focal points have to sign an active endorsement) and that all GCF projects and programs to be implemented by AEs in their country are in line with their country's strategies and priorities for climate actions.

Currently, GCF-related efforts for country coordination and country program development as well as for country stakeholder participation are only guided by voluntary recommendations to the NDAs/focal points. These do not guarantee that domestic civil society and affected communities are meaningfully consulted in the elaboration of country programs for the GCF, in the choice for NIEs and RIEs, or before the NDA or focal point issues a letter of no-objection for GCF project proposals. Countries might apply voluntary GCF guidelines and guidance to varying degrees or could even restrict the participation of local stakeholders.

The existing weak guidance for stakeholder engagement on the national level in particular must therefore be upgraded to become clearly elaborated mandatory guidelines of how domestic civil society and potentially affected communities and population groups, with special attention to women and indigenous peoples, can meaningfully contribute to these country-level decision-making procedures and processes, which will in the future also involve NDA/focal input into project/program monitoring and evaluation.

(ix) How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.

The information created by the monitoring and accountability framework will include comprehensive information about the AEs (their ability to comply with GCF fiduciary standards, environmental and social safeguards and the GCF gender policy in concrete project and program implementation; weaknesses in the implementation and corrective actions taken including through their responsiveness to local participatory monitoring with concrete input provided by local project affected people in project design and implementation). It will also provide lessons learned about the respective roles civil society and local affected people must play in project design, project decision-making and implementation for efficient and effective GCF-funded concrete climate actions and what is needed to ensure that NDAs and focal points take a fully participatory approach to determine national funding priorities and endorse project proposals. This information must be synthesized and recorded (for example via an individual AE's track record and detailed project pages including AE self-reporting and third party verification and commentary) and publicly disclosed and made fully accessible on the GCF website.

Lessons from relevant GCF Evaluation Unit investigations and IRM complaints cases and redress measures must be recorded and publicly disclosed, including GCF management response and corrective actions taken in response to the findings and recommendations of the GCF accountability mechanisms. The GCF Secretariat should detail in reports to the Board and the COP what changes were instituted as a result of lessons provided through its M&A framework, including necessary policy or staffing capacity adjustments.



**Submission on the Monitoring and Accountability Framework
for the Green Climate Fund**

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This paper fulfils a request for public input on elements being addressed within the Fund's monitoring and accountability framework. This submission has been undertaken in a limited timeframe. It is therefore based on a desk review of GCF and other relevant documents from international institutions. The feedback below is provided on behalf of the Interamerican Association for Environmental Defense.

- 1. Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity);**

Annual self-reporting is not recommended as an effective tool to measure compliance with social and environmental safeguards, gender policy and fiduciary standards. Experiences with self-reporting at other multilateral financial institutions have shown that self-reporting and the monitoring thereof, have not been adequate to ensure compliance with their standards in a significant portion of their investments¹. It is therefore crucial that the GCF retain accountability

¹ See IEG publication "Safeguards and Sustainability Policies in a Changing World: An Independent Evaluation of World Bank Group Experience" (2010): http://ieg.worldbank.org/Data/reports/safeguards_eval.pdf, p.xvi,

and oversight for the Fund's fiduciary standards, environmental and social safeguards, and gender policy implementation.

Clear guidelines must be provided to self-reporting to show evidence of the quality of the implementation of the policy and standards and contain adequate implementation measures.

Self-reporting must be accompanied by verified information. Verification of evidence is paramount to the existence of an independent monitoring mechanism², which could be comprised of independent experts on relevant areas of the project, or conducted through a participatory local monitoring system.

The Adaptation Fund (AF) provides an interesting example for reporting compliance. Implementing Entities (IEs) are required to comply with the AF's Environmental and Social Policy (ESP) through their environmental and social management systems (ESMS)³ and not just on a per-project/programme basis. The ESMS must screen project/programme proposals to identify potential adverse impacts and risks early in the project cycle, against all 15 principles of the ESP. The IE must assess the principles that may be applicable in order to better understand the magnitude of the risks and potential adverse impacts, and how to mitigate and manage them. Such assessment must involve all relevant stakeholders, to the extent possible. When identifying risks and adverse impacts, assumptions in the risk assessment must be stated and justified. Interpretation must be separate from the presentation of facts and data. Knowledge gaps should also be identified. Where these prevent adequate assessment, an explanation should be included on how this was addressed. Expert opinion must be clearly identified as such.

To facilitate this work, the Adaptation Fund Secretariat provides guidance on how the IE is to report on each of the ESP principles.

Compliance assessments need to be done by independent experts with in-depth knowledge of environmental and social standards or sector expertise. Having professional and credible experts is essential to identifying non-compliance.

The Independent Evaluation Group (IEG) of the World Bank Group has also provided interesting examples when referring to self-assessment of safeguards and sustainability results for the World Bank. The IEG found that guidance is vital for reporting compliance, particularly for high-risk, category A projects. For the International Financial Corporation (IFC) many inconsistencies in project teams' assessments of environmental and social outcomes have been found, which has led the IFC to introduce an internal online environmental and social reviews document as a more

stating "The reliance on self-assessment by business clients is a point of vulnerability in the absence of full disclosure and independent verification."

² It is crucial to also clarify what "independent means", who nominates the members of the mechanism, who bears the costs of operation and how to ensure this mechanism operates transparently. A clear link to the redress mechanism should also be included for cases in which self-reporting does not provide adequate information on compliance.

³ Guidance document for Implementing Entities on compliance with the Adaptation Fund Environmental and Social Policy

structured platform for self-evaluation. The IEG also mentioned that supervision and monitoring reports suffer from the absence of systematic, structured information on safeguard implementation and outcomes. Performance depends largely on the quality of client implementation and Bank supervision. Greater supervision efforts and investment in client capacity-building are essential to enhance client implementation.

In summary, it is crucial for purposes of accountability that self-assessment comes with rigorous guidelines that will help IEs provide accurate information on compliance with environmental and social safeguards. Information provided should also be verified by an independent monitoring system, which could be comprised of either experts or stakeholders at the national level. This information will not only bring positive effects in terms of strengthening accountability, but it will also help create a more efficient allocation of resources.

2. Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance;

The Adaptation Fund provides an interesting example on ad-hoc checks. Its evaluation framework states that the Board can evaluate the performance of an Implementing Entity at any time during its accreditation period. Ad hoc checks, triggered upon the request of any Board member, would send a notification to the Ethics and Finance Committee (EFC) with the context and reason for the requested evaluation. The EFC will review the notification and decide on a plan of action, which could include the following actions:⁴

- Request the IE to provide further information
- Request the organization implementing the Evaluation Framework to contract an independent evaluator to conduct further assessment of the situation
- Request the organization implementing the Evaluation Framework to contract an independent evaluator to conduct an evaluation of the entity's performance and/or effectiveness
- Dismiss the case
- Request the IE to follow the procedures presented in the accreditation application section on transparency, self-investigation powers and anti-corruption measures
- Report back to the EFC within a time period agreed upon by the entity.

The EFC will recommend a plan of action to the Board, who will make the final decision.⁵

Ad hoc checks should also be triggered upon the request of stakeholders that have filed a complaint to the Redress mechanism due to failure of the projects or programme funded by the

⁴ Adaptation Fund Evaluation Framework, paragraph 12.

⁵ Adaptation Fund Evaluation Framework, paragraph 13.

Fund to implement the Funds operational policies and procedures or its accredited entities to follow such policies.

The GCF Monitoring and Accountability Framework should allow the Secretariat to evaluate the performance of an Accredited Entity at any time during its accreditation period to ensure compliance with GCF policy and standards.

3. How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, and provides feedback on the performance of accredited entities

Participatory monitoring is a process through which stakeholders at various levels engage in monitoring a particular project, program or policy; share control over the content, process and results of the monitoring activity; and engage in taking or identifying corrective actions.

Through local participatory monitoring one can safeguard that the implementation of the different projects lead to the expected outcomes. Participatory systems are not only crucial for monitoring but also for evaluation purposes.

Stakeholder groups typically involved in a participatory monitoring activity include: the end users of project goods and services, including both men and women at the community level; indigenous peoples groups; intermediary organizations, including NGOs; private sector businesses involved in the project; and government staff at all levels⁶.

In order to set up a participatory local monitoring system it is important to have clarity on how local monitoring will be carried out. Agreements should exist about what will be monitored or evaluated, how and when data will be collected and analyzed, what the data actually means, how findings will be shared, how issues will be resolved in cases where findings are not considered, and what the available mechanisms are for filing complaints.

For the Food and Agriculture Organization of the United Nations (FAO), some of the arguments for establishing a participatory local monitoring system are^{7 8}:

- Participatory Monitoring provides an ongoing picture that allows the community to determine whether activities are progressing as planned. It may also show when activities are not leading to objectives, so that early adjustments can be made.

⁶ RIETBERGEN-McCRACKEN et al. 1998

⁷ <http://www.fao.org/docrep/x5307e/x5307e05.htm>

⁸ Estrella and Gaventa, p 28 suggests key elements including: Planning or establishing the framework for a participatory monitoring process, including identification of objectives and indicators, gathering data, data analysis, documentation, reporting and sharing of information.

- Participatory Monitoring provides an "early warning," which identifies problems at an early stage. Solutions can then be sought before the problems get out of hand.
- Continuous feedback throughout the life of the activities ensures that the quality of the activities is sufficient to provide good results.
- Participatory Monitoring can show the resources that are required to produce a certain effect, or how necessary resources can be distributed differently to get a better result.
- Provides a base of information for future evaluations, particularly realistic information, while also showing trends.

Some of the steps the FAO recommends for participatory monitoring are:

- Discuss reasons for monitoring.
- Review objectives and activities if unknown by the people doing the monitoring.
- Develop monitoring questions. There should be agreement by the group on each monitoring question. If many questions are generated they can be ranked in order of importance.
- Establish direct and indirect indicators to answer the monitoring questions.
- Decide which information gathering tools are needed.
- Decide who will do the monitoring. This may require a certain amount of labor (time) from people. Those with the skills and the time can be identified.
- Analyze and present results. It is important that information monitored be analyzed at specific times throughout the activities.

The World Bank is also paying increasing attention to the importance of participatory monitoring by including participatory local monitoring systems in some of their activities. Key arguments for including participatory approaches in the Fund's monitoring and accountability framework include:⁹

- Enhanced participation, especially of beneficiaries, in Monitoring and Accountability, which helps to improve understanding of the development process itself;
- Increased authenticity of Monitoring and Accountability findings that are locally relevant;
- Improvement in the sustainability of project activities, through the identification of strengths and weaknesses for better project management and decision-making;
- Increased local level capacity in Monitoring and Accountability, which in turn contributes to self-reliance in overall project implementation;
- Sharing of experience through systematic documentation and analysis based on broad-based participation;
- Strengthened accountability to donors;
- More efficient allocation of resources.

⁹ Estrella and Gaventa *Who Counts Reality? Participatory Monitoring and Evaluation: A Literature Review* (IDS Working Paper 70), p 16.

It is also important to highlight that participatory monitoring has gained wide recognition as a fundamental tool to potentially avoid social conflicts in a number of national legal frameworks. For example, Colombia legally recognized the mechanisms of *veeduría*¹⁰, which are effective systems of participatory monitoring as a democratic mechanism for monitoring public affairs. Bolivia also adopted a law on participation and social monitoring¹¹ in 2013, which regulates and strengthens social control in public policy related matters.

To conclude, the GCF should adopt a participatory local monitoring system as part of its Monitoring and Accountability Framework for monitoring and evaluating all GCF funded activities.

4. Corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the fiduciary accreditation standards, environmental and social safeguards, and gender policy set by the Fund;

The GCF Monitoring and Accountability Framework (M&A) should promote linkages between its standards outcomes and specific consequences in terms of corrective actions and remedies. This is particularly relevant when designing the GCF's own environmental and social safeguards, and also when remedies and corrective actions are defined.

Corrective actions and remedies should vary based on the project's level of risk and the type of safeguards under non-compliance. For example, suspicion of human rights violations should be enough to trigger an immediate corrective action, including immediate suspension of funding.

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

The GCF M&A framework should also provide clarity on who can make recommendations on corrective actions and remedies to the Board, ensuring these are time bound.

When looking at existing practices from other institutions, the World Bank seeks to obtain compliance through dialogue with the borrower before exercising contractual remedies. The Bank staff use appropriate portfolio management tools to help improve the performance of projects under supervision. If the Bank's project rating system indicates that a project is a potential problem project, then the Bank's staff provides more intensive supervision until the status improves. There is a task team assigned to the project and, when appropriate, it pursues the Bank's contractual remedies.

¹⁰ Congress of the Republic of Colombia, Law 850 from 2003.

¹¹ Law 341 from 2013.

The contractual remedies available to the Bank include: (a) partial or total suspension of disbursements, and subsequent cancellation of the loan or part of the loan;¹² (b) acceleration of maturity, or additional events specified in individual loan agreements.

At the Adaptation Fund, its Ethics and Finance Committee may recommend that Board suspend or cancel a project or programme at any stage of the project cycle, based on independent reviews or evaluations conducted at the discretion of the Committee or the Board.¹³ The Accreditation Panel can make recommendations to the Board regarding the suspension, cancellation or re-accreditation of already accredited entities.¹⁴

To summarize, the GCF should have effective corrective actions and remedies available in cases of non-compliance with GCF standards, safeguards and policies. The remedies and corrective actions should be clearly stated in the M&A framework as well as in all GCF contracts with all accredited entities.

5. Annual review on a given proportion of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme;

In the Adaptation Fund, implementing entities (IEs) conduct mid-term and final evaluations for their projects. The minimum requirements for these evaluations are as follows:¹⁵

- Evaluations are prepared by an independent evaluator, independent from project/programme management.
- The evaluation report should contain information on the evaluation – when it took place, who was involved and how, terms of reference, including key questions, and methodology – and updated project data at the time of the evaluation.
- Mid-term evaluations should assess initial outputs and results of the project, quality of implementation including financial management, assumptions made during the preparation stage – particularly objectives and agreed indicators – against current conditions, factors affecting the achievement of objectives, and M&E systems and their implementation.
- Final evaluations should assess achievement of outcomes; likelihood of sustainability of outcomes at project completion; evaluation of processes influencing achievement of project/programme results; contribution of project achievements to the AF targets, objectives, impact and goal, including report on AF standard/core indicators; and assessment of the M&E systems and its implementation.

¹² see, Suspension of Disbursements Policy, BP 13.40 World Bank and Cancellations Policy, OP/BP 13.50, World Bank

¹³ Adaptation Fund Evaluation Framework, page 12

¹⁴ Adaptation Fund Evaluation Framework, page 13

¹⁵ Adaptation Fund Evaluation Framework, paragraph 38.

In the Global Environment Facility (GEF), implementing Agencies conduct terminal evaluations of projects. They have the following specific responsibilities:¹⁶

- Conduct terminal evaluations within six months of project completion.
- Develop specific terms of reference for each terminal evaluation.
- Include a provision in the Terms of Reference (TOR) that requires the terminal evaluation team provide information relevant for follow-up studies, including terminal evaluation verification on request to the GEF partnership up to three years after completion of the terminal evaluation.
- Ensure that the TOR and its schedule are made known to key stakeholders.
- Ensure that the evaluation team is composed of individuals with appropriate expertise and experience to assess the project, including, when required, the expertise to address social issues.
- Ensure that project evaluation team members are independent, unbiased, and free of conflicts of interest or ensure a quality control review of the terminal evaluation by its independent evaluation office.
- Provide guidance, documentation, and support to evaluation teams.
- Facilitate the engagement of the GEF focal points in terminal evaluations and, as requested by the GEF Council, provide them with a copy of the terminal evaluation report in a timely manner.
- Ensure that terminal evaluations take into account the views of all relevant stakeholders.
- Submit the terminal evaluation report to the Director of the GEF Evaluation Office immediately after it is completed and no more than 12 months after project completion.
- Make terminal evaluation reports publicly available and circulate them among the GEF country focal points and relevant government counterparts.

Evaluation teams must be selected according to the following guidelines:¹⁷

- Evaluators must be independent of both the policy-making process and the delivery and management of assistance to the project they are evaluating. They will not have been engaged in the activities to be evaluated or responsible in decision-making roles for the design, implementation, or supervision of the project. In cases where evaluation team members are not independent, are biased, or are not free of conflicts of interest, the independent evaluation unit of the relevant GEF Agency will conduct a quality control review of the resulting evaluation.
- Evaluators must be impartial and present a comprehensive and balanced appraisal of the strengths and weaknesses of the project.
- Evaluation team must be comprised of professionals with strong evaluation experience, requisite expertise in the subject matter of the project, and experience in economic and social development issues.

¹⁶ Guidelines for GEF Agencies in Conducting Terminal Evaluations, paragraph 6.

¹⁷ Guidelines for GEF Agencies in Conducting Terminal Evaluations, paragraph 10.

- Evaluators must be knowledgeable about GEF operational programs and strategies and about relevant GEF policies, such as those on project life cycle, M&E, incremental costs and fiduciary standards.
- Evaluators should take into account the views of all relevant stakeholders in conducting evaluations.

At the GCF annual reviews should be prepared by an independent evaluator; independent from project/programme management. Reviews should take into account the views of multiple stakeholders. Reviews should provide opportunity for input and be accessible to the public once finalized.

Green Climate Fund Call for Public Inputs: Monitoring and Accountability framework

Views from Civil Society Organizations¹

Overarching Comments on Process and Scope of the Call for Input

Consultation Process: At its 10th meeting, the Board of the Green Climate Fund (the Fund) requested the Secretariat to further develop its initial monitoring and accountability framework and **engage a wide group of stakeholders**, including women through a call for public input.

Although we appreciate the extension of the deadline, we do not regard the current call for public inputs, with what is still a relatively short deadline and without face-to-face meetings, adequate to ensure consultation with a wide group of stakeholders, especially women's groups in GCF countries.

We understand that more space for interaction will be provided by the GCF Secretariat once the public inputs collected through this call are processed. We request this to be a consultation open to all interested parties, based on a publicly shared draft.

Scope of the call: It is important to note that the questions guiding this call for public inputs do not include questions related to the set-up of the three GCF's Accountability Units nor the Safeguards Framework, which are key integral aspects of an effective M&A framework.

Recommendations for the Monitoring and Accountability Framework

- (i) **Which corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the Fund?**

An important first step for the GCF to take in the framework of developing incentives to ensure compliance is the requirement of clear and mandatory safeguards. This coupled with robust and transparent monitoring and high penalties for non-compliance would be the basis for a robust and effective Monitoring and Accountability Framework. The GCF should therefore ensure high levels of transparency by clearly describing and disclosing a [sanctions system](#) with a scale from minor cases (requiring a warning) to serious cases (requiring suspension of funding and then potentially termination of accreditation).

¹ A list of organizations is provided in the annex. Due to time constraints, this document contains a compilation of views from these organizations and may not reflect official organizational positions on all issues.

Corrective actions concerning a potential act of non-compliance should comprise investigations, fair and transparent hearings and applicable penalties. Applicable penalties should encompass temporary suspension of accreditation, longer term accreditation suspension, freezing of financial disbursements to the accredited entity, termination of legal arrangements between the Fund and the entity, repayment of funds as the case may require and a method for blacklisting violators. Corrective actions and remedies should vary based on the project's level of risk and the type of safeguards under non-compliance. For example, suspicion of human rights violations or failure to address or investigate corrupt practices should be enough to trigger an immediate corrective action, including immediate suspension of funding. Contractual clauses with implementing entities related to corruption, environmental and human rights standards should be clearly stated and the Safeguards Framework should be included as part of contracts with all recipients and all implementing agencies, contractors and subcontractors.

The GCF M&A framework should also provide clarity on who can make recommendations on corrective actions and remedies to the Board, ensuring these and their responses are time bound.

(+) How the M&A Framework will relate to and work with the Fund's Accountability units in particular the Independent Redress Mechanism (IRM)

The GCF's implementing and executing entities may make available their own complaints mechanisms and local grievance mechanisms may be established at the project-level. Clear conditions should be set by the GCF regarding their functioning, i.e. they need to be clearly independent, accessible, transparent and effective. The GCF, which has the ultimate responsibility for the good use of its funds, needs to ensure that affected communities have the right at all times (and be informed about this right at the beginning of project planning and implementation) to directly access and utilize the GCF complaints mechanism and accountability mechanism whether or not they have used the local alternative provided by the implementing or executing entity.

Strong principles and fiduciary standards - including standards for grievance procedures - will prove essential for the GCF to withstand pressures to compromise on accountability for the sake of meeting funding release targets or accommodating certain political sensitivities.² Some implementing entities accredited by the Fund might not have adequate safeguards policies and associated grievance mechanisms in place. If the GCF completely outsources its grievance procedures to implementing entities, this could create a deep conflict of interest, an inconsistent and fragmented record in this field, and would be inconsistent with best practice at multilateral financial institutions which make direct access to institutional grievance processes a cornerstone of operations, given the sometimes-problematic nature of client-run grievance mechanisms. Moreover, it is important for institutional learning at the GCF level to ensure that all grievances are processed by the GCF's IRM.

Any grievance submitted whether through local, intermediary or GCF channels, must be made public by the Secretariat and the intermediary entities. Non-compliance identified by

² Both ENDS, Transparency International, Briefing Paper: Feasibility report on the strengthening of citizen-based complaint review and referral mechanisms under the Green Climate Fund (2015), p.4

stakeholders (through independent evaluation reports or complaints filed at the IRM for example) must systematically be taken under consideration and independently investigated, with full and timely disclosure of the process and documents, including reports and drafts.

The GCF's IRM should ensure that all corrective measure and remedies:

- Are a result of meaningful, documented consultations with affected peoples and based on their problems and their needs to overcome the problems triggered or caused by a project financed fully or partly by GCF;
- Consider the direct, indirect, long term, cumulative and induced impacts of the projects on communities in the project area, with a special attention to impacts on women and indigenous peoples;
- Are based on human rights, with special attention to the rights of women and indigenous peoples, in particular rights to participation in decision making, to being consulted and to Free Prior and Informed Consent, to access to information, and to justice, not carried out under conditions of coercion, with provision of information to affected communities sufficiently in advance and in a language and manner to allow meaningful consultation;
- Are fully and publicly documented, shared with affected communities and the public in appropriate languages and manner.

(ii) How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation?

The most efficient incentive for performance of GCF accredited entities is the accreditation process itself, paired with significant mandatory compliance requirements, clear rules for the termination of accreditation and a robust monitoring system, independent of recipient self-monitoring. The GCF should ensure a participatory accreditation process with a formal consultative role for civil society. Participation of CSOs (specifically those at the national and local level for NIEs) in the accreditation process should allow a check on additionality, relevance, performance and environmental and social track record. Once accredited, entities are required to continuously comply with environmental and social safeguards and fiduciary standards. If accredited entities cannot meet the GCF standards, it means they are not qualified as accredited entities.

Public disclosure of both project design and implementation data will contribute to participatory monitoring and early warning systems. The Fund's Evaluation unit could produce and disclose reports and rating assessments of entities' performance; the Fund's IRM should also publicly disclose information on the cases it is handling.

(iii) How to implement compliance checks in the areas listed below:

- **Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity).**

Annual self-reporting on its own is not recommended as an effective tool to measure compliance with social and environmental safeguards and fiduciary standards. Experiences at other multilateral financial institutions, with greater staff capacity than the GCF, like the IFC and ADB, have shown that self-reporting and the monitoring thereof, have not been adequate to ensure compliance with their standards in a significant portion of their investments.³ It is of vital importance to ensure additional independent monitoring on a greater than annual basis and public release of all monitoring reports upon drafting of these reports.

Given the decision taken by the GCF Board to include self-reporting to the Secretariat as one of the compliance checks of the accredited entities, clear guidelines must be provided to ensure independent monitoring and also to show evidence of the quality of the implementation of GCF policies and standards. The self-reporting has to include information on compliance with each safeguard, including implementation of policies on whistle-blower protection, anti-corruption, procurement, anti-money laundering and information disclosure. The implementing entity should set out its plans to improve performance, if weaknesses exist. Weaknesses which do not allow full implementation of safeguards should be grounds for no accreditation. Similarly, any change which impacts on the initial accreditation review of an entity should be reported and publicly disclosed.

Self-reporting must be accompanied by independent verification. Verification of evidence is paramount to an independent monitoring mechanism.⁴ Verification could be done by independent experts on relevant areas of the project, and conducted through a participatory local monitoring system. The use of participatory local monitoring systems as well as allowing independent civil society monitoring is of vital importance.

All reporting should be transparent and easily accessible to the public. Reports should be published on the GCF's website as soon as they are drafted and the accredited entity's website (in English as well as in the appropriate local languages), and proactively disseminated to affected stakeholders. Stakeholders -affected communities and civil society- should be consulted in a meaningful manner, free of coercion, with full access to relevant documents sufficiently in advance, in the preparation of the report. Stakeholders should be given opportunities for comment on the final report to ensure their views are reflected sufficiently in the report. The GCF should design a formal procedure to take into account the views of affected communities and civil society.

³ See CAO audit of a sample of IFC investments in Third-Party Financial Intermediaries (2012):

http://www.cao-ombudsman.org/documents/Audit_Report_C-I-R9-Y10-135.pdf

See IEG publication "Safeguards and Sustainability Policies in a Changing World: An Independent Evaluation of World Bank Group Experience" (2010): http://ieg.worldbank.org/Data/reports/safeguards_eval.pdf, p.xvi, stating "The reliance on self-assessment by business clients is a point of vulnerability in the absence of full disclosure and independent verification."

⁴ It is crucial to also clarify what independent means, who nominates the members of the mechanism, who bears the costs of operation and how to ensure this mechanism operates in a transparent manner. A clear link to the redress mechanism should also be included for cases in which self-reporting does not provide adequate information on compliance.

- **Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance.**
- **Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme.**
- **A light-touch review of the accredited entity half-way through its five-year accreditation period.**

Multi-stakeholder participation designed to ensure meaningful consultation - specifically that of affected communities and civil society -- should be exercised included through different forms of reviews and checks of entities. The reports of these reviews and checks should reflect the views and information provided by stakeholders and indicate how these comments were taken into account to prevent and remedy instances of non-compliance. These reports should be made public by the GCF and open for public comments.

With regards to annual reviews, the process should focus on high risk and medium risk projects or programmes with monitoring of projects labeled as having lower risk, in case the risk assessments are incorrect. Human rights impact assessments, environmental risk, resettlement risk and a corruption risk assessments should be completed at the outset of all project or programmes. This should be continually monitored and form part of the annual review.

- **Any additional compliance checks that may be identified.**

Before a project or programme is presented to the Board for approval, Board members should receive a report on the track record of the applicant, including environmental, social, human rights or corruption/fiduciary problems or incidents, the implementation of safeguards requirements at project or programme design and preparation phase. The report should be open for public comments for a sufficient period of time prior to Board consideration, in the case of projects with potentially significant impacts, 120 days prior to Board consideration. Those comments should be considered by the Board members to make decisions on a project approval.

- (iv) **How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii)?**

The Governing Instrument of the Green Climate Fund commits to setting up mechanisms to promote the input and participation of stakeholders:

“Para 71. The Board will develop **mechanisms to promote the input and participation of stakeholders**, including private-sector actors, civil society organizations, vulnerable groups, women and indigenous peoples, **in the design, development and implementation of the strategies and activities** to be financed by the Fund.”⁵

Given the problems, to date, involved in consultation with civil society over the design of appropriate safeguards, including this current process allowing 10 days in August for “public comment” on these questions, there are tremendous concerns about safeguards implementation at the GCF and any form of “meaningful consultation” as well as the implementation of grievance procedures. Having a clear and mandatory system of social and environmental safeguards, requiring clearly defined meaningful consultation (see Asian Development Bank definition), full and public disclosure of documents, a 120 day review period prior to Board decision making for any project with potentially significant impacts (as per ADB and World Bank), direct access of affected communities to a robust GCF grievance mechanism, a shift away from self-monitoring and self-reporting, robust independent monitoring, a clear penalty schedule for violation of safeguards and fiduciary policies, are all crucial cornerstones to fulfill the principle of “do no harm” and to allow the participation of civil society and vulnerable groups. In the absence of this sort of structure, and the ability of affected communities and civil society to provide direct and meaningful input into GCF assessments, evaluations and processes, it is difficult to understand how this will be accomplished.

We suggest a strong focus on the above issues to ensure that there is a citizen-based complaints and referral system which could function as an early warning system.⁶ It is not to suggest an extra layer of bureaucracy, but instead to open the door to robust participation by civil society to strengthen the grievance and monitoring mechanisms of the GCF. This would further galvanise CSO involvement and participation in the operational phase of the GCF. It should also build on the experience of, and seek cooperation with, the networks of CSOs involved in monitoring and improving existing grievance mechanisms of other international financial institutions or private sector institutions, including some implementing entities.

(v) How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the performance of accredited entities;

The Governing Instrument of the Green Climate Fund explicitly mandates the encouragement of participatory monitoring:

⁵ GCF, 2011: Governing Instrument for the Green Climate Fund.

http://gcfund.net/fileadmin/00_customer/documents/Key_documents/GCF_Governing_Instrument_web.pdf

⁶ For further development of this idea, please see: Both ENDS, Transparency International, Briefing Paper: Feasibility report on the strengthening of citizen-based complaint review and referral mechanisms under the Green Climate Fund (2015), p.4-5,

http://www.transparency.org/files/content/activity/2015_BriefingGCFComplaintMechanisms.pdf

“Para 57. The programmes and projects, as well as other activities, funded by the Fund will be regularly monitored for impact, efficiency and effectiveness in line with rules and procedures established by the Board. **The use of participatory monitoring involving stakeholders will be encouraged.**”⁷

The design of the monitoring and accountability framework should address the commitment to ensuring clearly defined meaningful consultation and participation.

Participation monitoring systems should not be used to only provide feedback on the performance of accredited entities. “Feedback” implies a rather passive approach where the stakeholders are only consulted to comment on the work of the entities, rather than engaging them early on in a continuous planning, monitoring and evaluation system (PM&E).

Participatory monitoring is not only useful for the performance of accredited entities. It should have a broader scope, encompassing also the assessment for accreditation of applicants for GCF accreditation, and the implementation of all GCF funded activities. Moreover, a participatory approach is indispensable across the whole spectrum of programme and activity design, implementation, monitoring, evaluation and learning.

Participatory monitoring is crucial for:

- Making the voices of the most marginalised heard;
- Increasing public awareness of global climate and development goals;
- Generating data on the track record of applicants;
- And by so doing, generating collective action and bottom-up demands for adequate and against inadequate service-delivery.

Participatory PM&E enhances accountability and responsiveness applicable to all GCF funded activities.⁸ It is also important to highlight that participatory monitoring and meaningful consultation has gained wider recognition as a fundamental tool in a number of national legal frameworks. For example, Colombia has legally recognized the mechanisms of *veeduría*⁹, which are effective systems of participatory monitoring as a democratic mechanism for monitoring public affairs. Bolivia has also adopted a law on participation and social monitoring¹⁰ in 2013, which regulates and strengthens social control in public policy related matters. Multilateral development institutions, such as the World Bank are also paying increasing attention to community-based monitoring and the importance of participatory monitoring activities and the Asian Development Bank, for example, provides a very clear definition of “meaningful consultation.”

⁷ GCF, 2011: Governing Instrument for the Green Climate Fund.

http://gcfund.net/fileadmin/00_customer/documents/Key_documents/GCF_Governing_Instrument_web.pdf

⁸ CARE, 2015: The power of participatory monitoring in making the Sustainable Development Goals a reality.

http://insights.careinternational.org.uk/media/k2/attachments/SDGs-and-participatory-monitoring_CARE-March-2015.pdf, p. 5

⁹ Law 850 from 2003.

¹⁰ Law 341 from 2013.

Mandatory operating guidelines should be developed as part of the GCF's policy regarding participatory monitoring and meaningful consultation, to ensure:

- The identification of potentially affected communities, including vulnerable groups (e.g. indigenous peoples, women) as well as civil society organisations at all levels;
- Local stakeholder consultations are conducted in an inclusive manner (through guidelines on language, notification, space, public reporting, etc.);
- Comments made by affected communities and civil society are publicly documented and sufficiently addressed;
- The provision of complete information about each project from the beginning (at project design and preparation stage) to local stakeholders in appropriate languages;
- The availability of local grievance mechanisms as well as immediate and easy access to and active outreach by the GCF's IRM at the local level.

(vi) How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period?

The reaccreditation process should take into account the views of civil society and affected communities, and observe the same level of transparency and information-provision as suggested for first-time accredited entities (see input for ii).

(vii) How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently?

The GCF has chosen to work through accredited entities, which will likely have their own accountability systems. It is crucial that there is a robust system of independent monitoring and that other monitoring (and accountability) processes employ the same robust level of standards as demanded by the GCF, that is, there is an equivalency test, in addition to independent monitoring. It is therefore recommended that with regard to grievance handling, the ultimate authority should be entrusted to the GCF. In some cases, accredited entities may not have adequate safeguard policies and associated grievance mechanisms in place. In other cases, implementing entities may attempt to defer all responsibility to project proponents.¹¹ Moreover, it would avoid a situation of great unclarity as to where to file grievances for projects and programmes that are ultimately funded by the GCF.

A CSO-led function could support communities and CSOs to bring their concerns and aspirations across to the GCF and its implementing entities. It would enable access to information and trust-building between the GCF and the communities that stand to benefit from its operations, allowing the GCF to become an institution genuinely learning from mistakes as well as observed best practices. It could actively assist the GCF to reach out to communities and other parties to strengthen the effectiveness of the Fund by expanding opportunities for effective participation of civil society. Further discussion is needed to work out and ensure the basis of its legitimacy, to secure adequate independent funding and to elaborate and articulate its role and function in the long run.

¹¹ Both ENDS, Transparency International, Briefing Paper: Feasibility report on the strengthening of citizen-based complaint review and referral mechanisms under the Green Climate Fund (2015), p.4, http://www.transparency.org/files/content/activity/2015_BriefingGCFComplaintMechanisms.pdf

(viii) How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework

Many NDAs and focal points will need capacity building to strengthen knowledge and information to ensure that accredited entities comply with the monitoring and accountability framework and all GCF policies and standards in place. It is of vital importance to ensure that potentially affected communities and civil society are meaningfully consulted concerning the accreditation of entities, including in the earlier phase of defining national GCF strategies. Strategic choices will imply the use of certain (types of) implementing entities and participation in the stage of strategy-definition is therefore highly relevant for the ultimate choices in accreditation. Clear and compulsory guidelines for meaningful consultations with potentially affected communities and civil society are equally important, specifically to avoid that NDAs or points would restrict or limit civil society or potentially affected communities from being engaged in consultations concerning national GCF strategies and planning, accreditation or project/programme monitoring and evaluations.

(ix) How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.

It is highly important that information generated by the M&A framework is used in the GCF's knowledge management system. Lessons from the Funds' Evaluation unit and IRM should be tracked and publicly responded to by GCF management, indicating how these lead to changes in programmes and policy changes to avoid similar problems with compliance in the future.

Annex: List of CSO signatories

This submission was prepared with input from the following civil society organizations:

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8. Ministry of Resources, Guatemala (Date Received: August 11)

Call for Public Inputs: Monitoring and Accountability Framework

Incheon, 30 July 2015 – At its 10th meeting, the Board of the Green Climate Fund

(the Fund) requested the Secretariat to further develop its initial monitoring and accountability framework and engage a wide group of stakeholders, including women through a call for public input (Board Decision B.10/07)*. In particular, the Board requested the following elements to be addressed within the Fund's monitoring and accountability framework:

Inputs requested

The Fund's Secretariat is pleased to invite individuals, organizations and all entities involved and interested in climate mitigation, adaptation, climate change monitoring and evaluation, environmental and social safeguards and related topics, to provide inputs to support the development of the Fund's monitoring and accountability framework.

In particular, there is interest in receiving inputs in relation to:

- (i) Which corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the Fund;

Social type sanctions could be implemented, and the use of mass media would help make evident the noncompliance of the entities. Another corrective action could be, the suspending the opportunity to participate in the mechanism of the GCF for a determined period of time depending on the seriousness of the noncompliance; another option could be, implementing and monitoring the compliance of the Action Plan for the Gender Policy of the Fund.

- (ii) How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation;

Through periodic training in the procedures and policies of the Fund, with the purpose of achieving the harmonization of the Funds objectives, the projects/programs and implementing entities.

- (iii) How to implement compliance checks in the areas listed below:
 - Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity);



Through the implementation of a computer system that can be updated by every entity and that gives access to the public.

- Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance;

Through the implementation of monitoring and follow up processes and through a computer system created for this same end.

- Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme; and

This annual review should be done previous, during and after the project/programme is done; the idea of having a pre, during and post review involves the opportunity of being able to take the adequate corrective measures at the right moment; this evaluation process should be programmed to be escorted by a representative of the entities involved in the program or project at all levels (administrative, technical and political)

A light-touch review of the accredited entity half way through its five-year Accreditation period;

This review should take into account to have the accompaniment of a representative of all the actors involved in the project at all levels.

- Any additional compliance checks that may be identified;

Depending on the situation of the project, especially when the decisions that are being taken modify drastically the time of execution, the range of the objectives and its budget, it should be proposed that a special review can be done to this special cases.

- (iv) How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii);

Through the implementation of a periodical monitoring and follow up system towards entities of the programs/projects and through a computer system created for the same end.

- (v) How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the performance of accredited entities;

Through the implementation of a monitoring and follow up system created for this end, through which everyone involved in the program/project would have access to it, including woman and in our case indigenous people; for this we would need training for the actors, so they could use the system and help in the coordination of the mechanism.

- (vi) How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period;

The most important thing to take into account would be the evaluation that the beneficiary entities do before re accrediting. This could include a qualification item for those that accomplished the actions of the Action Plan the Gender axis.

- (vii) How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently;

For this end, it will be necessary to have a diagnose, with an approach on gender, taking into account the information that every country has in this area. Based on this information we can proceed with the design and implementation of the adequate approach specific to each country.

- (viii) How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework;

It will be necessary to have a direct channel of communication between the Fund and the Focal Point or Designated authority; and there should be technical and financial support so that the actors can have an active role in the monitoring and follow up process of the Fund. Also the focal point should incorporate the ideal person to evaluate the gender axis.

- (ix) How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.

This knowledge is vital tool to get to the most basic parts of every project and program, so that the right measures can be taken at the right time and this will help prevent a wrong execution and a wrongful use of the resources.

Deadline

The deadline for submissions is **9 August 2015**.

Submission

Inputs, preferably in MS Word format, should be sent via email as one document with subject line **"Call for public inputs –M&A framework- Response"** to:

accreditation@gcfund.org

The submission should clearly indicate:

Full Name: Mr. Juan Carlos Diaz Contreras

Title/Position: Coordinator of the International Cooperation Unit

Organization/Affiliation: Ministry of Natural Resources Ambientey

Contact details including telephone: (502) 2423- 0500 Ext.

1053 Mobil: (502) 3037-4485

e-mail address: jcdiaz@marn.gob.gt /

jcdiazcon@gmail.com

Organization's Focal Point: Mr. Oscar Ernesto Medinilla Sánchez, Minister of Environment and Natural Resources Guatemala

Review prepared by the team of the Ministry

Submissions should indicate whether the inputs are provided on behalf of an organization, group of organizations or on an individual capacity.

Disclaimer

Inputs provided may be publicly disclosed, made available on the Fund's website, and/or incorporated in whole or in part in the document presented to the Board.

9. National Bank for Agriculture and Rural Development (Date Received: August 18)

Page 55

Call for Public inputs- Monitoring and Accountability Framework-Comments

(i) Which corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the Fund;

Comments: Instances of non-compliance as revealed through annual/mid-term review may be classified as non-critical or critical. For non-critical items, the accredited entity may be given freedom to carry out corrective actions and Fund may be kept informed of corrective actions in the annual self-assessment report. For critical areas, support may be provided by the Fund through readiness support in carrying out corrective action. Considering critical nature of the actions, a time period of one year may be given to Accredited Entity (AE) to execute the action plan.

Further, it is suggested that the Fund may examine and consider shifting and adopting a “country owned system approach” for the environmental, social and gender safeguard policy and if a project is able to comply with the national, sub-national, sectorial laws, regulations, values, procedures and track record then it may be construed as having complied with the ESSP and gender policy of GCF.

(ii) How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation;

Comments: Based on the performance of the AEs in implementation of project and programme, a rating system may be introduced on an annual basis. Depending on the rating, AEs may be placed in different categories like Platinum, Gold, and Silver etc. In recognition towards the performance, the best performing AEs should be felicitated in the CoP meeting on an annual basis. Weightage should be given to this rating, during upgradation of accreditation for higher ESS categories. Further, performance rating of the IEs in implementation of project may be accorded due weightage in sanction of fresh proposals.

(iii) How to implement compliance checks in the areas listed below:

- Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity);

Comments: For annual self-reporting, a web based tool may be developed by GCF, which could easily be operated by AEs. Provision/fields for reporting compliance to non-critical/critical items, may be made in such tool through standardized template and proforma.

- Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance;

Comments: Ad-hoc checks at the level of accredited entity and/or at the level of the project/programme should be delegated to NDA

- Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme;

Comments: As indicated above, annual review of projects/programme should also be responsibility of NDA, so that GCF can limit cost and time. NDA may undertake review of all the on-going projects/programmes on annual basis through a off-site surveillance system and submit a comprehensive report to GCF on the status of implementation, adherence to terms and conditions, compliance to environmental and social safeguard policies etc.

Further, based on the risk category of projects, a fixed proportion of projects may be taken up for onsite-supervision –cum review on a decreasing scale (i.e say 25% , 10% and 5% of the high risk, medium risk and low risk projects respectively may be selected for on-site review) by the NDA. Further, slow moving projects may be visited and reviewed more frequently than projects where progress is healthy.

- A light-touch review of the accredited entity half way through its five-year accreditation period;

Comments: A light touch mid-term review may be undertaken jointly by GCF and NDA.

- Any additional compliance checks that may be identified;

Comments: The above mechanism is comprehensive and is expected to take care of the compliance to various requirements of GCF

(iv) How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii);

Comments: Parameters for Early Warning System such as delay in submission of report, discrepancies in reporting of progress, very slow

moving projects, non-starter projects, etc. may be identified and benchmarked for close and frequent monitoring. A pop-up or trigger mechanism based on the reports/MIS submitted by AE/NDA with a provision of feedback mechanism to AE would be helpful.

(v) How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the performance of accredited entities;

Comments: Local monitoring may be done on a project to project basis by involving a group/committee of persons comprising representatives of community (including women, vulnerable groups etc.), Local Self Governments, Civil Society Organizations etc. in the project area. Further, a system of social monitoring may be put in place by displaying details of the project parameters and their progress vis-à-vis timeline in a board placed in the project site, community hall and other public places.

(vi) How to process potential reaccreditation of accredited entities at the their five-year accreditation period;

Comments: Reaccreditation of the accredited entities should be based on their performance. Towards this end, the categorization as mentioned under (ii) should be given due weightage. In addition to the performance, improvements in the operation of the AE in terms of specialized fiduciary standards for grants/loans, application of environmental and social safeguards and gender policy, also may be considered.

(vii) How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently;

Comments: The monitoring framework may consist of (i) Off-site surveillance (ii) On-site supervision and review of projects and (iii) a system of social monitoring. A risk based monitoring may be adopted for on-site supervision and review of projects.

Based on the annual self-assessment, adhoc check, annual review, mid-term assessment, of the AE, actual risks under various projects/programmes under implementation may be identified and feedback provided to AE. The respective AE may monitor adoption of mitigation measures by EEs on an on-going manner.

(viii) How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework;

Comments: NDA can play the following active roles in monitoring and accountability

- Ad-hoc checks at the level of accredited entity and/or at the level of the project/programme should be delegated to NDA
- Annual review of projects/programme should also be responsibility of NDA, so that GCF can limit cost and time.
- NDA may review all the on-going projects/programmes on annual basis and submit a comprehensive report to GCF on the status of implementation, adherence to terms and conditions, compliance to environmental and social safeguard policies etc.
- A light touch mid-term review may be undertaken jointly by GCF and NDA
- Leadership role in local monitoring involving community, civil society organization, Local Self Governments etc.

(ix) How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.

- The framework would facilitate identification of the best performing AEs, paving way for cross learning by other AEs through exchange visits, publication of good practices etc.
- The process also would enable in listing out successful projects/programmes, based on which success stories could be developed
- Institutional mechanism, modalities for implementation, procedure followed, community mobilization etc. are of paramount importance in success of any project/programme. Structured monitoring would bring out such best practices, which could be documented for wider dissemination

10. Secretariat for Pacific Regional Environment Programme (Date Received: August 17)

Page 59

Call for public inputs -M&A framework- Response"

Submission from:

Full Name: Simon Wilson

Title/Position: Monitoring and Evaluation Advisor and GCF Co-ordinator

Organization/Affiliation: SPREP

Contact details including telephone and e-mail address: simonw@sprep.org

Organization's Focal Point: As above:

Inputs requested

- (i) Which corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the Fund;

- Possible suspension of accreditation in cases of malpractice /negligence
- Support in planning and working towards remediation in cases of structural or technical organisational function and capacity

- (ii) How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation;

- Focus on support. There should not be incentives to perform, as it is an obligation, that said performance should be acknowledged and promoted.

- (iii) How to implement compliance checks in the areas listed below:

☐ Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity);

- Require an annual accreditation report from entities to ensure ongoing compliance with standards, based on reporting on criteria by exception

☐ Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance;

- Two tiered approach 1. Self reporting and if not meeting GCF satisfaction 2. In-country spot checks.

☐ Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme;

- Include geographical coverage and entity / project type as criteria
- 1. Self reporting and if not meeting GCF satisfaction 2. In-country spot checks.
- Peer-peer reviews where accredited entities operating in the same region are supported to review each others project/procedures enabling sharing of information and improvement.

☐ A light-touch review of the accredited entity half way through its five-year accreditation period;

- Include a self assessment element
- Focused around support and improvement rather than strict compliance.

☐ Any additional compliance checks that may be identified;

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* The compendium of decisions of the 10th meeting of the Board can be accessed at:
http://www.gcfund.org/fileadmin/00_customer/documents/MOB201507-10th/17_-_Decisions_of_the_Board_20150721_fin.pdf.
 Page 2

- (iv) How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii);

- Depends what the early warning system is to detect
- Ensure a complaints and feedback mechanism is in place at all levels of the fund

- (v) How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the performance of accredited entities;

- Work with coordinated through NDAs
- This assumes accredited entity responsibility for aspects of a project that may be happening at a local level

- (vi) How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period;

- Done on an exceptions basis (i.e automatically reaccredited unless certain performance standards and /or changes in circumstances require need for additional re-accreditation documentation

- (vii) How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently;

- Consider utilising existing regional platforms and governance mechanisms wherever possible

- (viii) How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework;

- Consider and annual NDA report based on experience working with accredited entities and the GCF Sec.

- (ix) How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.

11. Sierra Club (Date Received: July 31)



SUBMISSION TO THE BOARD OF THE GCF REGARDING GCF/B.08/02, “GUIDELINES FOR THE OPERATIONALIZATION OF THE FIT-FOR- PURPOSE ACCREDITATION APPROACH”

Submitted by Steven Herz
steve.herz@sierraclub.org

Introduction

As part of its discussion of Accreditation at the Eighth Board meeting in Bridgetown, Barbados, the Board will consider GCF/B.08/02, *Guidelines for the Operationalization of the Fit-For-Purpose Accreditation Approach. (Draft Guidelines)*. This submission addresses issues raised in that paper as they relate to accreditation to implement environmental and social safeguards. It does not address accreditation for fiduciary issues.

We strongly support the fit-for-purpose approach to accreditation for environmental and social risk as a means to expedite direct access to GCF resources by a broad array of institutions, while ensuring that all implementing entities and intermediaries have capacity to appropriately manage the risks of the activities that they undertake.

However, we are concerned that the approach laid out in the *Draft Guidelines* may not consistently produce strong environmental and social outcomes. First, the accreditation process itself could be strengthened by making it transparent and open to public input. Second, the *Draft Guidelines* leave critical questions regarding monitoring and oversight of accredited entities unaddressed. Third, while the *Draft Guidelines* employ an “Environmental and Social Management System” (ESMS) based approach similar to that used by IFC in its Financial Intermediary (FI) portfolio, they do not fully address the serious shortcomings of that approach that were identified in a recent independent audit conducted by IFC’s Compliance Advisor/Ombudsman Office (*CAO Audit*).¹ And fourth, the accreditation standards the *Draft Guidelines* propose contain important substantive gaps that need to be addressed.

The remainder of this submission addresses these concerns, and draws heavily on findings of the *CAO Audit*.

¹ See the CAO audit of IFC FI portfolio at http://www.cao-ombudsman.org/documents/Audit_Report_C-I-R9-Y10-135.pdf

Transparency of Accreditation

1. **Applications for accreditation should be publicly available, and the public should have ample opportunity to comment.** The *Draft Guidelines* propose that the accreditation candidate's track record of environmental and social performance will be a key considering in assessing its application for accreditation. It implies, however, that this track record will be assessed largely on the basis of the candidate's application. (para. 15). The Accreditation Panel may be able gain a fuller understanding of the entity's implementation record by also considering public submissions, particularly from those who have been directly affected by previous activities. For this reason, public input should be solicited as part of the application process.

GCF Monitoring and Oversight of Accredited Entities

2. **The *Draft Guidelines* do not specify what, if any, monitoring and oversight will be conducted by the GCF.** The *Draft Guidelines* do not make any provision for the regular monitoring or auditing of implementation by accredited entities, or the performance of their supported activities. Rather, the *Draft Guidelines* suggest that the entity's track record in achieving the results of the Fund's results management framework will only be considered in the review of the entity's accreditation status (i.e. every five years). (para. 16). This is plainly inadequate. The *CAO Audit* makes clear that ongoing engagement and support of accredited entities can be critical to ensure good outcomes (*CAO Audit*, at 39). Accordingly, the GCF should develop its own procedures for review and oversight to ensure that its standards are being met.

Mechanisms to support effective monitoring of implementation could include:

- Requiring regular reporting on project or program implementation.
- Using funding tranches and results-based payments to link funding more directly to actual impacts.
- Providing meaningful opportunities for stakeholders to raise concerns about the performance of the accredited agencies and have those concerns addressed by the GCF.

3. **The GCF Board should retain the option to withdraw accreditation due to poor performance or violations of safeguards requirements to ensure strong incentives for implementation.** The *CAO Audit* noted that 10 percent of IFC's FI clients in the audit sample were noncompliant and "intractable to resolution", despite IFC's legal, commercial and other leverage. (*CAO Audit*, at 22). Safeguard requirements should be incorporated as legally binding covenants into all GCF contracts, and de-accreditation must be held out as a credible threat where compliance is not forthcoming.

Inadequacies of Management System Approach: The IFC Experience

The *Draft Guidelines* rely on the ESMS of accredited entities as the primary tool for ensuring safeguard compliance by sub-clients. Under this approach, candidates for accreditation will be evaluated to ensure that they have adequate systems in place to manage the risks that the

implementers or intermediaries that they finance will take on. Although this approach is very similar to that which IFC uses in its Financial Intermediary (FI) portfolio, it does not fully address the profound shortcomings that were identified in the *CAO Audit*. Specifically, the *CAO Audit* found:

4. Implementing an ESMS does not necessarily produce good outcomes on the ground.

The *CAO Audit* noted that while the IFC's approach focused on ensuring that its clients instituted an ESMS, impact on the ground was not adequately considered. IFC did not have the means to determine whether that system actually prevented harms and generated better environmental and social outcomes, because the ESMS approach did not provide "the tools to measure E&S performance at the sub-client level." (*CAO Audit*, at 35-37). As a result, "IFC knows very little about the potential environmental or social impacts of its [FI] lending." (*CAO Audit*, at 25). The *Draft Guidelines* similarly focus on the implementation of an ESMS and not the quality of outcomes or program/project-level performance, and thus do not adequately address this problem.

5. ESMS that rely on client or sub-client self-reporting are unlikely to ensure good outcomes.

The *CAO Audit* concluded that compliance reporting was too often "mechanistic", as intermediaries would rely on self-reporting by their sub-clients, rather than engaging with them to determine if they were in compliance. (*CAO Audit*, at 37). The approach adopted in the *Draft Guidelines* risks creating similar incentives for "box ticking" compliance determinations. This is a particular cause for concern with regard to the use of intermediaries, where highly attenuated lines of accountability (money flowing from GCF to accredited entities to financial intermediaries to multiple end-users) will make the reliance on self-reporting both highly attractive and highly ineffectual.² The GCF could enhance accountability by requiring sub-clients to employ third-party verifiers to independently assess outcomes, and to publicly disclose the results. (*CAO Audit*, at 26-27). The GCF could also improve accountability by requiring that systems be put in place to facilitate civil society monitoring and reporting to complement self-reporting, third-party verification, and direct compliance reviews.

Accreditation Standards

6. The GCF must properly assess the capacity and commitment of the candidate entity to implement the relevant safeguards. The *CAO Audit* found capacity and managerial commitment to be a critical determinant of outcomes. (*CAO Audit*, at 28-29, 38). Based on its recommendations, the GCF should evaluate:

- Specific incentives that apply to each client type: The CAO found that different business drivers for each type of client, such as a bank, private equity fund, or microfinance institution can have "profound" effects on the client's willingness to and capacity to develop its E&S processes. For example, it found that for differing business reasons, microfinance institutions and private equity funds were much more amenable to implementing strong ESMS than commercial banks.

² This raises the question of whether intermediaries should be separately accredited to manage the risks assumed by their clients.

- Senior management buy-in: The CAO found that one of the most significant factors in achieving successful environmental and social outcomes is commitment to these issues at the level of senior management. Implementation by junior-level staff members without the full support of the senior management team “tended to produce superficial results in which E&S reports were generated but no impact was created.” (*CAO Audit*, at 38).

7. Accreditation processes should evaluate mechanisms for ensuring transparency, accountability and comprehensive, 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 other substantive standards—become more stringent as the environmental and social (including gender-specific) risks of the proposal rise.

8. Accreditation decisions should consider the business, cultural, and governance context in which safeguards will be implemented. As the *CAO Audit* observed, some countries and regions have regulatory and institutional settings that are more conducive to good environmental and social outcomes than others. (*CAO Audit*, at 28-29, 38). When considering the risks of proposed activities, then, accreditation processes must consider the risks associated with this broader context. A business culture of compliance, 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 risk factors that should be taken into account, along with the size, nature, and other risks of the proposed program.

9. The GCF must clearly delineate categories of risk to guard against “Big-B” projects and “accreditation creep”. The GCF will need to remain vigilant to ensure that entities do not take risks for which they are not accredited. Two scenarios are of particular concern. First, accredited entities will have enormous incentives to underplay the risks of large projects to ensure that they do not get classified as Category A. This “Big-B” problem has been a longstanding issue at IFC and other multilateral development banks. Second, during implementation, projects may turn out to be more complicated than originally anticipated, and include risks of a nature or scale that the responsible entity is not accredited to implement. Ensuring that environmental and social assessments are rigorous and that affected communities are meaningfully consulted will be essential to prevent “accreditation creep”.



**SUBMISSION TO THE BOARD OF THE GCF REGARDING
GCF/B.10/INF.11: INITIAL MONITORING AND ACCOUNTABILITY
FRAMEWORK FOR ACCREDITED ENTITIES (PROGRESS REPORT)**

July 2015

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with
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Introduction

At its Tenth meeting, the Board will consider GCF/B.10/Inf.11, *Initial Monitoring and Accountability Framework for Accredited Entities (Progress Report)*. This submission addresses the issues raised in that document, and related issues pertaining to the monitoring and accountability of environmental and social impacts. It outlines the key elements of such a framework, and the mechanisms and methodologies that should be used to implement it.

Specifically, this submission sets out:

- Higher level or strategic observations;
- Key elements of an appropriate environmental and social (E&S) monitoring and accountability framework; and
- Key risks associated with gaps or weaknesses in the proposed framework.

This submission has been undertaken against an extremely short timeframe. It is therefore based on a desk review of relevant GCF documents, informed by the authors' experience of working with multiple financial institutions on a range of project types and under variable policy and implementation frameworks. It does not include any interviews of Secretariat staff or broader literature review.

¹ Glen Armstrong is an independent advisor on sustainable development with particular experience in finance, business and the emerging markets. He was previously Head of the Environmental and Social Development Team at the International Finance Corporation and later Sustainable Development Advisor to the World Bank Group during which time he facilitated the Equator Principles, which establish a common approach to Environmental and Social compliance for the finance sector. He has worked with over 30 major financial institutions globally in capacity building, system development and project analysis around the issues of environmental and social risk. He has recently acted as a compliance investigator for both the IFC and the EBRD and advises a number of private sector Companies small and large on sustainability issues.

Higher level or strategic observations

There is no ‘perfect’ or ‘right’ design of an E&S framework for an organisation as complex and potentially innovative as the GCF. It has no direct comparators. Some of the characteristics of organisations such as the IFC, the GEF and the Adaptation Fund are relevant. Private sector financial institutions such as Equator Principles Banks have confronted some of the issues related to private sector operations. And regional development banks constantly tussle with the tensions between economic development and environmental and social sustainability. *But because none of these institutions outsource E&S management to other institutions to the extent contemplated by the GCF’s accreditation regime, there are no “off-the-shelf” solutions available.*

The Monitoring and Accountability Framework should provide a complete picture of how the GCF will make accreditation decisions, supervise accredited entities, and ensure strong safeguard performance at the point of delivery. This way, all actors in the delivery chain will understand their roles and responsibilities and the criteria that they will be evaluated against. It will also help those who may be affected by GCF-funded projects understand the levers of accountability that may be available to them.

Thus, the M & A Framework should be the one place that stakeholders look for the vision, standards, implementation and monitoring procedures that the GCF will employ to ensure its policies, criteria and organizational objectives are being met. It should include provisions for monitoring and accountability of performance on its accreditation standards, fiduciary standards, environmental and social performance standards (ESS) and the programmatic objectives of investments.

The M & A Framework should present these in a coherent, comprehensive, and publicly available package. It should not only describe what the Secretariat will do to monitor, oversee, and ensure compliance, but also set out the roles and responsibilities of each of the other actors in the GCF delivery chain—accredited entities, implementing agencies, expert panels, the Independent Redress Mechanism, etc.

The GCF’s current approach to E&S management identifies many of the necessary components of an effective system, and addresses them to some degree. However, the system needs to be far more robust and well-developed as the GCF approves more accreditation applications and begins to consider funding proposals. For clarity’s sake, the multitude of documents which currently exist should be organized into a three-part framework that includes: (1) an overarching Sustainability Policy, (2) Implementation Procedures and (3) Monitoring and Accountability process.

Whilst it is important to ‘fast track’ institutions that work within the GEF or Adaptation Fund framework, the GCF has underestimated the implementation differences between the apparently ‘almost consistent’ E&S approaches of these organisations. (GCF/B.08/45, Annex IV). These differences may significantly affect implementation.

Elements of an Appropriate E&S Monitoring and Accountability Framework

A comprehensive monitoring and accountability framework should include the following elements, each of which should be in the public domain and widely disclosed.

1. A clear and concise Sustainability Policy

According to its charter, the GCF has a core responsibility to promote long-term sustainability. (Governing Instrument, para. 2). A clear and concise sustainability policy is therefore imperative. This is common practice among peer international financial institutions, including IFC, ADB, AfDB and EBRD.²

A comprehensive sustainability policy should address:

- The GCF's commitments to sustainability across the breadth of its activities, and the approach that will guide its behaviour and its commitment to its stakeholders;
- How sustainability is integrated into its high-level investment criteria;
- Its commitment to transparency and accountability and the role of its independent redress mechanism (see below);
- The E&S standards, information disclosure, and gender policy it will apply;
- Its approach to environmental and social risk management;
- How responsibilities are assigned within the organisation;
- Its overall approach to E&S and human rights due diligence; and
- Roles and responsibilities of each of the actors in the delivery chain of GCF-funded projects, including accredited entities, executing entities, etc.

Parts of such a policy are contained in various Board documents and in the accreditation procedures. But they have not been drawn together into a single coherent statement that the Board can approve, and stakeholders can refer to.

2. A clear due diligence procedure that demonstrates how the policy will be applied at the client and sub-client level.

What the GCF will do on a day to day basis to apply the organisation's standards to its lending activities is a significant challenge and difficult to get right. A number of the components needed to effectively apply standards exist, but they are in disparate places and many of the trickiest issues are not addressed.

Most components are contained within the process for accreditation, which deals substantively with accreditation standards at national and international level and fast-track applications. And while we support the 'fit for purpose' and 'risk based' accreditation approach, the documentation does not seem to acknowledge that this type of approach is more resource-intensive due to its sophistication and selectivity. It makes the outcomes for clients more palatable and practical but will be complex for GCF to administer.

² IFC, (2012). *Policy on Environmental and Social Sustainability*, available at http://www.ifc.org/wps/wcm/connect/7540778049a792dcb87efaa8c6a8312a/SP_English_2012.pdf?MOD=AJPE&ESRES; ADB, 2009. *Safeguard policy Statement*, available at <http://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>; AfDB, 2004. *African Development Bank Group's Policy on the Environment*, available at <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/10000027-EN-BANK-GROUP-POLICY-ON-THE-ENVIRONMENT.PDF>; EBRD, 2014. *Environmental and Social Policy*, available at <http://www.ebrd.com/news/publications/policies/environmental-and-social-policy-esp.html>

For example, while the ‘results management framework’ contains both fund level and project/programme level outcomes, it is unclear how the GCF will report on fund-level impacts and how project/programme level indicators will be adapted by accredited entities, since the Fund’s Monitoring and Evaluation Policy is still being developed. Additionally, because the current approach to E&S management is focused on evaluating systems, it is not clear what will be expected of accredited entities in terms of impact-level monitoring. This is problematic not only for assessing overall performance but also for identifying negative impacts and working to resolve them.

There is reference to methodologies for assessing the commitment, competency and capacity of accredited entities, yet very little detail is provided on how that will be done. It is crucial that the due diligence is front-loaded, particularly given the commitment to a 5 year accreditation cycle. Professionals know that paper-based ESMS become a tick box reporting exercise if they are not backed up by meaningful analysis of real performance.

The due diligence procedure needs to include (inter alia):

- The process of E&S due diligence as it will be applied to applicants for accreditation;
- Integration of E&S assessment with broader financial and fiduciary due diligence to provide an integrated risk based approach;
- How the standards will be applied appropriately in accordance with the ‘risk based’ approach;
- Components of the client ESMS and how they will be evaluated;
- The capacity that GCF will deploy to undertake this work (it is understood that this will be the role of the secretariat who will report with recommendations to the accreditation panel);
- The respective roles and responsibilities of the Secretariat, Accreditation Panel, Technical Advisory Panel, etc.;
- How the clients capacity and commitment to ensure strong E&S outcomes and engage with stakeholders will be assessed; and
- Expectations of the client and actions that will be required before they can progress to higher risk transactions – with appropriate action plans.

This list is not comprehensive, but demonstrates the necessary scope of the procedure. Much of this information does exist in different places.

3. A Performance Monitoring and Accountability process

This final document in the suite would address the range of ongoing monitoring and accountability approaches. It could actually form part of the review procedure set out in 2 above, but because the GCF relies so heavily on accreditation it is probably more effective to provide a separate document. It should address:

- How portfolio monitoring by GCF will be undertaken (regularity, depth, by whom);
- Reporting requirements and standards, including use of external verification where appropriate;
- How indicators for project/programme level outcomes will be developed and applied at the sub-project level (guided by the results management framework and

performance management framework), and how clients should monitor and report on project/programme level impacts;

- How participatory monitoring mechanisms will be implemented;
- How GCF will report on its own activities;
- Corrective Actions in the event of non-compliance and potential sanctions;
- Ongoing capacity building commitments for clients;
- Periodic review of performance of the GCF E&S framework and ESMS and feedback into ongoing policy reviews; and
- The role of the independent redress mechanism, and guidance on how to gain access.

Some of this is already included within a range of GCF documents. However, it needs to be consolidated in a single place, and much more detail should be provided in a number of areas.

Key Risks

1. Capacity-related risks

GCF secretariat may not have the capacity or skills to adequately address the E&S risks during due diligence. Experience with E&S risk is only one of the criteria used in selecting accreditation panel members. Many of the panel members need to be skilled/experienced in how E&S issues are applied by the private sector in a developing country environment and in E&S risk management.

GCF needs expertise in assessing and specifying realistic target results and outcomes from investments. This is how the success of GCF will be judged, but there is little information on how the data will be captured.

2. Process-related risks

The due diligence process may be too focussed on ESMS implementation at the client level. It will need significant front-loaded assessment of capacity and commitment of clients.

Many clients will need readiness support and capacity building even to deliver the lower risk investments. It is unclear how this will be delivered. The process needs to incentivise improved performance from accredited entities.

3. Reputational risks

The inadequate treatment of impact-level monitoring and reliance on self-reporting in the current framework puts the GCF at serious reputational risk. The success of the GCF will depend on whether it can show that funded activities are delivering on the GCF's organizational objectives, and that funded activities have not led to negative social and environmental impacts. The GCF will not be able to show this if it does not externally verify impacts through audits, participatory monitoring, etc.

Response to the Call for Public Inputs: Monitoring and Accountability Framework

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Transparency International submits the following inputs in response to the GCF's public call of the 30th July 2015 on Monitoring and Accountability (M&A) framework. The initial period for consultation was inadequate to provide complete feedback; TI thus urges the GCF to plan to allow more time for future consultations. Full and effective participation of all stakeholders in the development and operation of the GCF is key for its success and requires adequate time to be provided for consultation.

This submission was prepared in consultation with TI National Chapters and experts. As such, it primarily concerns accountability and monitoring with respect to anti-corruption and fiduciary standard compliance. A number of responses are based on TI's anti-corruption assessments of the [Climate Investment Funds](#), the [UN-REDD Programme](#), the [Forest Carbon Partnership Facility](#), the Global Environment Facility's [Least Developed Countries Fund and Special Climate Change Fund](#), and the [Adaptation Fund](#). Responses to points (iv) to (ix) are based partly on the feasibility report on the [Strengthening of Citizen-Based Complaint Review and Referral Mechanisms under the GCF](#) which was submitted to the GCF Board and Secretariat in advance of the 10th GCF Board meeting.

The key recommendations are summarized hereafter and elaborated upon in the next pages:

- The first and most efficient incentive for performance is the accreditation process: the GCF should ensure a participatory accreditation process and a formal consultative role for civil society.
- The GCF should clearly describe and disclose its sanctions system, with a scale from minor cases (requiring a warning) to serious cases (requiring suspension and then possibly termination).
- Each entity should be required to pro-actively disclose a set of project design and implementation data and indicators; the GCF could consider giving priority to the best performing entities.
- Annual review, ad-hoc and mid-term checks have to cover each safeguard and contain a protocol to incorporate the views and information shared by concerned stakeholders.
- A citizen-based complaint and referral system, possibly in the form of an Independent Ancillary GCF Civil Society Information Facility, would be an important addition to the M&A framework.
- The GCF should establish permanent spaces and mechanisms for a formalised and systematic participation of civil society in project monitoring throughout the project cycle.

(i) Which corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the Fund

Corrective actions and remedies must be commensurate with the type and impact of non-compliance evidenced. The type of non-compliance can range from administrative or procedural failures to intentionally wrongful acts or behaviours such as participating in, condoning, failing to address or investigate corrupt practices. The impact would entail the scope of environmental, social or individual human harm and financial loss resulting from the non-compliance. As the major multilateral development banks, the GCF should clearly describe and disclose its [sanctions system](#); important to note are two principles: temporary suspensions are envisaged pending the determination of the final sanctions decision and allegations are proven by a “more probable than not” standard.

Corrective actions concerning a potential act of non-compliance should comprise investigations, fair hearings and applicable penalties. Access to an independent complaints mechanism is key in this regard as well as contractual clauses with implementing entities related to corruption, environmental and human rights standards. Of the funding mechanisms which TI has assessed, only the Adaptation Fund has an accreditation policy which includes this range of corrective actions applicable to its accredited agencies and contains terms for suspending and cancelling accreditation. Other Funds incorporate legal arrangements stipulating financial penalties and provisions for termination of contracts. The GCF may wish to reference the Adaptation Fund's policy in determining its own policy on corrective actions. In doing so, the GCF is urged to further ensure that such an approach more assures that corrective actions are implemented in time-bound stages; in cooperation with the legal prosecution bodies of the country when appropriate; and that could lead in certain cases to an eventual decision by the GCF Board to permanently disaccredit the entity.

TI further suggests that the GCF distinguish between minor and more serious non-compliance cases in delineating its own policy. Minor cases would generally involve administrative or procedural failures with relatively low harmful impacts and financial losses. An example would be a repeated failure to submit audited reports according to schedule. A minor case may become serious if the non-compliance persists and is not addressed. In contrast, a serious case of non-compliance would be deliberately falsifying financial data and transactions or directly and wrongly misusing the funds or acting corruptly or negligently in the administration of the funds (which would require the entity to repayment of funds as the case may require). Applicable penalties should encompass:

◊ Official warning: For minor non-compliance, a warning should describe the act of non-compliance and stipulate what actions should be taken to resolve the stated problem within a specific, reasonable time period limited to no more than 60 days. The entity may request an extension of up to 60 days to correct the problem if a strong justification can be provided. The warning should indicate the next stage of consequences if the act of non-compliance is not addressed. The GCF may provide administrative or financial support to the entity to assist in its efforts to address the non-compliance. An overview of the cases and their status should be regularly presented to the Board.

◊ Temporary suspension of accreditation and finance: Should the accredited entity fail to remedy the act of minor non-compliance in accordance with the terms outlined in the initial warning letter or in case of serious non-compliance, the entity's accreditation should be temporarily suspended for an agreed period of up to 180 days. All GCF payment to the entity

and all spending of GCF funds should be frozen during this time period. Should the entity remedy the non-compliance matter during the suspension period, its accreditation should be reinstated and funding should be released accordingly.

◊ Termination of accreditation: If the entity fails to rectify the act of serious non-compliance and take corrective actions, its accreditation along with all legal agreements with the GCF should be terminated. The GCF Board would need to determine whether the termination is permanent or if the entity can re-apply for accreditation. It is suggested that permanent termination should be determined where the type and impact of the non-compliance are legally egregious. The World Bank rules on debarment can provide guidance here.

(ii) How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation

In order for an entity to be accredited, it should demonstrate during the accreditation process that it is committed to ensuring quality and performance in project and programme implementation. The first incentive is thus at the accreditation stage, where the GCF should ensure a participatory accreditation process to this effect. A formal consultative role for CSOs (specifically those at the national level for NIEs) in the accreditation process should allow a check on additionality, relevance, and performance. This has been stressed at the 9th and 10th Board meetings by a range of CSOs. The names and public available information in the application of accredited entities should be disclosed prior to Board accreditation decisions. Additionally, the Secretariat's assessment of the aptitude of applicants should be presented in a clear and thorough manner against each application criteria (thus creating a baseline to monitor progress). At the 10th Board meeting, GCF/B.10/03 did not mention the capacities of any of the applicants regarding whistle-blower protection or provide sufficient evidence of a zero tolerance policy on corruption. Provisions on procurement and anti-money laundering were not assessed across all applicants. Policies on information disclosure were also not apparent. Addressing this weakness would establish a more solid M&A framework.

At the Fund level, the GCF Secretariat can incentivise optimum quality and performance by requiring each entity to pro-actively disclose a set of project design and implementation data and indicators by which stakeholders can monitor performance (this will also contribute to the participatory monitoring and early warning systems). The GCF will then be capable of highlighting best practices and communicate them on the Fund's website and outreach. The Fund's Evaluation unit could produce and disclose reports and rating assessments of entities' performance; the Fund's Independent Redress Mechanism should also disclose some information on the cases it is handling. This in turn could create an incentive amongst entities to demonstrate best practices; the GCF could consider giving priority to the best performing entities, taking this into account when deciding on which projects to select. The GCF should also offer support and guidance to the entities and enhance best practices exchange between entities with a view to facilitating capacity-building: a framework for an international peer learning programme could thus be developed by the GCF.

In addition to this top-down approach, each entity should be transparent beyond publishing what is required under the Fund's M&A framework. Specifically, each entity should pro-actively disclose the actions it committed to take during the accreditation process (including information regarding the anti-corruption rules and safeguards) as well as a set of project design and implementation data by

which stakeholders can monitor performance and progress. Continuous monitoring by stakeholders will be key to the accountability of the Fund as it is an important compliment to the current Fund driven approach as envisioned by the present call of inputs. Monitoring by all parties involved would provide the best "incentive" to the accredited entities to achieve the highest quality results, in all respects. Especially a system for participatory community planning, monitoring and evaluation (PME) is an important instrument to ensure that projects indeed have the results they intend to have.

Ultimately, visible quality and performance should attract stakeholder support as well as additional financial resources. Achieving both should be a natural incentive for accredited entities.

(iii) How to implement compliance checks in the areas listed below:

Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity).

All reporting should be transparent and easily accessible to the public: they should be published on the GCF website and on the entity website as soon as they are drafted (in English as well as in the appropriate the local languages), and proactively disseminated to affected stakeholders. They as well as civil society should be consulted in a meaningful manner in the preparation of the report and should have access to relevant documents sufficiently in advance and be allowed to comment on the final report to ensure their views have been reflected sufficiently in the report. The GCF thus needs to design a formal procedure to take into account the views of stakeholders.

The self-reporting has to cover each safeguard, including policies on whistle-blower protection, anti-corruption, procurement, anti-money laundering and information disclosure. Where weaknesses exist the entity should set out its plans to improve performance. Similarly, any change which impacts on the initial accreditation review of an entity should be reported and publicly disclosed.

Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance.

Ad-hoc or mid-term checks by the Secretariat should include meetings and interviews with stakeholders, affected communities and engaged CSOs. The report or review of the non-compliance issue should duly reflect the views and information shared by such concerned stakeholders and the way in which this is taken into account in the accredited or executing entity's response.

Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project/programme.

The approach may focus on projects assessed as high risk. Projects or programme being implemented in environments perceived as highly or moderately corrupt should take priority. A corruption risk assessment in line with the GCF's risk framework should be completed at the outset of any project or

programme operating in such an environment. This should be continually monitored and form part of the annual review.

As stated elsewhere, this review should also take into account the views and information provided by concerned stakeholders including civil society and affected communities.

In terms of guidance, the GCF may wish to follow or adapt the [Hydropower Sustainability Assessment Protocol's risk assessment methodology](#). This tool provides a comprehensive and well-considered basis for reviewing performance across a wide range of risk categories including fiduciary, environmental, social and gender.

A light-touch review of the accredited entity half-way through its five-year accreditation period.

The above-suggested procedures for ad hoc checks and annual reviews should apply for the mid-term review. Here as well, a key point is to ensure a framework which takes into account the views of all relevant stakeholders, as elaborated above.

Any additional compliance checks that may be identified.

Incompliance identified by stakeholders (through independent evaluation reports for example) must systematically be taken under consideration and independently investigated, with full disclosure of the process and of relevant documents. Given that the GCF is the ultimate responsible body for ensuring its funds are well spent, implementing entities should refer all their grievances to the Independent Redress Mechanism of the GCF. Some implementing entities accredited by the Fund might not have adequate safeguards policies and associated grievance mechanisms in place. In case the GCF would completely outsource its grievance procedures to implementing entities, this could create an inconsistent and fragmented record in this field.

(iv) How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii)

An early warning system will be heavily dependent on outside information (complaints, tip-offs, etc.) provided by individuals or groups who are affected by, witness or otherwise discover wrong-doing. This includes local communities, company employees, individual academics, journalists and CSOs. As the GCF is just one of numerous multilateral financial institutions, there is a significant risk that its role in funding new project investments and its accountability mechanisms will not be well known or understood on the ground among local communities and other concerned parties. A wider and more structural engagement of CSOs within the evolving GCF is arguably needed. Donors to the Fund should consider facilitating initiatives to enhance CSO input and participation to this end.

[A citizen-based complaint and referral system](#), for example in the form of an Independent Ancillary GCF Civil Society Information Facility, could therefore be an important addition to the existing governance structure of the GCF. It is not to suggest an extra layer of bureaucracy, but instead a CSO-driven counterpart arrangement to complement and strengthen the existing grievance and

monitoring mechanisms of the GCF. An important role for a CSO-led function would be to further galvanise CSO involvement and participation in the operational phase of the GCF, thus contributing to the GCF obtaining the necessary trust from its very beginning in promoting equity in delivering on international climate policies. It should also build on the experience of, and seek cooperation with, the networks of CSOs involved in monitoring and improving existing grievance mechanisms of other international financial institutions or private sector institutions, including some implementing entities. In essence, the CSO-led function would serve as a clearinghouse and concentrate on opening communication channels between the operational structure of the GCF and the public at large.

The CSO-led function should support communities and other concerned parties to bring their concerns and aspirations across to the GCF and its implementing entities. It would enable access to information and trust building between the GCF, the accredited implementing entities and the communities that stand to benefit from its operations, allowing the GCF to become an institution genuinely learning from mistakes as well as observed best practices. It could actively assist the GCF to reach out to communities and other parties to strengthen the effectiveness of the Fund by expanding opportunities for effective participation of civil society. Further discussion is needed to work out and ensure the basis of its legitimacy, to secure adequate independent funding and to elaborate and articulate its role and function in the long run. TI's [Advocacy and Legal Advice Centres](#) may be a constructive model which the Fund may consider.

Civil society actors together with the GCF Board and Secretariat should explore options to develop an Independent Ancillary GCF Civil Society Information Facility that acts as an open forum, but with a clear core of people working specifically on the GCF. It would be one concerted civil society effort with a clear responsibility and visibility, with a commitment to the GCF to fulfil the following functions:

- ◊ A readiness program for Southern CSOs, facilitated by both GCF and CSOs that are/become directly engaged in the GCF, in service of outreach to local actors and communities through various means at the various relevant levels;
- ◊ Collaborate with GCF IIU and IRM to ensure a pro-active spread of information, to equip potentially affected communities, local CSOs/IMOs and other stakeholders about the GCF, its organizational/procedural requirements, policies, and the function of the GCF IIU/IRM;
- ◊ Gather and facilitate information exchange between CSOs and experts working on grievance mechanisms, with a focus on synchronising efforts and know-how regarding the GCF, other international funding agencies and the GCF's Implementing Entities.

(v) How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the performance of accredited entities;

This question is partially explained above and in TI's view, it is one of the most critical for an effective M&A framework. In terms of how to ensure that local monitoring systems are participatory and inclusive, TI issued [an assessment and recommendations for project monitoring](#). This was the product of multi-stakeholder discussions held in the context of TI's Climate Finance Integrity Talk series conducted in 2013-2014. Some key recommendations for project monitoring are summarised here:

◊ A first step is to ensure that stakeholder consultations are conducted in project monitoring processes are open and transparent. It is key that concerned stakeholders (especially climate vulnerable communities) are informed about projects and programmes. This requires regular outreach and information sharing by accredited entities, NDAs, civil society organisations and the Fund itself; but also includes a capacity building aspect so that stakeholders are able to understand and use the information delivered to them.

◊ Such information sharing should include concrete guidelines and protocols for stakeholder consultations which are developed by project implementers. Such guidelines should be harmonised in order to prevent fragmentation in this area and reach a common approach towards civil society involvement. On this basis, mechanisms to ensure these guidelines are followed in practice should be developed, implemented and monitored.

◊ Project monitoring should be enabled throughout the project cycle. This includes the project design stage. From TI's assessments, particularly in large-scale, highly technical projects, a project's design can influence the tendering process by setting specifications, which favour particular actors in a procurement award. This can be avoided by assuring information disclosure to a third party, independent monitor which should ideally include civil society actors. Accredited entities should establish formal stakeholder groups to monitor the project cycle, from beginning to end. The group should include representatives of all relevant stakeholders and should have access to regular project information. The group should review the data and provide feedback to the accredited entity - and indirectly to the GCF - on implementation performance. It should possibly focus on higher risk operations in particular. There is significant experience in this field on which the GCF can draw to determine the size of the group (relatively small), its composition, its workings and status.

◊ Project cycle monitoring in some instances should designate a third party monitor throughout the project cycle, which again should involve independent CSOs (see as an example a [report](#) prepared by TI Bangladesh). Such a monitor is preferable where the project risks - fiduciary, environmental, social or gender-based - are assessed as high. TI suggests that an [integrity pact](#) or like instrument be available as a risk mitigation assurance.

◊ Project or programme designs should ensure that sufficient resources are budgeted for full project cycle monitoring including civil society consultations and third party monitors. To this end, bilateral and other donors should create enhanced space and funding for CSOs and local stakeholders to engage in monitoring and due diligence review processes; setting and resourcing a flexible trust fund is one option to consider.

(vi) How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period

As stated elsewhere, the reaccreditation process should ensure that the views of concerned stakeholders including civil society are solicited and taken on board in determining reaccreditation as well as the conditions which will apply upon a reaccreditation decision.

(vii) How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently

Ultimately accountability for managing risks related to the performance and quality of accredited entities and for GCF financed projects or programmes rests with the GCF as a legal entity, its Board

and actors delegated with legal responsibilities to carry out Fund operations. Given the current climate finance overlaps including the potential of accredited entities being held accountable under other legal frameworks, and the potential for GCF projects and programmes being also co-financed by other climate finance institutions, there is equally a potential that risk management can be achieved through other monitoring processes.

However, that potential should ensure that such other monitoring processes employ the same robust level of standards as demanded by the GCF. Furthermore, such reliance should not create additional confusion regarding accountability matters at the recipient country level. A considerable reporting burden persists for recipient institutions because climate finance is currently collected and disbursed by numerous multilateral and bilateral funds, each having their own risk management frameworks and safeguards. Moreover, the current situation is also frustrating when it comes to addressing and remedying grievances. In many cases, persons who are witnesses or victims of corruption are debilitated by lack of clarity regarding to whom, when, and under what conditions they can and should make a complaint. The GCF must assure that it does not further aggravate but rather aims to resolve this situation. It is therefore recommended that with regard to grievance handling, the ultimate authority should be entrusted to the GCF. In some cases, accredited entities may not have adequate safeguard policies and associated grievance mechanisms in place. In other cases, implementing entities may attempt to defer all responsibility to project proponents.

Accordingly, the GCF should not outsource its grievance procedures to implementing entities, in order to avoid generating an inconsistent and fragmented record in this field. This should prevent a repetition of the lack of accountability that is often observed with financial intermediaries contracted by other multilateral financial institutions. Strong principles and fiduciary standards - including standards for grievance procedures - will prove essential for the GCF to withstand pressures to compromise on accountability for the sake of meeting funding release targets or accommodating certain political sensitivities.

(viii) How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework

National Designated Authorities or Focal Points could actively engage in the monitoring and review framework by requiring and overseeing that accredited entities comply with the Fund's safeguards and that stakeholders are duly consulted concerning the accreditation of entities operating under their jurisdictions as advanced elsewhere in this submission. They should take into account the independent project monitoring done by watchdogs and CSOs, and could arrange public hearing at the project site to make sure information is reaching concerned citizens and also giving them an opportunity to express and get feedback to their possible concerns or issues.

However, in relation to the GCF itself, NDAs as well as Focal Points appear to have no legal accountability to the Fund in such capacity. For example, while the names of such actors are known, the Fund does not require that such actors explain to whom, under what terms and how they are individually accountable within their jurisdictions. This transparency gap could be remedied by such information being made explicit on the websites of the Fund, the NDAs or the Focal Points.

Further, in some instances, NDAs or Focal Points may restrict or limit civil society or other groups or individuals from being engaged in consultations concerning national GCF strategies and planning, accreditation or project/programme monitoring and evaluations. By setting clear and compulsory guidelines for multi-stakeholders consultations, the Fund can limit and avoid such a potentially negative outcome.

(ix) How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.

The Fund should regularly review the M&A framework with a view to improving it according to experience gained as well as lessons learned; a first update should be realised within the first two years and include the views of different stakeholders.

With regard to stakeholder consultations - in project monitoring and accreditation approval, review and reaccreditation processes - the GCF and/or its accredited entities should develop a cache of good practice examples. This should include examples to show the payoffs of CSO involvement to improving project effectiveness, enhancing country ownership and protecting against corruption as well as abuses of environmental, social and gender safeguards.

Concerning grievances, the GCF Board should assume a hands-on approach in developing its independent grievance mechanisms, safeguards and national GCF strategies, including an active outreach policy in cooperation with CSOs to ensure that its potential is being understood by all parties affected by activities supported by the Fund and their active participation in decision-making is sought.

14. United Nations Environment Programme (Date Received: August 17)

UNEP INPUTS TO DEVELOPMENT OF GCF ACCOUNTABILITY AND MONITORING FRAMEWORK

Inputs required by GCF	UNEP response
(i) Which corrective actions and remedies can be implemented in cases of non-compliance of the Fund's accredited entities with the accreditation fiduciary standards, environmental and social safeguards and gender policy set by the Fund;	<p>Non-compliance is unlikely to be events but overall tendency or quality of compliance. Key set of indicators and safeguards on compliance and related standards can be introduced. Accredited Entities (AE) are to carry out self-assessments on these indicators, which can be verified through supporting documents, and random oversights/audits.</p> <p>Potential non-compliance can be dealt through a process including: queries with adequate response period, verification missions and oversight audits when necessary. Corrective actions can include temporary suspension of select activities at various levels depending on severity of non-compliance finding, including a grace period to reestablish compliance.</p> <p>Following annual assessment of compliance, the GCF Board may wish to consider putting in place (i) a system to develop / agree on a plan for the implementation of the corrective measures; (ii) verify the outcome/ results of the implementation of such a plan.</p>
(ii) How to provide the right incentives to the Fund's accredited entities to ensure quality and performance in project and programme implementation;	<p>Agency implementation fee is an important relevant incentive which should be considered carefully. The GCF Board should consider that the cost regarding AEs compliance with the GCF fiduciary standards will come mainly from this fee, as they take a final decision on the policy regarding setting such a fee. An assessment of the implementation fee system used by other multilateral funds would be useful to inform the board decision on the fee structure.</p> <p>Regarding providing incentives to AE, high performance ranking in the GCF scorecard system could imply that such AEs are prioritized for re-accreditation with prospects for higher level of funding.</p>
(iii) How to implement compliance checks in the areas listed below: (a) Annual self-reporting of the accredited entity with regard to the Fund's fiduciary standards, environmental and social safeguards, and gender policy (and any time there is an important change in the capacity or any other material aspect of the accredited entity);	<p>GCF to have an observer seat in the governing meetings of the AE to obtain full understanding of the overall entity performance and impact.</p> <p>To support the compliance checks and procedures AEs to provide GCF the calendar and list of mandatory reporting, the regular reports and their formats, audited financial statements and independent evaluation annual reports.</p> <p>a) Compliance checks by GCF could entail the use and review of AEs annual audited financial reports comprising a dedicated section on GCF. Also, the annual progress reports on gender and environmental</p>

<p>(b) Ad-hoc checks by the Secretariat at the level of the accredited entity and/or at the level of the project/programme, when any significant concern arises of potential non-compliance;</p> <p>(c) Annual review on a given proportion by number of projects, of the Fund's portfolio of projects and programmes, where projects and programmes to be reviewed are selected inter alia with consideration of the risk category of the project /programme;</p> <p>(d) A light-touch review of the accredited entity half way through its five-year accreditation period;</p> <p>(e) Any additional compliance checks that may be identified;</p>	<p>and social safeguards. Regarding gender mainstreaming, measurable indicator(s) to assess an entity's compliance and performance in relation to the GCF Gender Policy implementation are required in each AE.</p> <p>b) Non-compliance on safeguards introduced by GCF (e.g. audit qualified opinion, GCF own findings) should lead to dialogue with relevant AE on the matter with time given to AE to explain, deployment of possible explanatory mission, including an oversight audit if needed, and opportunity for AE to take remedial steps to ensure compliance.</p> <p>c) UNEP has a project-at-risk system in place in which projects that do not meet the thresholds on budget¹, project cycle management, project delivery progress and compliance with reporting requirements are flagged for management action. Similar criteria can be applied for annual review of GCF funded projects.</p> <p>d) Ranking in the GCF scorecard could serve as indication of what level of review is required.</p>
<p>(iv) How to set an early warning system to support ad-hoc checks and the annual review of a portion of the Fund's portfolio and other monitoring instruments indicated in paragraph (ii);</p>	<p>An automated early warning system can be developed in the GCF web based reporting platform with periodic triggers, such as slow delivery / achievement of results, budget management, as reported through annual reporting, which can be used to flag potential issues.</p> <p>GCF Coordinators in the AE can be responsible for overall supervision and identification of major implementation challenges and communication with the GCF Secretariat in a coordinated manner. These may include significant operational challenges; potential implementation suspensions; or changes of project approaches or management arrangements.</p>
<p>(v) How to set up a participatory local monitoring system which encompasses a range of stakeholders, including women, that provide feedback on the performance of accredited entities;</p>	<p>GCF could set up a web based application for the use of national designated authorizes/focal points for assessing performance of AEs based on key agreed performance indicators.</p> <p>A simple to use cloud –based computer software system to capture and disseminate progress can be developed. Various access rights to the system can be implemented as required for the various ranges of stakeholders. Various types of monitoring reporting and charts and dashboard can be developed to facilitate easy monitoring.</p>

¹ Budget information is pending full deployment of UMOJA

	When web based application is not feasible, local feedback can be sought through stakeholder consultation during the annual project progress report preparation stage. This can be disclosed to public for transparency and communication purposes.
(vi)How to process potential reaccreditation of accredited entities at the end of their five-year accreditation period;	<p>The reaccreditation should consider the following elements: (i) AEs performance during the 5 year period; (ii) status of accreditation with other funds, such as GEF, Adaptation and Multilateral Fund.</p> <p>Depending on the high performance rating in the GCF scorecard including key performance indicators on project implementation performance and management for each AE, a simplified process for accreditation could be established.</p>
(vii)How the Framework can design and employ a risk-based approach, including by leveraging other monitoring processes, to use its resources efficiently;	Please see description of project-at-risk system in UNEP as described in iii) C above.
(viii)How the Fund's national designated authority or focal points can play an active role in the Fund's monitoring and accountability framework;	<p>GCF may wish to keep National designated authorities /focal points regularly informed on the performance of AEs including on the results from monitoring and evaluation of the projects implemented by AEs. The GCF may also wish to set up a forum similar to the GEF assembly which can also be another means for sharing information and engaging with NDAs.</p> <p>National designated authorities/focal points could be given access to GCF's web based system on key performance indicator reporting to review and comment the performance records provided by AE. GCF system should be linked to AEs existing monitoring systems to avoid unnecessary and duplication of reporting.</p>
(ix)How the information generated by the monitoring and accountability framework can effectively support the development of the Fund's knowledge management system.	The information generated should be evaluated, reviewed and repackaged by relevant experts into various forms of knowledge schemas or structures and captured in a robust web-based knowledge management system. A global community of experts or community of practice should be established to ensure the sustainability of knowledge sharing. Important is to link the knowledge and information generated through project/programme records with existing global knowledge networks such as UNEP Live.