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

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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 stakeholders\(^2\), 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

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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

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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 safe 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.”

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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.”\(^6\)


monitoring “programmes and projects, as well as other activities, funded by the Fund.”

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.”

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 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 equitable 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 CARE or other international organizations employing participatory monitoring approaches in community based implementation, including the FAO and the World Bank. These are to be understand as part of a broader set of GCF mandatory guidelines for meaningful and comprehensive stakeholder input and participation throughout all level of GCF activities.

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

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 gatekeepers 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.

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.