



SOCIAL AND ENVIRONMENTAL ACCOUNTABILITY OF CLIMATE FINANCE INSTRUMENTS

Policy Brief September 2015

Executive summary

Climate change is a global injustice to present and future generations, and one of the greatest human rights challenges of our time. For one, climate change has a significant effect on several human rights, such as the right to safe and adequate water and food, the right to health and adequate housing, and the right to life. On the other hand, certain actions to address climate change can directly result in adverse impacts on human rights.

The need for a human rights based approach is already enshrined in the 2010 Cancun agreements and is seen by many as a core foundation of the Paris climate treaty. Despite the existing mandate, there is little guidance on how human rights can be systematically considered in the design of climate action, which is of particular relevance in relation to achieving sustainable development objectives, full and effective public participation in design and implementation of measures to address climate change and ensuring social as well as environmental accountability for all climate actions.

A closer look at instruments established under the United Nations Framework Convention on Climate Change (UNFCCC) to address climate change reveals that so far the Cancun mandate has hardly been operationalised and enforced. In addition, a lack of harmonised guidance has resulted in a fragmentation of criteria and standards across mechanisms with current mechanisms applying very heterogeneous approaches to the promotion of sustainable development, the consultation of local communities and access to redress mechanisms.

For example, the Clean Development Mechanism (CDM) – the UNFCCC climate mechanism that offers most experience – does not have any safeguards policy or a redress mechanism in place. Although it has improved its local stakeholder consultation rules, infringement is not linked to a compliance mechanism. Information about how Reducing Emissions from Deforestation and forest Degradation (REDD+) safeguards are respected will need to be reported through a Safeguards Information System (SIS), with reporting requirements likely to differ from country to country. In the case of Nationally Appropriate Mitigation Actions (NAMAs) the issue is even more fragmented with no universal guidelines on how to conduct local stakeholder consultations and no requirements related to redress mechanisms and safeguards systems.

In case measures are financed through the Green Climate Fund (GCF) or the Adaptation Fund (AF), the situation looks a bit different because these funds have relatively robust social safeguard policies in place. However, experience with AF projects has revealed challenges in enforcing these safeguard policies and lessons learnt from the GCF safeguard framework are not yet available.

Although the GCF will apply the World Bank’s social and environmental safeguards until it will adopt its own safeguards policy, not all climate finance will be channelled through the GCF. Numerous other ways to mobilise and channel climate finance are currently being discussed, including initiatives by the World Bank, such as the pilot auction facility for projects to reduce methane emissions, the Partnership for Market Readiness (PMR), or results based finance programmes to fund climate mitigation through bilateral political agreements, whereby it is unclear which institution may be accountable for possible human rights abuses. This fragmentation of standards adds a challenging layer for governments to fulfil the different criteria of various UNFCCC instruments in order to access climate finance.

While it is important to advance the policy reforms of the individual climate instruments, the current negotiations provide a crucial opportunity to enshrine the recognition for a human rights based approach in the Paris climate treaty.

This policy brief offers more detailed recommendations for the above mentioned UNFCCC instruments in the sections below. However, to address the challenges of increased fragmentation following recommendations are made:

- Establish an institutional social and environmental safeguards system applicable to all UNFCCC mechanisms and funds, including best practice guidance on stakeholder consultations and human rights impact assessments;
- Create an independent UNFCCC accountability mechanism with multiple functions, including an ombudsman office and compliance review panel;
- Establish a communication platform to share information and best practices of international financing institutions related to projects or programmes implementing climate action;
- Establish a platform for sustainable development benefits reports across all UNFCCC mechanisms.

We recommend the following language to be incorporated in the Paris climate treaty:

“All Parties shall, in all climate change related actions, respect, protect, promote, and fulfil human rights for all, including the rights of indigenous peoples; ensure gender equality and full and effective and gender-responsive participation; ensure food security and the protection and resilience of natural ecosystems; and ensure a just transition of the workforce that creates decent work and quality jobs.”

Introduction



It is well recognized—by the UN Human Rights Council and others—that climate change and certain actions being taken to address climate change interfere with the enjoyment of human rights protected under international law. For this reason, in 2010, the Parties to the UNFCCC agreed that “Parties should, in all climate change-related actions, fully respect human rights.” The decision also recognized the need to engage a broad range of stakeholders in climate policy making and ensure that gender equality and the effective participation of women and indigenous peoples are included in all aspects of climate change. Human rights are also interlinked with sustainable development. In fact, ensuring human rights is a precondition for sustainable development benefits.

A human rights based approach is generally considered as a recognition of existing obligations, including with regard to i) safeguards and accountability ii) full and effective public participation in design and implementation of measures to address climate change, and iii) support for poorer countries whose capacities to protect their citizens’ human rights are strained by climate change impacts.

While there is a clear mandate for a human rights based approach, there is little guidance on how human rights can be systematically considered in the design of climate action. Consequently, to a large extend, human rights and climate change are still dealt with in isolation.

This policy brief examines and compares existing accountability criteria and safeguards in different UNFCCC instruments that have *inter alia* sustainable development objectives and looks in particular at sustainable development objectives, local stakeholder consultation rules, and available grievance mechanism procedures for each of the following selected instruments:

- **Clean Development Mechanism (CDM)**
- **Reducing Emissions from Deforestation and forest Degradation (REDD+)**
- **Nationally Appropriate Mitigation Actions (NAMAs)**
- **Green Climate Fund (GCF)**
- **Adaptation Fund (AF)**

Based on examination, this policy briefing highlights key recommendations to maximize sustainable development co-benefits and reduce the risks of the infringement of the rights of local communities by projects implemented under or financed by these instruments.

Clean Development Mechanism



Introduction

The Clean Development Mechanism (CDM) is a project-based flexible offsetting mechanism under the Kyoto Protocol that allows developed countries to credit emission reductions from greenhouse gas (GHG) emission abatement projects in developing countries. The mechanism has two main purposes: promoting sustainable development in developing countries and enabling industrialized countries to achieve emission reductions in the most cost-effective way. Emission reductions are awarded in the form of carbon credits, called Certified Emission Reductions (CERs). To date, more than 7500 CDM projects are registered, most of them implemented in China and India.

While the role of the CDM in a future climate treaty is uncertain, the rules and procedures established over the past years are likely to influence the design of any future carbon crediting mechanism. Lessons learnt from its implementation are therefore important to consider for the reform of the CDM as well as for the design of future mechanisms.

Sustainable development objectives

Encouraging sustainable development in developing countries is a key objective of the CDM. At the design stage of each project, project developers specify how the respective CDM project will contribute to the sustainable development of the host country in the Project Design Document (PDD). As there is no international sustainability assessment process, the definition of the sustainability criteria is left at the

discretion of each government. In many cases, the defined criteria include only very general requirements and lack transparency and stringency. Field trips and first hand reports from local communities in the vicinities of CDM projects have shown that many implemented CDM projects do not live up to the sustainable development benefits indicated in the PDDs. For more information, see the CDM Benefit Tracker India.

Several reasons can be highlighted for the CDM to fall short on delivering sustainable development benefits. First of all, to receive carbon credits under the CDM, only GHG emissions need to be monitored and measured. This means that the contribution to sustainable development has no financial value which puts more emphasis on projects with more emissions reductions than on projects with potentially higher sustainability benefits. On the other hand, the lack of mandatory monitoring requirements does not provide incentives for project participants to fulfil promised sustainable development benefits.

To remedy this issue, the CDM Board has developed in 2014 a Sustainable Development Tool (SD tool) to enable project developers to identify sustainable development co-benefits. While the tool provides for the first time a universally accessible online platform to report about sustainable development impacts of CDM projects, there are several shortcomings: the tool is voluntary, does not allow for public comments and does not require third party verification of claimed benefits. This significantly weakens the legitimacy of this tool.

Local stakeholder consultation

Local stakeholder consultation (LSC) is a key requirement in the CDM registration process. The CDM Modalities and Procedures determine that all stakeholders relevant for the proposed CDM project must be informed about the planned activity and be invited to make comments. Yet, in the absence of common guidelines and clear criteria, poor practices in local stakeholder consultations have been evident. Numerous cases have shown that projects have been registered despite insufficient local stakeholder consultation, strong local opposition and clear evidence that projects cause harm to the local populations and/or ecosystems.

In November 2014, the CDM Board addressed some of the shortcomings by improving the rules which now require that local stakeholder consultations are to be conducted “in accordance with applicable national regulations, if any”. Although national rules often differ and are poorly defined, this change greatly improves clarity compared to the previous ambiguity. However, one gaping issue is the lack of enforcement and remedy in case national local stakeholder consultation rules are not complied with.

Grievance mechanism

Currently, there are no redress opportunities for civil society and affected local communities in case national or international rules are not complied with or in case of other adverse impacts of registered CDM projects. This is especially worrying as numerous projects have been reported to have negative environmental and social impacts, even causing human rights violations.

In light of the 2010 Cancun Agreement, and in light of a provision to uphold human rights in a future climate treaty, it is essential to swiftly operationalise this mandate. There are numerous improvements that can be made, including at CMP, Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) Board and host country levels:

Recommendations

- Define minimum global standards on sustainability and “no harm” requirements that each CDM project has to meet;
- Require that Designated National Authorities (DNAs) make their sustainable development benefit indicators publicly available at national and international levels;
- Introduce third party verification, do-no harm principles as well as public participation in the SD tool and make it a prerequisite for the purchase of carbon credits;
- Introduce best practice guidelines for how to conduct and validate local stakeholder consultations;
- Establish a grievance mechanism for CDM projects including procedures for suspending and deregistering projects in case of non-compliance;
- Introduce best practice guidance for national effective grievance mechanisms and communication channels between institutions involved in a specific CDM project;
- Introduce reporting and transparency requirements for national level grievance processes.

Reducing Emissions from Deforestation and forest Degradation



Introduction

In 2010, the Cancun Agreements established a REDD+ framework to support policies by developing countries aimed at reducing emissions from the forest sector. The framework is established as a country driven process involving the development of national strategies or action plans, the implementation of national strategies or action plans, and results-based REDD+ with financing. It builds on a comprehensive approach to mitigation action in the forest sector including: reducing emissions from deforestation; reducing emissions from forest degradation; conservation of forest carbon stocks; sustainable management of forests; and enhancement of forest carbon stocks. Modalities for the REDD+ framework were largely finalized in 2013 with the adoption of the “Warsaw Framework for REDD+”, a package of decisions that completed the guidance required for its full operationalization.

Sustainable development objectives

Since its inception, the REDD+ framework has been strongly rooted in the context of sustainable development. In the Cancun Agreements, the COP listed 11 criteria that should serve as guidance to all activities undertaken in the context of REDD+, including the need for activities to be consistent with Parties’ national sustainable development needs and goals, to be implemented in the context of

sustainable development and reducing poverty, as well as to promote sustainable management of forests.

Additionally, the COP adopted a set of safeguards that developing countries must promote and support. These safeguards include good governance, the conservation of natural forests and biological diversity, respect for the knowledge and rights of indigenous peoples and members of local communities. The COP also requested developing countries to consider land tenure issues, forest governance issues and gender considerations in the implementation of REDD+ projects. The safeguards remain however worded in very broad language without further guidance being provided by the UNFCCC.

In 2010, parties to the UNFCCC agreed that all governments implementing activities in the context of the REDD+ framework must provide information related to how the Cancun safeguards have been respected through a Safeguards Information System (SIS). The COP emphasized that the SIS should be country-driven but did not provide further guidance. A COP decision on how frequently developing countries should provide information to the UNFCCC with regards to the implementation of the Cancun safeguards is expected in December 2015. It is expected that information to be provided through the SIS is likely to differ widely between countries, both when establishing the SIS and when providing summarized information to the UNFCCC.

Local stakeholder consultation

The Cancun Agreement emphasized that developing countries must ensure the full and effective participation of relevant stakeholders, including inter alia indigenous peoples and local communities, when developing and implementing REDD+ national strategies and action plans. The REDD safeguards also include the full and effective participation of relevant stakeholders, with a specific reference to the United Nations Declaration on the Rights of Indigenous Peoples.

The UN-REDD Programme and Forest Carbon Partnership Facility have prepared joint guidelines on stakeholder engagement in REDD+ Readiness, which define stakeholders as those groups that are affected by activity or interested in the forest. The guidelines define an 8-step approach to stakeholder engagement. They also pay particular attention to indigenous people, recognizing free, prior, and informed consent as a collective right for indigenous peoples.

Grievance mechanism

The decisions adopted by the UNFCCC in relation to REDD+ do not contain specific requirements related to the establishment of grievance mechanisms at the national level. Additionally, there is at present no central grievance mechanism established at the international level in order to deal with the complaints related to the implementation of the Cancun safeguards by REDD+ projects. Nevertheless, several existing schemes for the financing of REDD activities do already include complaint and grievance mechanisms. In particular, the World Bank has supported the development of mechanisms for grievance, conflict resolution and redress in each of the countries participating in the REDD Readiness program.

Recommendations

Building on the Cancun safeguards, the parties to the UNFCCC should:

- Provide detailed guidance on the monitoring of the promotion of the Cancun safeguards, including in relation to the setting-up the Safeguards Information System (SIS) as well as in relation to the preparation of the summary information to be submitted to the UNFCCC;
- Clarify how to incentivize the effective promotion of the Cancun safeguards and how to assess their full respect in the context of access to results-based finance;
- Adopt guidance on minimum standards for the establishment of grievance and complain procedures at the national level and consider the establishment of an international grievance and complaints mechanism under the UNFCCC to the respect and promotion of the Cancun safeguards.

Nationally Appropriate Mitigation Actions



Introduction

At the Cancun COP-16 in 2010, the parties to the UNFCCC decided that developing countries will undertake Nationally Appropriate Mitigation Actions (NAMAs) to contribute to tackling challenges caused by climate change. Since then, two main categories of NAMAs have been established. Firstly, developing countries are invited to submit to the UNFCCC secretariat their national emission reduction goals that contribute to their global mitigation effort (“pledge NAMAs”). Secondly, developing countries are invited to formulate specific national actions that contribute to their overall mitigation objective (“individual NAMAs”). Individual NAMAs distinguish between unilateral and multilateral NAMAs, according to whether they are reinforced through national resources or international support. They can be submitted to a registry managed by the UNFCCC secretariat, either for international recognition or to seek financial and technical support necessary for their implementation. The present section relates only to individual NAMAs as those are intended to leverage international support for specific climate mitigation projects or programmes.

Sustainable development objectives

NAMAs are primarily driven by a country’s need for development and reflect national priorities. Unlike carbon offsetting mechanisms, such as the CDM, emission reductions are considered as co-benefits to other national or subnational objectives. While the COP decision referring to the commitment for developing countries to undertake NAMAs emphasized that these actions should be implemented in the context of sustainable development, the COP did not further elaborate on the criteria, methodologies or safeguards for assessing the contribution of NAMAs to sustainable development.

Given the strong country-driven nature of the NAMAs process, there is at present no internationally-agreed mandatory system for the measurement, reporting and verification (MRV) of individual NAMAs, let alone for the assessment and monitoring of sustainable development and social impacts of NAMAs. In some cases the MRV of sustainable development benefits can be agreed between the institution providing finance for NAMA development and the host country. For example, countries accessing finance through the NAMA Facility need to respond to a range of mandatory indicators, including the number of people directly benefitting from NAMA actions.

Developing countries’ governments can also submit NAMAs through the NAMA registry where they are invited to provide information related to co-benefits for local sustainable development. No further guidance was provided regarding the nature of information that governments might submit under this rather general heading.

The UNDP developed in September 2014 a voluntary tool to report and monitor sustainable development benefits, over its full life cycle, on the basis of a set of 23 indicators. The NAMA developers can choose which of the indicators are most relevant to the project and develop their own methodology of assessment.

A similar initiative was undertaken by the NAMA Partnership Working Group on Sustainable Development together with the International Institute for Sustainable Development (IISD) and the UNEP DTU Partnership, which aim to improve quantitative and qualitative measurement of the sustainable development outcomes of NAMAs. The research is applying the taxonomy from the CDM SD tool to NAMAs, in order to design a relevant NAMA Sustainable Development assessment tool. It contains 11 elements for users to consider (e.g. SD criteria and indicators, transformational change, stakeholder participation, no harm safeguards) which can be subjected to assessment.

Local stakeholder consultation

There is a wide understanding that the process of developing and implementing NAMAs requires broad consultations across different stakeholders. UNDP, UNEP and UNFCCC developed a guidance for NAMA design, which recognizes the need for wide stakeholder engagement in every stage of the process. However, there are no officially agreed rules on the process of stakeholder consultations in NAMAs, nor is the need to consult local stakeholders mentioned explicitly in any of the decisions adopted in relation to NAMAs.

In comparison to NAPAs (National Adaptation Programmes of Action), which include guiding elements for preparation, consisting of participatory process involving stakeholders, particularly local communities, sustainable development and gender equality, NAMAs lack guidance as to minimum standards for consultative processes. Whether stakeholders are consulted in the preparation of NAMAs and how these consultations take place is thus left at the discretion of the national government.

Grievance mechanism

At present, there is no grievance mechanism or specific remedy established for local communities that might suffer adverse impacts resulting from the implementation of an individual NAMA. There is a general understanding that large institutions that finance NAMAs, such as the Green Climate Fund or development banks of industrialised countries, usually have their own safeguard policies because of their development finance experience. However, as NAMAs are increasingly seeking finance from the private sector and other donors the need for specific safeguard policies becomes more and more urgent.

Recommendations

- Adopt universal safeguards building on international good practice, to ensure NAMAs’ contribution to sustainable development, consisting of SD indicators, stakeholder involvement and safeguards against negative impacts that are integrated into the action cycle of NAMAs;
- Adopt guidance for sustainable development assessment for unilateral NAMAs, which could be inspired by safeguards developed for REDD+ framework and its Safeguard Information System;
- Adopt guidance for participatory planning and coordination frameworks for NAMAs, possibly building on the experience of the NAPAs preparatory process;
- Adopt guidance on minimum standards for the establishment of grievance and complaint procedures at the national level.



Introduction

The Green Climate Fund (GCF) was developed as an operating entity of the Financial Mechanism of the UNFCCC, with the purpose of strengthening the provision of long-term climate financing for developing countries. Established in 2010, the GCF is mandated to support adaptation and mitigation efforts to address climate change. The Fund is governed and supervised by its Board, the members of which are nominated by countries. While it is an independent entity, it reports and remains accountable to the COP. Unlike previous major multilateral climate funds, the GCF is open to a broad base of funding sources, including both developed and developing countries, as well as private financial sources. Considering the wide range of activities that will be supported by the GCF, the Fund will have a very significant effect on the long-term development of developing countries and the livelihoods of affected communities. The Fund has already accredited entities and is expected to approve first funding proposals this year.

Sustainable development objectives

The Fund’s Governing instrument (GI) stipulates that the objective of the Fund is to “promote the paradigm shift towards low emission and climate-resilient development pathways in the context of sustainable development”. Additionally, the GI emphasizes that, while supporting mitigation and adaptation activities, the Fund will promote environmental, social, economic, and development co-benefits and take a gender-sensitive approach.

In 2014, the Board decided to adopt on an interim basis the environmental and social performance standards of the World Bank’s International Finance Corporation (IFC). These eight performance standards include: i) assessment and management of social and environmental risks and impacts, ii) labour and working conditions, iii) resource efficiency and pollution prevention, iv) community health,

v) safety and security, vi) land acquisition and involuntary resettlement, vii) biodiversity conservation and sustainable management of living natural resources, viii) full respect of the rights of indigenous peoples and protection of cultural heritage. The Board also agreed to develop within three years of becoming operational, its own environmental and social safeguards (ESS), building on best practices and standards and with the involvement of stakeholders.

Sustainable development objectives and co-benefits need to be taken into consideration in two processes leading to receiving support for projects and programs. Firstly, the respect and promotion of the ESS is considered during the accreditation of implementing entities. Secondly, the Secretariat assesses the compliance of submitted funding proposals with interim ESS, gender policy and financial policies. Furthermore, both the Secretariat and independent technical advisory panel assess the funding proposals against the investment criteria and provide advice to the Board. The initial investment framework provides six high level investment criteria, including ‘sustainable development potential’, based on which the Board is able to approve projects and programmes.

Finally, under the initial results management framework, which provides performance measurement frameworks, it is proposed that mitigation interventions report on at least one co-benefit. It is up to project proponents to select one or more co-benefits to report on.

Local stakeholder consultation

The GI emphasizes the importance of stakeholder consultations and identifies the following groups as important for participatory processes: civil society organizations, vulnerable groups, women and indigenous peoples. The instrument mandates the GCF Board to develop mechanisms to promote the input and participation of stakeholders in the design, development and implementation of the funded strategies and activities. So far this initiative has not been carried out.

In order to ensure country ownership and alignment and consistency of activities with national priorities, the GCF has established a so called “no-objection approval procedure”, through which the National Designated Authorities (NDAs) are expected to confirm to the Fund that projects seeking funding are in line with the sustainable development strategies of the countries and that stakeholders have been appropriately consulted during the design of the project.

Additionally, the Fund’s GI encourages the use of participatory monitoring involving stakeholders when measuring and reporting on the implementation of projects. In principle, this reference opens the possibility for an involvement of stakeholders throughout the life-cycle of the projects.

Grievance mechanism

The GI of the Fund mandated the establishment an Independent Redress Mechanism to “receive complaints related to the operation of the Fund and [...] make recommendations”. According to the Terms of References adopted by the Board in 2014, the mechanism enables the submission of grievances or complaints by communities and peoples who are directly affected by adverse impacts of projects resulting from failure to implement the Fund’s operational policies and procedures, including environmental and social safeguards. The Independent Redress Mechanism can make recommendations specific to the project or related to the operational policies and procedures. This mechanism is to follow international best practices.

Recommendations

- The GCF must provide a compliance system, which discloses sanctions and corrective actions for accredited entities in case of non-compliance with Fund’s fiduciary standards, ESS and the gender policy;
- The GCF should commit to a ‘no harm’ approach by refraining from funding activities, which have a risk of causing environmental, social or gender-specific harm;
- The Board should in line with paragraph 71 of the GI establish a mechanism for meaningful, comprehensive and gender-sensitive stakeholder engagement and participation, which enables stakeholders a continuous feedback throughout the project cycle to the GCF;
- The Board should develop mandatory operating guidelines for participatory monitoring, in line with the paragraph 57 of the GI, through which stakeholders at various levels can provide early warning on potential problems with implementation of funded activities, and call for early corrective action. Participatory monitoring should be extended to assessment of applicants for GCF accreditation and the implementation of all GCF funded activities;
- The Board should ensure clear standards of transparency and information disclosure, including timely disclosure of documents before consultations in locally relevant languages and formats, so it allows for meaningful stakeholder commentary and input;
- The GCF must ensure the affected communities direct access to and utilization of GCF complaints mechanism and accountability mechanism, regardless of implementing and executing entities’ own complaints mechanisms.

Adaptation Fund



Introduction

The Adaptation Fund (AF) was established under the Kyoto Protocol and has played an important role in scaling up available finance for adaptation in developing countries. It finances specific country-driven projects and programmes designed for improving the climate resilience of the recipient countries. The Adaptation Fund is mainly financed from a two per cent share of the proceeds generated by Clean Development Mechanism projects. Additionally, the Fund also receives voluntary pledges of donor governments.

Sustainable development objectives

In order to ensure that the projects supported by the Adaptation Fund do not cause adverse environmental or social impacts, the Fund adopted in 2013 an environmental and social policy. This policy aimed to bring the AF's practices in line with the practices of other leading financing institutions active in environment and development financing. The policy requires that all adaptation projects and programmes be examined in order to identify environmental and social impacts, and categorize the activity according to its potential environmental and social impacts. It determines that all projects/programmes supported by the Fund have to meet a set of environmental and social principles, recognising that some of these principles might not be applicable to all projects. The social principles include, among others, access and equity, non-discrimination of marginalized and vulnerable groups, respect of human rights, gender equity, respect of core

labour rights and avoidance of involuntary resettlement. Some of the environmental principles relate to protection of natural habitats, conservation of biodiversity, mitigation of climate change, pollution prevention as well as soils conservation.

The implementing entities are responsible for the establishment of an environmental and social risk management system that must commensurate in scope and ambition to the potential scope and severity of environmental and social risks inherent in the project/programme design. The implementing entities must screen proposed projects to determine whether they might cause harms. For all projects that are identified as involving potential environmental and social risks, an Environmental and Social Assessment must be conducted. This process leads to the elaboration of an Environmental and Social Management Plan listing all measures required in order to avoid, minimize and mitigate the risks identified.

According to the environmental and social policy, implementing entities must, during and at the end of implementation, monitor and report on the status of the measures adopted to avoid or mitigate environmental and social risks. The implementing entities must also include information on the status of implementation of these measures in their annual project/programme performance reports, as well as a description of any corrective actions that are deemed necessary. Furthermore, the mid-term and terminal evaluation reports shall also include information related to the performance of the project/programme with respect to environmental and social risks.

Local stakeholder consultation

Local stakeholders must be consulted during the design of a project/programme in a manner that is “timely, effective, inclusive, and held free of coercion and appropriate” for the directly affected communities. The consultation process should ideally include vulnerable groups and take a gender sensitive approach. The results of the consultative process must be reflected in the project design. The project proposal template requires applicants to provide information on these consultations, including how vulnerable groups and gender considerations were addressed through the process.

The AF's Instructions for Preparing a Request for Project/Programme Funding defines the information required in a funding request. The documentation of the consultative process must encompass the list of stakeholders, consultation techniques applied and key consultation findings, including suggestions and concerns. After the screening process of the proposal, the AF Board may request a more detailed description of the consultation process, along with reporting on stakeholders involved, or might call for further consultation with vulnerable groups.

Grievance mechanism

The implementing entities must also identify a grievance mechanism that provides people with an accessible, transparent, fair and effective process for receiving and addressing their complaints about project's environmental or social harms. Grievance mechanisms can be based on already existing rules on national, local or institutional level or can be project specific. The AF maintains on its webpage an updated list of the “Mechanisms for Handling Complaints” established by each accredited implementing entity. Additionally, complaints can also be addressed directly to the Secretariat of the AF which must respond promptly to all such complaints. However, this procedure falls short of the independent remedy requested by non-governmental organisations.

Recommendations

- In relation to public consultations, the AF should require applicants not only to provide information on the consultation process, but also to explain how the comments submitted have been dealt with;
- To ensure a systematic and independent review of complaints, the AF should establish an independent grievance mechanism at the international level competent to address issues related to the environmental and social policy and protecting the anonymous nature of complaints.

Conclusion

Despite having all been established under the UNFCCC, the examined mechanisms apply very heterogeneous approaches to the promotion of sustainable development, the consultation of local communities and access to redress mechanisms.

CDM
While the CDM stands out with its numerous quality criteria defined in its Modalities and Procedures, it is missing robust social and environmental safeguards and clearly lacks a mechanism for addressing concerns of affected communities once a project is registered. Currently, there are no redress opportunities for civil society and affected local communities in case national or international rules are not complied with or in case of other adverse impacts of registered CDM projects.

REDD+
Under REDD+, full and effective participation of relevant stakeholders with special reference to the rights of indigenous peoples is determined. To date, there is no central grievance mechanism established at the international level to deal with complaints of affected people. However, several existing schemes for the financing of REDD activities do already provide for complaint and grievance mechanisms.

GCF
The GCF provides environmental and social safeguards, which are applied through project and programme identification, preparation and implementation. However, the Fund still faces many unresolved issues with regards to stakeholder engagement, particularly with putting in place a mechanism to ensure sufficient standards for transparency and meaningful stakeholder engagement in the process.

NAMAs
NAMAs show a great potential as they move the focus away from climate mitigation to domestic sustainable development. However, they lack sufficient guidance, such as guidelines on stakeholder engagement and mandatory system to monitor sustainable development, in order to ensure they deliver positive impacts.

AF
The Adaptation Fund provides a good example as it requires that activities supported by the Fund meet a set of principles outlined in the fund’s environmental and social policy, in order to ensure that they do not result in unnecessary environmental and social harms. This includes requirements for consultative processes, as well as calling on implementing entities to identify a grievance mechanism.

Resources

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