

Green Climate Fund

Terms of Reference of the Independent Evaluation Unit, the Independent Integrity Unit, and the Independent Redress Mechanism

GCF/B.06/06

13 February 2014

Meeting of the Board

19-21 February 2014

Bali, Indonesia

Agenda item 10

Recommended action by the Board

It is recommended that the Board:

- (a) Takes note of the information presented in document GCF/B.06/06 *Terms of Reference of the Independent Evaluation Unit, the Independent Integrity Unit, and the Independent Redress Mechanism*; and
- (b) Adopts the draft decision contained in Annex I to this document.

Terms of Reference of the Independent Evaluation Unit, the Independent Integrity Unit, and the Independent Redress Mechanism

I. Introduction

1. In accordance with the Governing Instrument, an Independent Integrity Unit (IIU), and an independent redress mechanism (IRM) and an operationally independent Evaluation Unit (IEU) are part of the governance structure of the Fund. The respective heads are appointed by the Board.¹

2. Provisions regarding the IIU and IRM are set forth in paragraphs 68 and 69 of the Governing Instrument, respectively:

“The Board will establish an Independent Integrity Unit, to work with the Secretariat and report to the Board, to investigate allegations of fraud and corruption in coordination with relevant counterpart authorities.”

“The Board will establish an independent redress mechanism that will report to the Board. The mechanism will receive complaints relating to the operation of the Fund and will evaluate and make recommendations.”

3. Moreover, the following provisions are set forth in paragraphs 59 to 62 of the Governing Instrument regarding the IEU:

“There will be periodic independent evaluations of the performance of the Fund in order to provide an objective assessment of the results of the Fund, including its funded activities and its effectiveness and efficiency. The purpose of these independent evaluations is to inform decision-making by the Board and to identify and disseminate lessons learned. The results of the periodic evaluations will be published.”

“To this end, the Board will establish an operationally independent Evaluation Unit as part of the core structure of the Fund. The head of the Unit will be selected by, and will report to, the Board. The frequency and types of evaluation to be conducted will be specified by the Unit in agreement with the Board.”

“Reports of the Fund’s Independent Evaluation Unit will be provided to the COP for purposes of periodic reviews of the financial mechanism of the Convention.”

“The COP may commission an independent assessment of the overall performance of the Fund, including Board performance.”

4. With regard to the IRM and IEU, in addition to their reporting relationship to the Board, there is a linkage to the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). In case of the IRM, this linkage is based on the arrangements between the COP and the Green Climate Fund² approved in 2013, and in the case of the IEU, they are based on paragraphs 61 and 62 of the Governing Instrument that stipulate,

¹ Governing Instrument, paragraph 60.

² These arrangements are:

“The Fund will include in its annual reports to the COP the recommendations of its independent redress mechanism, and any action taken by the Board in response to those recommendations. The COP may provide additional guidance to clarify policies, programme priorities and eligibility criteria as they impact funding decisions.”

“Further modalities for the reconsideration of funding decisions as per Article 11, paragraph 3(b), will be developed appropriately once the independent redress mechanism is operational.”

respectively, that the reports of the IEU will be provided to the COP and that the COP may commission an independent assessment of the overall performance of the Fund.

5. The Board mandated the Secretariat to prepare, for its February 2014 meeting, the terms of reference of the Fund's IEU, IIU and IRM. Approval of these terms of reference is one of the essential requirements for resource mobilization.

II. Relationship with evaluation units, integrity units and accountability mechanisms of implementing entities or intermediaries and experiences of other climate-related funds

6. In the initial phase of its operations, the Fund will be exclusively be working through subnational, national, regional and international implementing entities and intermediaries. Thus, it will be of essential importance to define the relationship of the IEU, IIU and IRM with the evaluation and integrity departments and units and the accountability mechanisms of implementing entities and intermediaries.

7. The Secretariat has looked at examples of other climate funds, such as the Global Environment Facility (GEF), the Adaptation Fund (AF) and the Climate Investment Funds (CIF) that rely on other organisations for project and programme implementation. The Adaptation Fund and the CIF do not have dedicated integrity units nor dedicated accountability units, and instead rely on those of the organisations through which they work. The GEF has a Conflict Resolution Commissioner, who reports to the CEO and works directly with member countries and agencies to help resolve issues, but has no dedicated accountability mechanism or redress mechanism. A comparative table of the experiences of these funds can be found in the appendix.

8. Wherever feasible and appropriate, the IEU, IIU and IRM should closely cooperate with the relevant departments or units of implementing entities and intermediaries and should seek to involve them in their activities wherever feasible. They should also seek to strengthen the capacities of the appropriate departments or units of implementing entities and intermediaries where warranted.

9. In certain cases, the IEU, IIU and IRM may delegate functions to implementing entities or intermediaries which have adequate institutional capacity. In that case, the respective responsibilities of the IEU, IIU and IRM and the relevant departments or units of the implementing entities and intermediaries need to be clearly defined to avoid duplication or conflicting decisions.

10. The relationship between the IEU, IIU and IRM and the corresponding bodies of implementing entities or intermediaries will be covered by agreements which will be entered into by the Fund with these entities or intermediaries which will require these to cooperate with the IEU, IIU and IRM, where required.

III. Proposed terms of reference

11. The proposed terms of reference of the IEU, IIU and IRM, which were prepared by the Secretariat with the assistance of leading experts in this field, are contained in Annexes II, III and IV, respectively.

12. Consistent with Paragraph 31 of the Rules of Procedure of the Board, the Ethics and Audit Committee has been mandated by the Board, in accordance with paragraph 3 (d) of its Terms of reference, to "provide recommendations for the establishment of the Fund's Independent Integrity Unit and the independent redress mechanism". The Committee has not yet had the opportunity to deliberate on the wording of Annexes III and IV that were prepared by the Secretariat, taking account of the initial comments submitted by Committee members.

The Committee will recommend to the Board any amendments to these terms of reference as it may deem fit.

13. Upon Board approval, the final terms of reference of the IEU, IIU and IRM will be annexed to the Board decision.

IV. Operational procedures

14. It is proposed that detailed operational procedures for the IEU, IIU and IRM be considered by the Board at its October 2014 meeting.

15. In the development of these procedures, the Secretariat will consult with relevant institutions to ensure that best practices are taken account of.

Annex I: Draft decision of the Board

The Board, having reviewed document GCF/B.06/06 *Terms of Reference of the Independent Evaluation Unit, the Independent Integrity Unit, and the Independent Redress Mechanism*:

- (a) Adopts the terms of reference of the Independent Evaluation Unit, as set out in Annex II to document GCF/B.06/06;
- (b) Adopts the terms of reference of the Independent Integrity Unit and independent redress mechanism, as set out in Annexes III and IV to document GCF/B.06/06, respectively, including any approved amendments thereto, taking account of the recommendations of the Ethics and Audit Committee;
- (c) Requests the Secretariat to develop the operational procedures for the Independent Evaluation Unit, the Independent Integrity Unit and the independent redress mechanism and to submit them for review by the Ethics and Audit Committee prior to their consideration by the Board at its October 2014 meeting.

Annex II: Draft terms of reference of the Independent Evaluation Unit

I. Background

1. The terms of reference of the Independent Evaluation Unit (IEU) are based on the Governing Instrument (particularly, but not exclusively, its paragraphs 59-62), taking into account Board decisions and documents, best international practices and the specific functions of the Fund, its scope of activities, size and structure.

II. Objectives

2. The following objectives of the IEU are derived from the Government Instrument:
- (a) Informing the decision-making by the Board and identifying and disseminating lessons learned, contributing to guiding the Fund and stakeholders as a learning institution, providing strategic guidance;
 - (b) Conducting periodic independent evaluations of the Fund's performance in order to provide an objective assessment of the Fund's results and the effectiveness and efficiency of its activities; and
 - (c) Providing evaluation reports to the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) for purposes of periodic reviews of the financial mechanism of the Convention.

III. Independence of evaluation and role of the Board

3. According to the best-practice norms and standards for independent evaluation,¹ the evaluation function should be located independently from the other management functions so that it can be free from undue influence. It needs to have full discretion in directly submitting its reports. The Head of the IEU will be appointed by, and report to, the Board, potentially through a designated Board committee. The appointment will be for a three-year term. The recruitment process will be conducted in a transparent manner and in consultation with the Board. The Head of the IEU can be removed only by decision of the Board. To preserve independence, upon termination of service as the IEU Head, he/she will not be eligible for staff positions within the Secretariat.

4. The staff of the IEU will be subject to the Code of Conduct of Staff.

5. The Board will review and approve the evaluation policy, three year-rolling evaluation work plans, the annual work programme and budget. It will also review, on an annual basis. The progress in the implementation of IEU recommendations.

IV. Responsibilities

6. Should the COP commission an independent assessment of the overall performance of the Fund, the IEU would support the work involved in such assessment. An overall performance study of the Fund could become a responsibility of the IEU, as has been the case with the Global Environment Facility (GEF) Evaluation Office since 2007.

¹ *Sourcebook for Evaluating Global and Regional Partnership Programs* elaborated by the OECD/DAC Network on Development Evaluation and IEG/World Bank.

7. Furthermore, taking into account international experience, and in light of the results of its evaluations, the IEU will make recommendations to improve the Fund's performance indicators and its results management framework.
8. In addition, the IEU will attest to the quality of the Fund's self-evaluation conducted by the Secretariat.
9. The IEU will synthesize the findings and lessons learned from its evaluations to inform the Board and the Executive Director as well as stakeholders.
10. The IEU will actively participate in relevant evaluation networks to ensure that it is at the frontier of evaluation practice and that it benefits from relevant initiatives undertaken by other evaluation units.
11. The IEU will establish close relationships with the independent evaluation units of the intermediaries and implementing entities of the Fund and will seek to involve them in their activities wherever feasible and appropriate.
12. The IEU will be responsible for conducting, or managing by contracting consultants, the types of evaluations mentioned in Section V, using as much as possible internally generated data streams and analytical outputs, and applying the best evaluation norms and standards². The use of technical expert panels or similar mechanisms may be appropriate, as recommended in the case of the GEF by the peer review of its evaluation function. The IEU will ensure that evaluation team members do not have conflicts of interest with respect to the activities in whose evaluation they will be involved. Finally, the IEU will be responsible to develop and update the evaluation policy of the Fund.

V. Types of evaluation and the Fund's result areas

13. Given that the Fund will pursue a country-driven approach, after its first years of operation the IEU may perform evaluations of the activities funded in different countries, i.e. *country portfolio evaluations*.
14. Furthermore, the IEU may also perform *thematic evaluations* of the different types of activities that the Fund will finance, such as those designed to enable and support enhanced actions on climate change adaptation or mitigation. With time, these thematic evaluations may cover all the results areas of the Fund.³
15. In addition, as the Fund will support developing countries in pursuing project-based and programmatic approaches in accordance with climate change strategies and plans, such as low-emission development strategies or plans, nationally appropriate mitigation actions (NAMAs), national adaptation plans of action (NAPAs), national adaptation plans (NAPs) and other related activities, the IEU may also perform *evaluations of those project-based and programmatic approaches*.
16. The types of evaluation mentioned above will provide the Board and the COP with an independent assessment of the Fund's operations. These evaluations could also be used as building blocks for an overall assessment of the Fund. To maximize the value added of IEU evaluations, the IEU will prepare its work plans after consulting with the Board and the Secretariat. All these evaluations will be performed mainly by independent consultants managed by the IEU.

² In addition to the norms and standards, quoted in footnote 1, another relevant source are the good-practice standards developed by the independent evaluation offices of multilateral development banks (MDBs), through their Evaluation Cooperation Group (ECG). See https://wpqr4.adb.org/LotusQuickr/ecg/PageLibrary48257B910010370B.nsf/h_Toc/7165ce615f744f0848257b95002c9f1d/?OpenDocument.

³ Document GCF/B.05/02 identifies 14 initial result areas of the Fund.

VI. Evaluation criteria

17. The evaluation criteria to be used by IEU will be the following (taking into account the Fund's results management framework):
- (a) Relevance, effectiveness and efficiency of projects and programmes;⁴
 - (b) Coherence in climate finance delivery with other multilateral entities;
 - (c) Gender equity;
 - (d) Country ownership of projects and programmes;⁵
 - (e) Innovativeness in result areas (extent to which interventions may lead to paradigm shift towards low-emission and climate resilient development pathways);
 - (f) Replication and scalability - the extent to which the activities can be scaled up in other locations within the country or replicated in other countries (this criterion, which is considered in document GCF/B.05/03 in the context of measuring performance, could also be incorporated in independent evaluations);⁶ and
 - (g) Unexpected results, both positive and negative.

VII. Feedback and knowledge management

18. Independent Evaluation Unit evaluations will be published and reports will be provided to the COP for its periodic reviews of the financial mechanism of the Convention.⁷
19. Evaluation results should feed back into the design phase, thus contributing to enhancing the quality of funded activities. To facilitate this process, the IEU will periodically prepare brief notes synthesizing lessons learned from evaluations.

VIII. Delineation of roles and responsibilities of the Fund's IEU and those of the independent evaluation mechanisms of implementing entities and intermediaries

20. In the initial phase of its operations, the Fund will be exclusively be working through subnational, national, regional and international implementing entities and intermediaries. Thus, it will be of necessary to define the delineation of roles and responsibilities of the Fund's IEU and those of the independent evaluation mechanisms of implementing entities and intermediaries.
21. The Fund's IEU should closely cooperate with the relevant departments or units of implementing entities and intermediaries and should seek to involve them in its activities wherever feasible.
22. The relationship between the IEU and the corresponding body of implementing entities or intermediaries will be covered by agreements which will be entered into by the Fund with

⁴ Co-benefits and global environmental co-benefits would be included either within relevance and/or effectiveness, depending on the definition of the objectives of the Fund's activities that will be evaluated.

⁵ Even though this is not a standard evaluation criterion, it is included among the evaluation criteria that the IEU should use in order to take into account decision B.04/04, that country ownership will be a core principle of the Fund's business model framework.

⁶ Following the good practice of the Independent Evaluation Office of the International Fund for Agricultural Development (IFAD).

⁷ As established in the Annex to decision/CP.19.

these entities or intermediaries which will require these to cooperate with the Fund's IEU, where required.

23. The IEU will support the strengthening of evaluation capacities in subnational, national and regional IEs and intermediaries to enable evaluation of their Fund portfolio activities. Over time, in those countries in which there are sub-national, national or regional intermediaries or implementing entities with evaluation capacities, the IEU could involve them in Fund evaluations.

Annex III: Draft terms of reference of the Independent Integrity Unit¹

I. General principles

1. Pursuant to paragraph 68 of the Governing Instrument, the Board “will establish an Independent Integrity Unit, to work with the Secretariat and report to the Board, to investigate allegations of fraud and corruption and other prohibited practices (coercive and collusive practices, abuse, conflict of interest and retaliation against whistle blowers) in line with best international practice and in close coordination or cooperation with relevant counterpart authorities.”
2. The Independent Integrity Unit (IIU) enjoys complete independence in the exercise of its responsibilities; and in order to conduct an investigation, it will have full access to all relevant Fund’s documents and data, including electronic data. During the course of its work, the IIU will need to work closely with the Secretariat. The IIU will report to the Board directly or through the Ethics and Audit Committee.
3. The IIU will actively participate in relevant networks of integrity department/units to ensure that it is at the frontier of relevant practice and that it benefits from initiatives undertaken by integrity units of other international organizations.
4. The IIU will establish close relationships with the integrity units of the intermediaries and implementing entities. With regard to complaints and allegations against implementing entities or intermediaries or at the project or programme level, the IIU may rely on, or participate in, investigations conducted by the independent integrity departments or units of the implementing entities or intermediaries, if these have adequate capacity and circumstances so warrant. However, the IIU is not precluded from conducting its own investigations.
5. All complaints and allegations against the Fund or persons associated with it will be addressed by the IIU. The IIU will maintain objectivity, impartiality and fairness throughout the investigative process and conduct its activities with the highest levels of integrity.
6. The IIU will be free from improper influence or fear of retaliation.
7. The staff of the IIU will be managed by the Head of the IIU. The staff of the IIU will be subject to the Code of Conduct of Staff. In this regard, the staff of the IIU will disclose to the Head of the IIU, in a timely manner, any actual or potential conflict of interest they may have in an investigation in which they are participating, and the Head of the IIU will take appropriate steps to remedy the conflict. The Head of the IIU will disclose to the Executive Director any actual or potential conflict of interest he/she may have in an investigation, and the Executive Director will take appropriate steps to remedy the conflict. Appropriate procedures will be prepared by the Secretariat, for review by the Ethics and Audit Committee and Board approval, to investigate allegations of misconduct on the part of any staff member of the IIU, and mitigate any conflict of interest.
8. Investigations conducted by the IIU will be administrative in nature, and the standard of proof that will be used by the IIU to determine whether a suspicion or allegation is substantiated, will be whether the information as a whole shows that an investigative finding is more probable than not.
9. Investigative findings will be based on facts and related analysis. The subject of an investigation will be given the opportunity to explain the reasons for the conduct and provide information supporting such explanation.

¹ The wording of this Annex had been prepared by the Secretariat, taking account of initial comments made by Ethics and Audit Committee members. The Committee has not yet had the opportunity to deliberate on the wording of this Annex and will transmit to the Board, based on the deliberations at its meeting in February 2014, any amendments thereto as it may deem fit. The final terms of reference, as approved by the Board, will be annexed to Board decision.

10. If the IIU does not find sufficient information during the investigation to substantiate a suspicion or allegation, it will document its findings, close the investigation, and notify the Secretariat and other parties, as appropriate.
11. Where the IIU's investigative findings indicate that a complaint was knowingly false, it will refer the matter to the Secretariat for any further action.
12. The IIU will, during an investigation, take appropriate measures to protect as confidential any non-public information associated with an investigation, and will take appropriate measures to prevent the unauthorized disclosure of investigative findings.
13. To the extent possible, interviews conducted by the IIU during an investigation will be conducted by two persons. Interviews may be conducted in the language of the person being interviewed, where appropriate, using interpreters. The Fund will not pay a witness or an informant; however, the IIU may assume the responsibility for reasonable expenses incurred by witnesses or informants to meet with the IIU.
14. The IIU may engage external parties (e.g. individuals or companies experienced in forensic investigations) to assist it in its investigations.

II. Principal responsibilities

- (a) Serving as the initial point of contact for all alleged and suspected incidents of integrity violation, as defined by the Fund, including fraud and corruption, in any Fund activity, including by its staff members and activities implemented through implementing entities, intermediaries, and project executing entities;
- (b) Registering all complaints and reviewing them to determine whether they fall within the authority of the IIU (or require referral to another body), and determining the priority of a case with respect to other cases, taking into account the monetary value of the integrity violation, media and other sensitivity and relevance to a possible financial risk and reputational risk. Where practical, the IIU will acknowledge receipt of all complaints;
- (c) Adopting appropriate procedures to determine whether an integrity violation has occurred; gathering sufficient related evidence, attempting to identify the integrity violators and establishing the extent of the integrity violation as well as the techniques used;
- (d) Examining and determining the veracity of alleged or suspected integrity violations against implementing entities or intermediaries, project executing entities, contractors, consultants, service providers, or other external stakeholders, or against the Fund's staff members, reporting its investigative findings to the Secretariat and/or an oversight body, and making recommendations, as appropriate, that are derived from its findings;
- (e) With reference to complaints regarding activities originated and implemented through implementing entities or intermediaries, the IIU may conduct its own investigations, participate in investigations conducted by implementing entities or intermediaries, or delegate the investigation to such implementing entities or intermediaries. The decision will depend on the institutional capacity of the integrity function of the intermediary or implementing entity.
- (f) With regard to project executing entities, contractors, consultants, service providers and other external stakeholders, providing the Secretariat and any oversight body that the Board may decide to establish, with investigative findings to decide on remedial actions, including possible sanctions;
- (g) With reference to staff of the Fund, the IIU will investigate allegations of staff misconduct by the, involving integrity violations as defined by the Fund, including

- allegations referred to the IIU by the Secretariat; cooperating and coordinating with the Executive Director² and the Secretariat in the conduct of investigation; reporting to the Secretariat its findings for the Executive Director to decide on disciplinary actions;
- (h) In consultation with the Executive Director and other designated officials of the Fund, recommending improvements to policies, procedures and controls to mitigate the opportunities for integrity violations in the Fund's activities, including activities implemented through implementing agencies and intermediaries, to ensure that all staff, external stakeholders and implementing entities and intermediaries adhere to the highest integrity standards; Documenting all investigative findings and conclusions;
 - (i) Providing the Ethics and Audit Committee with the information that the Committee may reasonably request for it to fulfil its role pursuant to its terms of reference, in particular concerning the issues of Board conflict of interest, confidentiality and ethics;
 - (j) Reporting to the Board summary investigative findings and any remedial action decided upon by an oversight body in the case of external stakeholders, or by an implementing entity or intermediary;
 - (k) In collaboration with the Secretariat and the Executive Director, promoting awareness of the Fund's integrity standards, including to all implementing entities and intermediaries, and executing entities;
 - (l) Consulting and collaborating with multilateral funds, international finance institutions and other relevant parties to share experience and insight on how best to fight integrity violations;
 - (m) Coordinating with relevant national and international counterpart authorities during investigations of alleged or suspected integrity violations, when considered appropriate and authorized by the Secretariat; and
 - (n) Preparing and submitting an annual report to the Board, summarizing its activities.

III. Delineation of roles and responsibilities of the Fund's IIU and those of the integrity mechanisms of implementing entities and intermediaries

15. In the initial phase of its operations, the Fund will be exclusively be working through subnational, national, regional and international implementing entities and intermediaries. Thus, it will be of essential importance to define the delineation of roles and responsibilities of the Fund's IIU and those of the integrity mechanisms of implementing entities and intermediaries.

16. The Fund's IIU must closely cooperate with the relevant departments or units of implementing entities and intermediaries and should seek to involve them in its activities wherever feasible. The IIU should furthermore seek to strengthen the capacities of the appropriate departments or units of implementing entities and intermediaries where warranted.

17. In certain cases, the IIU may delegate functions to implementing entities or intermediaries which have adequate institutional capacity. In that case, the respective responsibilities of the IIU and the relevant departments or units of the implementing entities and intermediaries need to be clearly defined to avoid duplication or conflicting decisions.

18. The relationship between the IIU and the corresponding body of implementing entities or intermediaries will be covered by agreements which will be entered into by the Fund with

² Any allegations of misconduct against the Executive Director are to be reported by the IIU to the Chair of the Ethics and Audit Committee.

these entities or intermediaries which will require these to cooperate with the Fund's IIU, where required.

19. The IIU will support the strengthening of capacities of the integrity mechanisms of subnational, national and regional intermediaries and implementing entities. Over time, the IIU may rely on the integrity mechanisms of these intermediaries and implementing entities if circumstances so warrant.

Annex IV: Draft terms of reference of the independent redress mechanism¹

I. Role and functions

1. The Governing Instrument mandates the Board to establish “an independent redress mechanism that will report to the Board. The mechanism will receive complaints relating to the operation of the Fund and will evaluate and make recommendations”. The scope of the proposed independent redress mechanism (IRM) applies to all public and private borrowers or recipients of funds from the Fund. The IRM is not intended to be a court of appeals or a legal mechanism, but a mechanism within the Fund to redress the grievances and complaints by communities and people affected by environmental and social impacts that result from an action or omission to follow the Fund’s operational policies and procedures regarding environmental and social safeguards.

2. The IRM will be similar to the mechanisms of other climate funds that follow international best practices. The objective of the IRM will be to enhance the effectiveness and quality of projects and programmes financed by the Fund. In attaining these overall goals, the Fund will be responsive to the concerns of those affected by its projects/programmes and treat all stakeholders in a fair and equitable manner, reflecting the highest professional and technical standards for its staffing and operations. While ensuring transparency and fairness, the IRM will be cost-effective, efficient and complementary to other supervision, audit, quality control and evaluation systems of the Fund.

3. The functions that the IRM will perform will be to:

- (a) Receive complaints or grievances from those directly affected by the projects/programmes funded by the Fund, as described in Section II;
- (b) Evaluate if a complaint or grievance meets the eligibility criteria set out in Section II;
- (c) If deemed eligible, address complaints or grievances from those directly affected by the projects/programmes funded by the Fund;
- (d) Use informal means of dispute resolution, such as problem solving and mediation to bring about a satisfactory and amicable redress of the grievance or complaint;
- (e) Where such informal efforts are not successful, determine if project-affected communities encountered impacts because of a failure to implement the Fund’s environmental and social safeguards or procedures. The IRM may also make recommendations to make changes to the operational policies and procedures relating to safeguards to draw general lessons;
- (f) Make recommendations to the Board both for actions to ensure proper safeguard and procedure implementation;
- (g) Monitor whether the decisions taken by the Board following IRM recommendations have been implemented;
- (h) Prepare and submit periodic progress reports to the Board, as and when required, and an annual report that will also be disseminated to the public.

¹ The wording of this Annex had been prepared by the Secretariat, taking account of initial comments made by Ethics and Audit Committee members. The Committee has not yet had the opportunity to deliberate on the wording of this Annex and will transmit to the Board, based on the deliberations at its meeting in February 2014, any amendments thereto as it may deem fit. The final terms of reference, as approved by the Board, will be annexed to Board decision.

II. Eligibility for filing complaints

4. A complaint can be filed by a group of persons who have been directly affected by adverse impacts through the failure of the project or programme funded by the Fund to implement the Fund's environmental and social safeguards, or the failure of the Fund or its intermediaries and implementing entities to follow such polices. Other kinds of complaints, such as allegations of corruption, misprocurement, etc. will be handled by other units of the Fund, i.e. the Independent Integrity Unit.

III. Governance and management structure

5. The IRM Unit will be headed by a part-time expert with experience in running an accountability mechanism and will comprise two other part-time experts who have relevant background and experience relating to such a mechanism. These persons should enjoy impeccable reputation of honesty and integrity and be widely respected and regarded for their competence and expertise. As and when the workload justifies, the part-time head position could be converted into a full-time position. The Head of the IRM Unit will report to the Board, potentially through a designated Board committee.

6. The Board, potentially on recommendation of a relevant committee, will be responsible for:

- (a) Appointing the Head of the IRM Unit, in an open and transparent manner to be decided by the Board;
- (b) Overseeing the activities of the IRM;
- (c) Considering and approving the annual budget of the IRM;
- (d) Taking decisions and authorizing actions on recommendation of the IRM, following the investigations; and
- (e) Monitoring the implementation of the decisions taken.

7. The tenure of the office of the Head of IRM Unit will be for three years. To ensure independence of the office, the incumbent may not be removed from office during his/her term, except for malfeasance or mental incapacitation. His/her terms and conditions of appointment will be decided by the Board.

8. The IRM Unit will keep a roster of experts with a variety of technical skills who will be selected in an impartial and objective manner. These experts will be invited and assigned the task to carry out compliance appraisals in those cases where screening determines that the complaint meets the eligibility criteria and where mediation has failed. The selection of the candidates will be made carefully to eliminate any possible actual or perceived conflict of interest. These experts will be paid all their expenses, and fees or honorarium on the basis of the work performed.

9. The staff of the IRM Unit will be subject to the Code of Conduct of Staff.

IV. Guidelines and procedures

10. The detailed guidelines and procedures governing the work of the IRM will be developed subsequent to the approval of the terms of reference of the IRM by the Board. The procedures to be followed will be iterative, whereby expeditious and low-cost redress of grievances and resolution of complaints can be facilitated. Only in those cases where such informal resolution of problems is not possible, the subsequent phase of investigation and determination will be invoked.

V. Budget, staffing and reporting

11. To ensure its financial independence, the Head of IRM Unit will propose a budget for meeting the annual expenses and the Board will consider and approve this budget.
12. For administrative purposes only, the Head of IRM Unit will report to the Executive Director, but for all substantive work, he/she will be responsible to the Board or one of its committees.
13. All staff appointments and terminations of service in the IRM Unit will be the sole responsibility of the Head of IRM Unit and not of the Secretariat

VI. Delineation of roles and responsibilities of the Fund's IRM and those of the accountability mechanisms of implementing entities and intermediaries

14. In the initial phase of its operations, the Fund will be exclusively be working through subnational, national, regional and international implementing entities and intermediaries. Thus, it will be of essential importance to define the delineation of roles and responsibilities of the Fund's IRM and those of the accountability mechanisms of implementing entities and intermediaries.
15. The Fund's IRM should closely cooperate with the relevant departments or units of implementing entities and intermediaries and should seek to involve them in its activities wherever feasible. The IRM should furthermore seek to strengthen the capacities of the appropriate departments or units of implementing entities and intermediaries where warranted.
16. In certain cases, the IRM should delegate functions to implementing entities or intermediaries which have adequate institutional capacity. In that case, the respective responsibilities of the IRM and the relevant departments or units of the implementing entities and intermediaries need to be clearly defined to avoid duplication or conflicting decisions.
17. The relationship between the IRM and the corresponding body of implementing entities or intermediaries will be covered by agreements which will be entered into by the Fund with these entities or intermediaries which will require these to cooperate with the Fund's IRM, where required.
18. The IRM will support the strengthening of capacities of the accountability/redress mechanisms of subnational, national and regional intermediaries and implementing entities. Over time, the IRM may rely on the accountability/redress mechanisms of these intermediaries and implementing entities if circumstances so warrant.

Appendix: Experience of other climate funds regarding the Independent Evaluation Unit, the Independent Integrity Unit and the independent redress mechanism

| Fund | Independent Evaluation Unit | Independent Integrity Unit | Independent redress mechanism |
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| Adaptation Fund | <p>The Board is responsible for strategic oversight of projects and programmes implemented with resources from the Fund.</p> <p>The Ethics and Finance Committee (EFC), with support from the Secretariat, monitors the Adaptation Fund portfolio of projects and programmes and provides annual reports to the Board on the overall status of the portfolio and progress towards results.</p> <p>Terminal evaluation of projects and programmes is carried out by an independent evaluator selected by the implementing entity, and terminal evaluation reports are submitted to the Board.</p> <p>The Board reserves the right to carry out independent reviews, evaluations of the projects and programmes as and when deemed necessary.</p> | <p>There is no investigative function within the Adaptation Fund Secretariat.</p> <p>Instead, implementing entities are responsible for investigating allegations of misuse of funds using their own internal investigators, or hiring investigators that are acceptable to the Board.</p> <p>All investigations should be consistent with the general principles and guidelines for investigation based on the International Financial Institutions Principles and Guidelines for Investigation.</p> <p>If the Board becomes aware of any allegation or evidence of misuse of funds, it will notify the implementing entity of such allegation or evidence so that the implementing entity can handle the allegation.</p> <p>The implementing entity will provide regular updates to the Board on any investigation and a final report on the conclusions of the investigation as well as provide regular up-dates on actions taken to address any illegal or corrupt practice involving the Fund's funds.</p> | <p>Both the secretariat and implementing entities can address grievances relating to Adaptation Fund activities.</p> <p>As part of the Adaptation Fund's environmental and social safeguards policy, implementing entities must demonstrate that a grievance mechanism is available for people affected by Adaptation Fund projects/programmes that addresses their complaints about environmental and social harms relating to the project.</p> <p>The secretariat can receive complaints about projects/programmes, which are often referred to the implementing entities' grievance mechanism, and about implementing entities, which will be addressed to the extent possible.</p> |
| GEF | <p>The GEF independent Monitoring and Evaluation Unit is responsible for activities relating to monitoring and evaluation, including inter alia managing evaluations of overall GEF performance and conducting periodic impact evaluations. It works closely with the GEF Secretariat, the implementing and executing agencies and the Scientific and Technical</p> | <p>There is no specific investigative function within the GEF. The GEF relies on its partner agencies, in collaboration with the GEF secretariat, to undertake investigations into mismanagement of funds.</p> <p>The Conflict Resolution Commissioner, who functions within the Secretariat, facilitates the investigative process by consulting with the</p> | <p>The Conflict Resolution Commissioner is an independent voice that works directly with member countries and agencies to help resolve disputes and address complaints relating to GEF operations. He reports directly to the GEF CEO.</p> <p>This service is intended to complement efforts already undertaken at the level of individual GEF agencies and</p> |

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| | <p>Advisory Panel (STAP) and reports directly to the GEF Council.</p> | <p>GEF CEO, sharing the information with the relevant agency and working with the agency to trigger its internal investigation mechanisms.</p> | <p>to deal with other matters outside of the scope of the work of these agencies.</p> <p>At the project/programme level, GEF partner agencies must demonstrate that they established a grievance mechanism for individuals and communities subject to involuntary resettlement in order to comply with the GEF's environmental and social safeguard policy.</p> |
| CIF | <p>The five Independent Evaluation Departments (EvDs) of the MDBs constitute a six-person Evaluation Oversight Committee that oversees and manages the independent evaluation of the operations of the CIF and the impacts of their activities. The Directors and Directors-General of the EvDs will approve the final evaluation report.</p> <p>This is currently taking place, after five years of operation of the CIF.</p> | <p>The CIF relies on the accountability, integrity, and anti-corruption mechanisms of the MDBs to investigate suspected fraud and corruption in CIF-financed operations, and to investigate allegations of misconduct of officials, employees or consultants involved in CIF-financed operations.</p> <p>Concerns relating to the misconduct of CIF Administrative Unit staff are raised and handled through the World Bank complaint mechanism.</p> | <p>The CIF does not have its own redress mechanism, but there are several channels through which concerns can be raised.</p> <p>At the project and programme implementation level, the concerns of affected individuals and communities are addressed through the MDBs' compliance and project complaint mechanisms.</p> <p>Preventive mechanisms are embedded in the decision-making procedure of the CIF Trust Fund Committee and Sub-Committee to effectively serve to address the concerns of affected countries and/ or other external actors.</p> <p>Specific to the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities under the Forest Investment Programme, either the National or Global Executing Agencies manage the grievance and complaints redress process, depending on the affected party.</p> |